

SECOND SUPPLEMENT DATED 31 MAY 2019 TO THE BASE PROSPECTUS DATED 22 JANUARY 2019



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)

This second Supplement (the "**Supplement**") to the base prospectus dated 22 January 2019 (the "**Base Prospectus**") as supplemented by the first supplement dated 23 April 2019, constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC (the "**Prospectus Directive**") and Article 13.1 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities as amended (the "**Prospectus Act**") 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 Base Prospectus.

This Supplement is supplemental to, and should be read in conjunction with, the Base 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**") as a supplement issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg.

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). In case of any offering of securities under the Programme, the above documents with respect to the Issuer will also be available on the Issuer's website (www.mps.it).

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base 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 Base Prospectus since the publication of the Base Prospectus.

Purpose of this Supplement

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

1. update paragraphs titled "*Risks deriving from judicial and administrative proceedings*" set out in the "*Risks Factors*" section of the Base Prospectus;
2. update the section named "*Documents Incorporated by Reference*" of the Base Prospectus, incorporating by reference: (i) the consolidated unaudited interim financial report of BMPS as at 31 March 2019, (ii) the Guarantor's audited annual financial statement as at 31 December 2018 and (iii) the auditors' report in relation to the audited consolidated annual financial statements of the Guarantor as at and for the years ended 31 December 2018;
3. update the section named "*Banca Monte dei Paschi di Siena S.p.A.*" of the Base Prospectus;
4. update the section named "*Management of the Bank*" of the Base Prospectus;
5. update the section named "*The Guarantor*" of the Base Prospectus; and
6. update the section named "*General Information*" of the Base Prospectus.

1. RISKS FACTORS

- 1.1 On page 49 of the Base Prospectus, under paragraph " *Risks deriving from judicial and administrative proceedings*", the third and fourth subparagraph shall be deleted and replaced as follows (track changes show the amendments made):

"As at ~~30 September 2018~~31 December 2018, the overall petitem in relation to civil and administrative proceedings of the Group was equal to Euro ~~4,555,000~~ million of which ~~approximately Euro 3,373 relating to the proceedings for the ordinary activities of the Issuer and~~ approximately Euro 764 million for the civil proceedings relating to the suits brought by the shareholders in the context of 2008, 2011, 2014 and 2015 capital increases, ~~approximately Euro 606 million in relation to threatened litigations brought against the Issuer relating to the same capital increase transactions~~ and approximately Euro 118 million with respect to requestes brought by the civil claimants, where quantified, relating to criminal proceedings no. 29634/14 and no. 955/16 which the Issuer is part of (for further information, please see Section "Legal Proceedings", respectively, paragraphs "*Disputes deriving from ordinary business*" and "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*" of this Prospectus). Euro 607 million shall add to such overall petitem in relation to extra-judicial claims received by the Issuer in relation to such capital increases. The overall petitem for tax proceedings of the Group is equal to approximately Euro ~~14130~~ million for taxes and sanctions (of which Euro 121 million relating to the Bank) while the overall petitem relating to the labour proceedings is equal to Euro ~~113.970~~ million (including the labour proceedings brought by certain employees of Fruendo S.r.l.) almost entirely relating to the Bank.

In light of the estimates made on the risks of adverse outcome in the aforementioned proceedings, as at ~~30 September 2018~~31 December 2018, ~~provisions for~~ "legal and tax-disputes" included under the item "*provision for risks and charges*", amounted ~~approximately~~ approximately to Euro ~~608.5574.3~~ million, comprising claw-backs ~~for of approximately~~ Euro ~~61.958~~ million and ~~civil legal~~ legal ~~disputes~~ disputes ~~of approximately for~~ Euro ~~512.4515.1 million~~ million of which Euro 542.2 million derived from judicial proceedings associated with ordinary business. Furthermore, as at the same date, in addition to the above, the "*provision for risks and charges*" includes tax disputes for approximately Euro ~~33-35~~ million and labour disputes (both passive and active) for approximately ~~-Euro 31.234.4~~ million."

- 1.2 On page 54 and ss. of the Base Prospectus, under paragraph " *Risks deriving from judicial and administrative proceedings*", the item (b) "*Risks deriving from civil disputes initiated by investors and/or shareholders of the Bank*" shall be deleted and replaced as follows (track changes show the amendments made):

"(b) Risks deriving from civil disputes initiated by investors and/or shareholders of the Bank

Amongst the abovementioned sanctioning procedures ~~abovementioned~~ under paragraph (a3), with respect to the prospectuses relating to the capital increases executed respectively in financial years 2008 and 2011, CONSOB, with resolutions No. 18885 of 17 April 2014 and No. 18886 of 18 April 2014 respectively, closed the sanctioning proceedings initiated for possible irregularities in drawing up such documents, imposing pecuniary administrative sanctions against the directors and statutory auditors pro tempore for an overall amount equal to Euro 1,150 million. The Bank did not appeal ~~either~~ any of the two measures and it proceeded with the payment of the sanctions in its capacity as joint obligor, initiating the activities preparatory to the exercise of its right of recourse. Upon allegations analogous to those charged in the two aforementioned sanctioning proceedings, CONSOB, with resolution No. 18924 of

21 May 2014, also closed the sanctioning proceedings for irregularities in drawing up bond loan and certificate prospectuses published by the Issuer in the period 2008-2012, imposing monetary administrative sanctions for an overall amount equal to Euro 750.000 to the Bank's directors and statutory auditors pro tempore. The Bank challenged these sanctions but paid up the sanction in its capacity as a person joint and severally liable, starting the relevant recourse activities (for more information on such sanctioning procedures, reference is made to "*Banca Monte dei Paschi S.p.A. – Legal Proceedings – CONSOB's sanctioning procedure*" below).

In this respect, amongst the initiatives against the Issuer, some investors and/or shareholders of the Bank initiated actions aimed at obtaining the compensation for alleged damages suffered by the same subjects due to the alleged inaccuracy of the disclosure provided by the Issuer in the context of the 2008, 2011, 2014 and 2015 capital increase transactions and, in any case, due to the assumed unfairness of the price-sensitive information provided from 2008 to 2015. As at ~~the date of this Prospectus~~ 31 December 2018, 30 proceedings with compensatory aims have been initiated before different Courts. In such claims, the plaintiffs mainly act for the declaration of the Bank's liability pursuant to article 94 of the Consolidated Finance Act, as well as for the cancellation of the capital increases' subscription agreement because of wilful and/or essential error pursuant to the Italian Civil Code. As at ~~the same date~~ 31 December 2018, the overall petitum for such actions is equal to around Euro 764 million ~~of which Euro 688 million referred to four principal actions~~.

In March 2019, in connection with the abovementioned alleged false corporate communications with reference to the year 2014, it should be noted that the York and York Luxembourg funds sued the Issuer, Nomura International plc and some managers and former managers of the Bank before the Court of Milan, claiming damages for a total of Euro 186.7 million which, therefore, shall be added to the petitum indicated above.

Furthermore, as at ~~the date of this Prospectus~~, 31 December 2018, various complaints have been filed individually by investors – through consumers or legal associations – ~~124~~ 69 of which, ~~on~~ with a total amount of ~~834~~ 903, have taken part into the claim initiated by Marangoni Arnaldo (as described under "*Banca Monte dei Paschi S.p.A. – Legal Proceedings – Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*") – for a total of around Euro 654 million of claimed amounts, where quantified, associated with alleged losses incurred linked to allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2011. Of such requests, around 10 per cent. turned into civil judicial initiatives (in the great majority with intervention in the proceedings initiated by one single shareholder).

Such requests – individually or collectively through two professionals and the ADUSBEF (Associazione Difesa Utenti Servizi Bancari e Finanziari) – although heterogeneous, are mainly reasoned with generic references to the alleged infringement, by the Bank, of the sector legislation in the matter of disclosure and, accordingly, rebutted by the Bank as generic, ungrounded, and unsupported by suitable documental evidences and in some instances, time barred. The residual petitum claimed by complainants who did not initiate judicial proceedings is equal to around Euro 591 million as at ~~the date of this Prospectus~~ 31 December 2018.

In addition, ~~as at 30 September 2018~~, there were also ~~6653~~ cases of threatened litigations relating to the 2014-2015 capital increases for a total requested amount equal to approximately Euro 186 million ~~(and, therefore up to the~~, overall requested amount is approximately equal to Euro 6096 million as at 31 March 2019).

As at 31 March 2019, these complaints amounted to 922, for a total petitum of approximately Euro 654 million, where quantified. The residual petitum claimed by complainants who did not initiate judicial proceedings is equal to approximately Euro 591 million to which, in

relation to the 2014-2015 capital increases, other 66 complaints shall be added (for a petition of approximately Euro 18 million) totalling an overall petition equal to euro 609 million as at 31 March 2019.

For the sake of completeness, it is important to highlight that, again with reference to the damages allegedly suffered as a result of the capital increase operations for the years 2014 and 2015, in April 2019 (and, therefore, the related data are not yet included in the Unaudited Consolidated Interim Report as at 31 March 2019) the Bank received claims for compensation equal to approximately Euro 171 million, in addition to non-asset damages not yet quantified.

Actions exercised by investors – concerning allegedly false prospectuses and/or allegedly inaccurate information, on which subscribers' investment decisions were based – may increase, even significantly, both by number and amount of compensatory requests, compared to those pending as at ~~the date of the Prospectus~~ 31 December 2018. Furthermore, it cannot be excluded that the number of complaints concerning the above described cases may increase – even significantly – or that already filed complaints would turn into true and proper disputes before judicial authorities. Finally, it has to be deemed that an increased number of disputes and/or complaints may ~~also~~ occur ~~also~~ as a consequence of the evolution of criminal proceedings initiated after judicial investigations initiated during 2012 and of the Bank's involvement as a civilly liable party, in the context of such proceedings, pending before the Courts of Milan as specified below.

The possible adverse outcome in such proceedings, as well as the initiation of new proceedings and/or increased compensatory requests may have negative impacts, even material, on the business and the economic, capital and/or financial condition of the Bank and/or the Group. Furthermore such adverse outcomes, if any, or the arising of new disputes may have reputational impacts even significant on the Bank and/or the Group, with a consequently potential negative impact on the business and the economic, capital and/or financial condition thereof. "

- 1.3 On page 56 and ss. of the Base Prospectus, under paragraph " *Risks deriving from judicial and administrative proceedings*", the item (d) " *Risks deriving from sanctioning procedures promoted by the authorities* " shall be deleted and replaced as follows (track changes show the amendments made):

"(d) Risks deriving from sanctioning procedures promoted by the authorities

While carrying out its ordinary business, the Group is, furthermore, subject to inspections promoted by the supervisory authorities that may give rise to requests of organisational interventions and enhancement of safeguards aimed at remedying deficiencies, if any, found. The extent of such deficiencies, furthermore, may determine the beginning of sanctioning proceedings against the company's representatives and employees. Specifically, failed performance of the requests of the supervisory authorities may entail further disputes and investigations and submit the Group to compensatory requests, fines imposed by supervisory authorities, other sanctions and/or reputational damage.

Sanctioning proceedings initiated by supervisory authorities in respect of ordinary business, some of which are against some members of the current management, are listed under "*Banca Monte dei Paschi S.p.A. – Legal Proceedings – Sanctioning procedures*" of this Prospectus.

In particular, it has to be underlined that the procedure I794 – commenced by the Italian antitrust authority (*Autorità Garante della Concorrenza e del Mercato*, hereinafter, the

"AGCM") against the Italian banking association (*Associazione Bancaria Italiana*) in respect of the remuneration of the SEDA service and subsequently extended to the 11 most important Italian banks, among which was BMPS, concerning the alleged materiality of the interbank agreement for the remuneration of the SEDA service as agreement restricting competition pursuant to art. 101 of the Treaty on the Functioning of the European Union (according to AGCM the agreement would imply "the absence of any competitive pressure", with consequent possible increase in overall prices to be borne by enterprises, which may be in turn charged to consumers) – was also closed.

The procedure was closed with the AGCM measure of 28 April 2017, notified on 15 May 2017. The authority resolved (i) that the parties (including BMPS) have put in place an agreement restricting competition, in breach of art. 101 of the Treaty on the Functioning of the European Union, (ii) that the same parties should cease the conduct in place and file a report illustrating the measures adopted to procure the ceasing of the infringement by 1 January 2018 and should refrain in the future from putting in place similar behaviours, and (iii) that by reason of the non-seriousness of the infringement, also in respect of the legislative and economic framework in which it has been implemented, no sanctions are applied.

BMPS challenged the measure under examination before the regional administrative court ("TAR"), for the purpose of obtaining the cancellation thereof, since the authority, although not imposing sanctions, had on one side established the existence of an agreement restricting competition (with related consequent exposure to the risk of compensatory requests by those deeming to have been damaged from such conduct), on the other side, substantially imposed the adoption of a remuneration model imposing an adjustment economic cost and a likely lower income for the Bank itself. The complaint has been deposited and notified and the date of the hearing is still awaited. Nevertheless, such challenge does not suspend the measures implementation provided for by the authority.

It should be further noted that with the measure of 25 January 2017, the AGCM opened proceedings PS 10678 against Diamond Private Investment S.p.A. ("DPI") for two infringements of the Consumer Code (Legislative Decree No. 206/05) in the sale thereby of investment diamonds. On 27 April 2017, the AGCM extended such proceedings to BMPS and another bank. With a communication dated 26 July 2017, the AGCM deemed BMPS and the other bank involved in the proceedings not chargeable for one of the two infringements; against BMPS, therefore, the proceeding continued only with regard to the residual infringement related to the low transparency of the contractual and commercial documentation. On 30 October 2017, by the measure conducting such proceeding, the authority recognised the occurrence of an unfair commercial practice under Legislative Decree No. 206/05 and, consequently, ordered sanctions for all parties involved therein; BMPS has been charged with a sanction of Euro 2 million. The Bank is carrying on the challenge against such measure in front of the TAR of Lazio, provided that the payment deriving from such measure was executed by BMPS on a timely basis, making use of a fund risk set out in advance for this specific purpose. As a consequence, BMPS received some claims from its clients, in light of which a negative impact on the future economic and financial results of BMPS cannot be excluded.

BMPS had previously entered with DPI into a customer referral agreement, and AGCM held that the bank was actively involved in the promotion and sale of investment diamonds. The proceedings ended with the decision taken by AGCM during the hearing held on 20 September 2017 and notified to the parties on 30 October 2017. AGCM held that the breaches the parties had been charged with had actually been committed, and sentenced BMPS to pay a fine of Euro 2 million. The Bank paid the fine within the relevant terms and challenged the decision before the TAR of Lazio; at the hearing held on 17 October 2018 the Court reserved its

decision. Meanwhile, the Bank has taken action to reimburse the customers previously referred to DPI, who have purchased diamonds from the latter and intend to exit from their investment.

With [the](#) decision published on 14 November 2018, the TAR of Lazio rejected the appeal of BMPS and confirmed the AGCM sanctions; ~~the Bank, following proper evaluations of the legal grounds of the events, has decided not to appeal against such decision which, consequently, became the final judgment. In this respect, the Bank has started certain initiatives to reimburse customers, in light of which, as at 31 March 2019, provisions for risks and charges amounted to Euro 150 million (Euro 127 million as at 31 December 2018), which were partly used in the first part of 2019 to enter into settlement agreements, for an amount equal to Euro 31 million. These funds are constantly monitored by the Bank, and periodically updated in the light of the evolution of pending claims and disputes, in line with the accounting and financial statement criteria used by the Issuer in order to deal with the risks associated with claims for compensation arising from its customers.~~ ~~the Bank is evaluating the legal ground of the events to determine the best approach to be followed.~~

For the sake of completeness, it is highlighted that, with reference to such events, ~~a criminal proceeding for fraud before the Milan Court is currently pending. In such context the Bank has been notified with an exhibition order and a decree of computer search and seizure.~~ in the context of the criminal proceedings pending for alleged fraud, the judge for preliminary investigations of the Court of Milan notified the Bank of two seizure decrees also for the alleged offence of self-laundering in relation to which the Bank would be liable pursuant to Legislative Decree 231/2000.

For more information on such sanctioning procedures promoted by the AGCM, reference is made to "*Banca Monte dei Paschi S.p.A. – Legal Proceedings – Sanctioning procedures*" paragraphs "*Competition and Market Authority ("AGCM") Proceedings I794 of the AGCM – Remuneration of the SEDA service*" and "*Proceedings PS 10678 of the AGCM – Violations of the Consumer Code in the sale of investment diamonds*" ~~below~~ [of this Prospectus](#) "

2. DOCUMENTS INCORPORATED BY REFERENCE

The information set out below supplements the section of the Base Prospectus entitled "*Documents incorporated by reference*" beginning on page 168 of the Base Prospectus.

By virtue of this Supplement, the following entire documents which have been published and filed with the CSSF shall be deemed to be incorporated by reference in, and form part of, the Base Prospectus:

- (i) the consolidated unaudited interim financial report of BMPS as at 31 March 2019;
- (ii) the audited consolidated annual financial statements of the Guarantor as at and for the years ended 31 December 2018;
- (iii) the auditors' report in relation to the audited consolidated annual financial statements of the Guarantor as at and for the years ended 31 December 2018.

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The table below sets out the relevant page references with respect of the information incorporated by reference.

Cross-reference List

Unaudited consolidated interim financial report of the Issuer	31 March 2019
Result in brief	Pages 5 - 7
Executive Summary	Pages 8 - 9
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Directors' Report on Operations	Pages 3 - 10
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Cash flow statement	Pages 17 - 18
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Auditors' report in relation to the audited consolidated annual financial statements of the Guarantor as at and for the year ended 31 December 2018

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Entire Document

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

- 3.1 On page 294 and ss. of the Base Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.P.A. – Major Events – Recent developments – ECB/Bank of Italy inspections concluded during the period 2015-2019*” the paragraph “*Bank of Italy inspection on advisory activities to customers in relation to investment diamonds*” shall be added following paragraph “*Inspection activity on anti-money laundering*”:

“Bank of Italy inspection on advisory activities to customers in relation to investment diamonds

In the context of the same inspection activity initiated on 6 June 2018, it is highlighted that the supervisory authority also made findings to the Bank with regard to the reporting of investment diamonds to customers, carried out by the Bank until February 2017. Also, with reference to these findings, it is highlighted that the Issuer provided timely responses to the supervisory authority by letter dated 29 March 2019.”

- 3.2 On page 294 and ss. of the Base Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.P.A. – Major Events – Recent developments – ECB/Bank of Italy inspections concluded during the period 2015-2019*” the following paragraphs shall be added following paragraph “*Internal Model Investigation – IMI 40*”:

"TRIM inspection on the revision of internal model

On 27 November 2018, in the context of the revision process of the internal models (TRIM – Targeted Review of Internal Models), the Issuer has received notice from the ECB of an on-site inspection, starting 21 January 2019, relating to the internal model on credit risk for the Issuer and the Group, with respect to the PD, LGD, and credit conversion factor (“CCF”) parameters on corporate credit exposures and others.

OSI- Legal Risk Inspection

On 11 January 2019, the ECB gave notice to the Issuer of an on-site inspection during the month of January regarding the legal risks for the Issuer, the Group and the outsourcing service providers.

OSI– Interest Rate Risk Inspection

On 9 April 2019, the ECB announced that an on-site inspection concerning the interest rate risk of the Group would be initiated in June 2019”

- 3.3 On page 310 of the Base Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings*” the sixth subparagraph shall be deleted and replaced as follows (track changes show the amendments made):

"Such requests – individually or collectively brought through two professionals and ADUSBEF – although heterogeneous are mainly reasoned with generic references to the alleged infringement, by BMPS, of the sector legislation in the matter of disclosure and, accordingly, rebutted by the Bank since generic, ungrounded, non-supported by suitable documental evidences and in some instances, time barred. As at ~~the date of this Prospectus~~[31](#)

March 2019, the residual petitem claimed by complainants who did not institute any judicial proceedings is equal to around Euro 591 million."

- 3.4 On page 315 and ss. of the Base Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings - Disputes related to criminal investigations and legal affairs in 2012 and 2013 - Criminal investigations and proceedings*" the item (C) ""*FRESH 2008*", "*Alexandria*", "*Santorini*", "*Chianti Classico*" Transactions – *Criminal proceedings before the Courts of Milan*" shall be deleted and replaced as follows (track changes show the amendments made):

(C) "FRESH 2008", "Alexandria", "Santorini", "Chianti Classico" Transactions – Criminal proceedings before the Courts of Milan

By decision of 13 January 2016, the public prosecutor's office at the Court of Milan ordered the notification to BMPS and other suspects of the notice of conclusion of preliminary investigations pursuant to and to the effects of article 415-bis of the Italian Criminal Procedure Code concerning the investigation threads relating to the "FRESH 2008", "Alexandria", "Santorini" and "Chianti Classico" transactions. According to the press release disclosed on 14 January 2016 by the public prosecutor's office at the Court of Milan, all investigation threads relating to the aforementioned transactions have been completed.

With respect to the "FRESH 2008" transaction (carried out in the context of the fundraising operations for the acquisition of Banca Antonveneta) three BMPS officers and executives in office at the time of events were charged with several criminal offenses, such as: false corporate communications in relation to the 2008 financial statements (article 2622 Italian Civil Code), market manipulation in connection with the 2008 financial statements and the semi-annual financial statements as at 30 June 2008 (article 185 of the Consolidated Finance Act), obstruction of the exercise of supervisory functions of the Bank of Italy (article 2638 of the Italian Civil Code), false statements set out in prospectus (article 173-bis Consolidated Finance Act) with reference to the prospectuses relating to the two capital increases carried out in 2008 and 2011 and to the prospectuses relating to the offering of bonds and certificates carried out during the period 2008-2012. In relation to the latter, also the effects resulting from the incorporation by reference of certain accounting documents have been deemed relevant due to the incorrect recognition of, *inter alia*, the "FRESH 2008", "Alexandria" and "Santorini" transactions.

With reference to the "Santorini" transaction, two former officers and one BMPS executive, and six managers of Deutsche Bank – whose conduct was relevant for the purposes of articles 3 and 4, subsection 1, of Law 146/2006 on transnational crimes – were charged with the crimes of false corporate communications (article 2622 of the Italian Civil Code) and market manipulation (article 185 of the Consolidated Finance Act) in relation to the impacts deriving from the transaction on the financial statements for 2008, 2009, 2010, 2011 and on the financial positions as at 31 March 2012, 30 June 2012 and 30 September 2012.

With reference to the Alexandria transaction, three BMPS officers and executives in office at the time of events and two managers of Nomura – whose conduct was relevant for the purposes of articles 3 and 4, subsection 1, of Law 146/2006 on transnational crimes – were charged with the crimes of false corporate communications (article 2622 of the Italian Civil Code) and market manipulation (article 185 of the Consolidated Finance Act) in relation to the impacts deriving from the transaction on the financial statements for 2009, 2010, 2011 and on the financial positions as at 31 March 2012, 30 June 2012 and 30 September 2012.

As mentioned above, this proceeding (No. 26934/2014~~955/2016~~) has been combined with the criminal proceeding pending before the Court of Milan and described in Section (B)

"Restructuring of "Alexandria" notes" above, in the context of which the indictment was already requested with reference to the crimes related to 2009 financial statements. It has also been deemed to charge the same individuals with the crime of obstruction of the exercise of supervisory functions by CONSOB (article 2638 of the Italian Civil Code) with respect to the reporting of certain transactions carried out between BMPS and Nomura and involving government securities. With the same proceeding, the proceeding pending before the Courts of Siena and described under Section (A) "*Acquisition of Banca Antonveneta and FRESH 2008*" above was also combined.

As-In particular, as regards the "Chianti Classico" transaction, two ~~officers~~ former managers of the Issuer in office at the time of events have been charged with the crime of obstruction of the exercise of supervisory authorities' functions (article 2638 of the Italian Civil Code) due to the omission of some communications in relation to the same transaction to the Bank of Italy and CONSOB. According to the charges, the managers in cooperation with each other have fraudulently hidden facts that should have been reported concerning the economic, patrimonial and financial situation of the Issuer in relation to the above transaction, aimed at enhancing the value of the real estate assets of the MPS Group through the transfer of the Consorzio Perimetro and securitisation of the related loans through the vehicle Casaforte; and in any case, intentionally obstructed the supervisory functions of the abovementioned supervisory authorities by omitting the communications due in relation to such transaction.

In relation to the crimes alleged against these individuals, the public prosecutor's office also served the notice of conclusion of preliminary investigations:

- to BMPS for the administrative offenses under articles 25-ter letter. b), 25-ter letter. s) and 25-sexies of Legislative Decree No. 231/2001 following the charging of the crimes of false corporate communications (article 2622 of the Italian Civil Code), obstruction of the exercise of supervisory authorities' functions (article 2638 of the Italian Civil Code) and market manipulation (article 185 of the Consolidated Finance Act); and
- to Deutsche Bank, Deutsche Bank AG London branch and Nomura for the administrative offenses under articles 25-ter letter. b), and 25-sexies of Legislative Decree No. 231/2001 following the charging of the crimes of false corporate communications (article 2622 of the Italian Civil Code) and market manipulation (article 185 of the Consolidated Finance Act).

The outcomes of the investigation revealed that, in the financial statements and financial reports of BMPS disclosed to the market between the financial statements as at 31 December 2008 and the quarterly reports at 30 September 2012, false data would have been exposed.

As regards the crimes related to the balance sheets as at 31 March 2012, 30 June 2012 and 30 September 2012, the suspects have been charged, having determined the conditions for approval by the new top executives of BMPS, due to the behaviours previously adopted by top managers.

By order of 13 May 2016, the PHJ authorized the filing and admissibility of the claims for damages of the civil plaintiffs against the entities already involved in the proceedings (No. 29634/2014) as defendants pursuant to Legislative Decree 231/2001, having deemed recognisable to the civil plaintiff, in case of criminal proceedings involving the company and its employees, the protection of the compensation right against the entity and resulting in the compensatory requests existing in abstract, not being charged to the entities any joint liability in terms of wilful misconduct or negligence and being relevant an occasional relation between

the harmful event and the functions exercised by the accused individuals, in the absence of objections concerning their own personal interests.

On 24 July 2016, with the approval of the public prosecutor's office, BMPS filed a request for plea bargain in the criminal proceedings, in relation to the objections made against the Bank pursuant to Legislative Decree No. 231/2001.

With the plea bargain, upheld by the PHJ on 14 October 2016, the Bank exited the proceedings as accused of the administrative offence subsequent to crimes committed by its own former executives, limiting the consequences to an administrative monetary sanction of ~~EUR~~-Euro 600,000 and a confiscation for ~~EUR~~-Euro 10 million, without the risk of higher sanctions.

Finally, always with regard to the above, on 1 October 2016, the PHJ ordered the indictment of defendants other than the Bank. At the hearing of 15 December 2016 before the second criminal section of the Courts of Milan, subsequent to the request as civilly liable parties of the Banks BMPS, Nomura, Deutsche Bank, around 1,500 civil plaintiffs served on the Bank the civilly liable summon in respect of the crimes charged to the indicted former directors and managers.

During the trial, by order of 6 April 2017, the Courts of Milan ruled on the exclusion request of civil plaintiffs filed by defendants and civilly liable parties, excluding certain civil plaintiffs.

The appearance as civil plaintiff of the Bank against Giuseppe Mussari, Antonio Vigni, Daniele Pirondini and Gian Luca Baldassarri was also denied on the assumption of a Bank's liability for complicity with defendants. As ~~of the date of this Prospectus~~ at 31 December 2018, civil plaintiffs who appeared against the Bank ~~in the mentioned proceedings are around~~ are 1,243 and the overall petition, where quantified in the relevant writ of summons, amounts was equal to approximately Euro 42 million with reference to such proceedings.

In relation to the abovementioned proceedings, the trial has been declared closed and the indictment of public prosecutors started from 11 April 2019.

At the hearing of 16 May 2019, after the prosecution by the Public Prosecutors, requests for penalties were formulated for almost all the defendants of the banks involved. In particular, in relation to the former managers of the Issuer, the offence of market abuse with reference to the press releases disclosed to the market in March-April 2012 in relation to the financial statements for the year 2011 was identified and the following sanctions were requested:

- for Giuseppe Mussari and Antonio Vigni, 8 years of imprisonment and Euro 4 million fine;
- for Daniele Pirondini and Gian Luca Baldassarri, 6 years of imprisonment and Euro 1.5 million fine.

For the two foreign banks involved, Deutsche Bank AG and Nomura International PLC, were also requested sanctions pursuant to Legislative Decree 231/01, with penalties of up to Euro 450 million each and seizures in equal measure.

At the hearing held on 23 May 2019, the civil parties, by a large majority, filed written conclusions. CONSOB, the Bank of Italy and the MPS Foundation also presented their requests orally.

The MPS Foundation did not file any claim against the Issuer, as it did not sue the Bank as civilly liable, and filed claims only against defendants Di Santo, Pirondini, and Baldassarri in their capacity of natural persons, as well as against the exponents of Nomura, Saayed and

Ricci, claiming provisional amounts equal to Euro 32 million against the first two and Euro 21 million against the last three.

Bank of Italy and the MPS Foundation did not sue the Issuer as civilly liable and requested that the defendants are ordered to pay damages amounting to be settled on an equitable basis.

With respect to CONSOB, which sued the Issuer as civilly liable, for almost all the damage items requires a quantification on equitable basis, except for that relating to the costs of supervision quantified in total amount equal to Euro 749.013. The provisional request is subordinately requested in the amount of Euro 298.405.

The proceeding will continue in the next hearing scheduled on 30 May and 3 June 2019, the second of which will be dedicated to the discussion of the Issuer as civilly liable.

On 12 May 2017 the indictment of officers Alessandro Profumo, Viola Fabrizio and Salvadori Paolo (the first two no longer being in office) has been requested in the context of new criminal proceedings before the Courts of Milan where they are charged with the crimes of false corporate communications (article 2622 of the Italian Civil Code), in respect of the accounting of the "Santorini" and "Alexandria" transactions, as regards the Bank's financial statements, reports and other corporate communications, from 31 December 2012 until 31 December 2014 and as regards the semi-annual report as at 30 June 2015 as well as market manipulation (article 185 of the Consolidated Finance Act) in relation to communications released to the public with regard to the approval of the abovementioned financial statements and reports.

In respect of these proceedings, where the Bank is identified as the offended party, the first hearing was held on 5 July 2017, during which some hundreds of individuals and some category associations asked to appear as civil plaintiffs. The PHJ deferred the case to 29 September 2017, for the decision on the requests, as well as for the combination with the proceedings pending against BMPS, as the accused party pursuant to Legislative Decree No. 231/2001 for the same events today charged to Mr. Profumo, Mr. Viola and Mr. Salvadori. At the hearing of 29 September 2017, no. 304 of the no. 337 damaged parties that made the relevant request were admitted. The others have been excluded due to procedural deficiencies. At such hearing, the proceeding pending against the Bank as administrative accountable entity was merged in the proceeding pending against the individuals. The court has then permitted the summons of the Bank as civilly liable party, deferring the proceeding to the hearings of 10 November 2017 and 24 November 2017, in order to permit the carrying out of the related notification.

~~Among the no. 304 civil parties admitted, no. 294 served the writ of summon upon the Bank as civilly liable.~~ At the hearing held on 10 November 2017, wherein the Bank appeared as civilly liable, Mr. Salvadori's attorney argued that the request for the referral of the trial for his client was null and void as his imputability could have been given only for the crime under ~~the~~ article 2622 of the Italian Civil Code and not for the crime under ~~the~~ article 185 of the Consolidated Finance Act. Relating to such point, the same attorney also objected to the lack of competence of the Milan judicial authority. The public prosecutor – while taking part against the territorial competence matter – has agreed with the assumption of the voidance request as argued by Mr. Salvadori's attorney who, at this point, required the transmission to his office of the entire proceeding – instead of Mr. Salvadori only – which started on 12 May 2017 against Mr. Profumo, Mr. Viola and Mr. Salvadori in order to avoid any fragmentation and for the purpose of restarting such proceedings as a single proceeding.

At the hearing of 24 November 2017, the PHJ issued an order which:

- declared null and void the request for the referral of the trial relating to Mr. Salvadori;

- decided for the fragmentation of the relevant position in the main proceedings (against Mr. Viola and Mr. Profumo and the Bank) in relation to the accusation relating to the crime provided for by article 185 of the Consolidated Finance Act; and
- reserved to decide over the claim relating to the territorial competence after the conclusions of the public prosecutor.

The public prosecutor served the notice of conclusion of investigation to Mr. Salvadori in relation to the crime provided by ~~for~~ article 185 of the Consolidated Finance Act and filed the (new) request for the referral of the trial relating to Mr. Salvadori for this crime and finally requested a (new) preliminary hearing (for the crime of market manipulation).

At the hearing of 9 February 2018, the PHJ called for the proceedings relating to Mr. Salvadori following the separation of the proceedings relating to the crime provided for by article 185 of the Consolidated Finance Act decided at the previous hearing.

The damaged parties admitted to the proceedings have summoned against BMPS for his civil liability.

Following the formalisation of the entering appearance of the Issuer, the public prosecutor asked for the issuing of a judgement not to proceed on the grounds that there is no crime, or on the grounds that the fact is not qualified as a crime in relation to the different counts filed. Following the hearing, the timetable of the proceedings had been scheduled for 13, 20 and 27 April 2018 in order to continue the discussion and potentially issue the order closing the preliminary hearing. Following the preliminary hearing, the PHJ noted that there were no grounds for issuing a judgement not to proceed and decided for the referral to trial of Mr. Viola, Mr. Profumo, Mr. Salvadori and BMPS (indicted entity pursuant to Legislative Decree No. 231/2001).

At the hearing held on 17 July 2018, 2,243 civil claimants joined in the proceedings. Some of them formally asked that the Bank be summoned as entity liable to pay for damages, while most of the defending counsels merely requested that their clients, by appearing before the Court, benefit from their participation in the proceedings. Some civil claimants joined in the proceedings against the Bank seeking a declaration of liability under Legislative Decree No. 231/2001. At the end of the hearing, the Court adjourned the case to the hearings of 16 October 2018, 6 November 2018, 13 November 2018 and 19 November 2018.

The hearing scheduled to discuss the civil actions brought as part of criminal proceedings by ~~the was duly held on 16 October 2018. 2,243~~ civil claimants already had joined in the proceedings ~~(in addition to the initial 304) already~~ during the previous hearing held on 17 July 2018, was duly held on 16 October 2018, to which plus a further 165, ~~for a total number of more than 2,700~~ civil parties were added claimants. The defendants' and the Bank's counsels have claimed that the latter ~~these civil claimants~~ have joined in the proceedings beyond expiry of the relevant terms.

At the hearing held on 6 November 2018, the Panel declared the exclusion from the proceeding of certain civil parties that, consequently, amounted to 2,272 (the petitum relating to this proceeding, where quantified in connection with the filing of damaged civil parties, was approximately equal to Euro 76 million), ordering the extension of the proceeding between the Bank and the new civil plaintiffs admitted without further formalities and rejecting the request for joining the proceedings by CONSOB, Bank of Italy and Ernst & Young as civil responsables.

By order issued at the hearing held on 19 November 2018, the Court rejected the objections relating to the ~~claim for~~ lack of territorial competence previously raised by the defending

counsels and, consequently, the discussion of the case started and the next hearing has been scheduled on 18 March 2019, reserving a decision with respect to the request of a conservative seizure against Mr. Profumo and Mr. Viola raised by certain parties.

~~The petitum relating to this proceeding, where quantified in connection with the filing of damaged civil parties, was approximately equal to Euro 76 million.~~

~~In respect of these criminal proceedings (no. 955/2016), during the meeting held on 13 July 2018 the board of directors of the Bank considered that, for the time being, none of the relevant conditions has been met to lodge a claim for damages under civil law against the former Chairman of the board of directors, Mr. Alessandro Profumo and the former Managing Director, Mr. Fabrizio Viola. By order issued on 3 December 2018, the Courts rejected the request for precautionary seizure made against the above mentioned exponents.~~

At the hearing of 18 March 2019, the trial investigation was opened and some texts were excised. The trial will continue in several hearings from 29 April to 16 July 2019. In respect of these criminal proceedings (no. 955/2016), during the meeting held on 12 July 2018 the board of directors of the Bank considered that, for the time being, none of the relevant conditions has been met to lodge a claim for damages under civil law against the former Chairman of the board of directors, Mr. Alessandro Profumo and the former Managing Director, Mr. Fabrizio Viola.

In its decision, the board of directors has taken into account all available elements, with the sole aim to pursue the Bank's interests and safeguard its assets, considering in more detail that:

(i) the discussion of the case following committal for trial will be an appropriate opportunity to assess, as part of an adversarial procedure, the conduct of the top management in respect of events (i.e. how the Alexandria and Santorini transactions have been accounted for) which regards the past of the Bank and which, in light of the settlement agreements executed by the former directors with Nomura and Deutsche Bank, have no current impact on the Banks' accounts;

(ii) furthermore, the Bank has been involved in the same criminal proceedings for both third party liability and liability under Legislative Decree No. 231/2001. The latter is a type of liability in respect of which the Court of Milan itself has excluded in the past that the same party may also join a civil action. Hence, the Bank may monitor the progress of the discussion, gathering useful elements for its decision, and at the same time present the necessary arguments in order to safeguard its assets; and

(iii) should any issues arise from the evidence gathering phase, and/or from the autonomous investigations already started by the Bank and currently in progress, confirming that the defendants are liable (in addition to the fact that the Bank has actually suffered a measurable loss), such issues might be relied upon to propose to the shareholders' meeting to lodge a claim for damages under civil law vis-à-vis the defendants.

The Bank has however reserved the right to take any and all action to safeguard its assets and interests."

- 3.5 On page 331 of the Base Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings – Civil Proceedings*" the third and fourth paragraphs of the item (A) "*Civil actions instituted by shareholders in the*

context of the 2008, 2011, 2014 and 2015 capital increases” shall be deleted and replaced as follows (track changes show the amendments made):

"Such claims have been brought individually or collectively through two professionals and ADUSBEP and although heterogeneous, they appear reasoned by generic references to the alleged violation, by the Bank, of the banking legislation with reference to the matter of disclosure and therefore have been rebutted by the Bank since deemed generic, ungrounded, unsupported by suitable documentary evidence and in some cases time barred. As at ~~the date of this Prospectus~~ 31 March 2019, the amount of the residual *petitum* claimed by plaintiffs who did not bring legal actions is equal to around Euro 591 million.

In addition, ~~as at 30 September 2018~~, there were also ~~6653~~ threatened litigations relating to the capital increase 2014-2015 for an amount requested equal to approximately Euro ~~186~~ million (and, therefore, overall equal to Euro ~~6096~~ million as at 31 March 2019).

- 3.6 On page 334 of the Base Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings – Civil Proceedings*” the paragraph “(vi) *Dispute Banca Monte dei Paschi di Siena S.p.A. / Bentivoglio Roberto + 3*” shall be deleted in its entirety.
- 3.7 On pages 334 - 335 of the Base Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings – Civil Proceedings*” the paragraph “*Disputes relating to securities subject to the Burden Sharing*” shall be deleted and replaced as follows (track changes show the amendments made):

"Disputes relating to securities subject to the Burden Sharing

As at 31 December 2018, the Bank allocated provisions for risks and charges for approximately Euro 8 million for claims filed by former holders of subordinated bonds subject to Burden Sharing (approximately 60 disputes for a total of approximately Euro 23 million of *petitum* (Euro 28 million as at 31 March 2019)). ~~As of the date of this Prospectus, 64 claims have been filed by former holders of subordinated bonds subject to Burden Sharing for an overall *petitum* of approximately Euro 17 million.~~

Following 31 December 2018, further disputes were initiated, for an amount equal to 77 as at 31 March 2019, for an overall *petitum* of approximately Euro 28 million and a provision for risks and charges for approximately Euro 23 million as at 31 March 2019. This increase in complaints was also due to the intervention of consumer associations. As at the date of this Prospectus, the proceedings are still in progress and no final decision has been taken, since the Bank has proposed appeal to the decisions of first instance. Within its accounting policies, the Issuer evaluates the updating of the provision criteria and their value in the light of the evolution of the jurisprudential framework currently being developed.

It should be highlighted that, for part of the litigation underway, the plaintiffs are no longer the holders of the securities as they sold the securities prior to the entry into force of Decree 237. It should also be stressed that the opposing parties' objections are focused on the alleged lack of any notice and/or ~~however~~ on the breach of the specific industry legislation (Consolidated Finance Act and its implementing regulations) exactly as in any other "similar" case covering financial matters commenced against the Bank. Indeed, the plaintiffs claimed occurred misselling, i.e. distribution of the above financial instruments in breach of the Consolidated

Finance Act (and its implementing regulations), as well as in breach of the general principles of fairness, transparency and diligence."

- 3.8 On pages 336 - 337 of the Base Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings – Civil Proceedings*" the paragraph "*“Civil disputes arising in connection with the ordinary business of the Issuer – (A) “Civil dispute instituted by the extraordinary administration of SNIA S.p.A. before the Courts of Milan””*" shall be deleted and replaced as follows (track changes show the amendments made):

(A) Civil dispute instituted by the extraordinary administration of SNIA S.p.A. before the Courts of Milan

The action, brought by the Extraordinary Administration of SNIA S.p.A. ("SNIA") against the former directors, statutory auditors and (direct and indirect) shareholders of the same company (including BMPS), seeks the declaration of the defendants' joint liabilities for damages, originally not quantified and allegedly caused to the company. The action is grounded on intricate and complex corporate matters which concerned the company in the ten-year period between 1999 and 2009, which, as far as the Bank and other appearing parties are concerned, pivot around the company's demerger in 2003.

SNIA ~~challenged~~~~contested~~ the Bank, in its capacity as an indirect shareholder and a member of a shareholders' agreement of the controlling entity, ~~about~~~~on~~ having a controlling and coordinating position over it and having adopted such conduct which would have caused damages to the company's assets, and, specifically: 1) the design and realisation of a distraction spin-off of the company, to the detriment of the shareholders and the creditors of the company; 2) the drafting and approval of untrue financial statements starting from financial year 2000, and, in particular, the drafting and approval of the financial statement 2002, since it was allegedly untrue and considered as a reference capital representation for the purpose of the spin-off, and the subsequent financial statements; 3) the origination of environmental damage claims by the Ministry of Environment and for Protection of the Land and Sea and the Ministry of Economy and Finance and of two distinct administrative managements (Commissioner of the Lagoon of Grado and Marano and Commissioner of the Sacco River; the "**Administrative Managements**"), now dissolved, and exercised in the context of the admission to liability in the insolvency procedures of SNIA and one subsidiary. During the trial, in support of the plaintiff's requests, the aforementioned Ministries appeared *ad adiuvandum*.

The *petitum*, not determinable in origin, on occasion of the clarification of requests was quantified for a portion of the contested conducts against the Bank and other defendants, in Euro 572 million, with further damages allegedly incurred and the requested compensation, which remained, undetermined.

With decision no. 1795/2016 of 10 February 2016, the Courts of Milan, having declared – *inter alia* – the inadmissibility of the interventions of the Ministries of Environment and Economy, rejected the claims of the extraordinary administration of SNIA S.p.A. against the various parties, including the Bank, convicting the plaintiff to refund trial costs.

With separate writs of appeal, notified in March, the ministries on the one hand and the extraordinary administration of SNIA S.p.A. on the other filed an appeal against the first instance ruling, repeating the grounds for the appeal and the arguments already expressed before the Court.

With its writ of appeal, SNIA asked [for](#) the conviction of BMPS and the other defendants to pay, on a joint and several basis or, subordinately, on a partial basis: a) the amount of Euro 3.5 billion, conditional on the definition of the objection proceedings to liabilities of SNIA brought by the Ministries together with the aforementioned extraordinary administrators and pending before the Courts of Milan (or another amount established during the trial, in equity pursuant to article 1226 of the Italian Civil Code, or, subordinately, after quantification by CAE); b) the amount of Euro 572 million for damages so-called "instantaneous" from [the](#) spin-off (or Euro 388 million, or another amount established during the trial, in equity pursuant to article 1226 of the Italian Civil Code, or after quantification by CAE, with legal interests even compound interests and money revaluation of the amount due upon actual payment).

At the same time, with its writ of appeal, the [M](#)inistries asked for the reform of the Court decision, asking for the ad adiuvandum intervention to be declared inadmissible and their exclusion illegitimate, ordering the referral of the trial to the first instance judge, for having him uphold the conclusions already expressed for the upholding of SNIA requests.

At the hearing of 19 July 2016, relating to the appeal filed by the Ministries, the Court of Appeal – having acknowledged the pending of the "parallel" proceeding brought by SNIA S.p.A.'s extraordinary administrators – deferred the hearing to 4 October 2016 for the purpose of combining the two appeals. The first hearings were set, respectively, for 15 July and 4 October 2016. ~~In~~ [During](#) the course of the latter hearing, the Judge ordered that the appeals be combined and deferred, through reserve, its decision on the request to suspend the execution of the first instance decision. On 21 October 2016, the Court lifted its reservation and suspended the execution of the appealed decision. The next hearing was set for 20 June 2018 for closing arguments. On 20 June 2018, the trial was postponed to 23 January 2019. [Subsequently, by order of 20 March 2019, the Court separated the position of the Bank from the other defendants, identifying three macro-groups of parties interested in the various issues discussed in the dispute. Then the Court ordered again the separation of the proceedings postponing the discussion of the Bank's position to the hearing of 6 November 2019. As at the date of this Prospectus, the Bank authorised \(but not yet formalised\) a settlement agreement which provides for the abandonment of the legal action against the Bank and the compensation of the expenses.](#)

[The reason for such postponement is also to allow the formalization of the settlement agreement already authorized between the Bank and SNIA and entered into on 5 April 2019 by exchange of correspondence.](#)

For the sake of completeness, it is to be noted that the Ministry of Environment filed an appeal against the Bank, as well as against other companies, for the voidance/reform of decision no. 3447/2016 rendered by the Regional Administrative Court of Lazio. Such decision was given in the context of a proceeding instituted before the Regional Administrative Court of Lazio by BMPS against the measure prot. no. 14568 of 24 July 2015, by which the Ministry of Environment ordered ~~some certain~~ companies, amongst ~~which was others~~ BMPS, since [they were](#) deemed for various reasons involved in the pollution produced by the Caffaro industries in the three [natural sites](#) (SIN Lagoon of Grado and Marano (Tor Viscosa), Basin of the Sacco River (Colleferro) and Brescia Caffaro (Brescia), to "*adopt with immediate effect all appropriate initiatives to control, limit, remove or otherwise manage any damage factor in the above sites ... complying with the clearance programme of the Extraordinary Administration or provision of this Ministry*" pursuant to article 305 subsection 2 lett. b of Legislative Decree 152/2006.

With decision no. 3447/2016, the TAR voided the ministerial measure and convicted the Ministry to pay trial expenses. The appeal has been filed without requesting the appeal decision

to be stayed and, as of the date of this Prospectus, the public hearing on the merits has not been scheduled yet."

- 3.9 On page 345 and ss. of the Base Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings – Labour disputes*" shall be deleted and replaced as follows (track changes show the amendments made):

"Labour disputes

As at the date of this Prospectus the Bank is a party in around 630 judicial proceedings, both active and passive, of a labour nature concerning, inter alia, appeals against individual dismissals, declaration requests of subordinate employment relations with indefinite duration, compensation for damages due to professional setbacks, requests for higher positions and miscellaneous economic claims.

Provisions were created to pay the costs associated with these proceedings, based on an internal assessment of the potential risk. The provisions the Bank created regarding this type of litigation are comprised within the "provision for risks and charges" which amounts to around Euro ~~33.130.9~~ million (Euro 34.431.2 million at consolidated level) as at ~~30 September 2018~~ 31 December 2018.

It has to be further specified that, after the transfer of the back-office activities business unit to Fruendo S.r.l. occurred in January 2014 which concerned 1,064 resources, 634 employees (subsequently then were reduced to 478 as a results of renouncement/conciliation and deaths) sued the Bank before the Courts of Siena, Rome, Mantua and Lecce seeking, inter alia, the continuation of the employment relationship with the Bank, subject to prior declaration of ineffectiveness of the transfer agreement entered into with Fruendo S.r.l.

As at the date of this Prospectus, for one plaintiff a first instance action is pending with a hearing set for ~~13 March~~ 4 October 2019, while for the other ~~477~~ 9 first and/or second instance decisions have already been issued ~~intervened~~ with an unfavourable outcome for the Bank and a consequent entitlement for the same employees to be rehired.

In particular, a first instance judgement was already issued for ~~no. 1423~~ employees (by the Courts of Lecce and Rome) ~~that which~~ the Bank has already challenged and/or has reserved to challenge by the ritual terms in front of the competent Court of Appeal with hearings scheduled between ~~May~~ January 2019 and February 2020. A second instance judgement has ~~instead~~ already occurred for no. ~~3356~~ employees (by the Courts of Appeals of Florence, Rome and Brescia) against which the Bank has already promoted the challenge ~~in front of~~ before the Supreme Court (as at the date of this Prospectus, the schedule of the public hearing by the Supreme Court in relation to all the claims filed is pending) (~~the next hearing has been scheduled on 16 January 2019~~).

For the sake of full disclosure, it is worth noting that both the Bank and Fruendo have filed a petition in the Court of Appeals in Rome, Lecce and Brescia for referral to the European Court of Justice of preliminary matters that are essential for the purposes of ruling. In particular, an assessment was requested regarding the conformity to EC Directive 2001/23 of article 2112 of the Italian Civil Code, as interpreted by the decisions of the Supreme Court, to which the appealed judgments conform, and whether:

- the transfer of an economic entity, functionally autonomous though not pre-existing, as it was identified by the transferor and the transferee at the time of the transfer, would not allow for the automatic transfer of employment relationships pursuant to article

2112 of the Italian Civil Code and therefore would require the consent of the concerned workers; and

- the automatic transfer of employment relationships pursuant to article 2112 of the Italian Civil Code would not be permitted and therefore the consent of the concerned workers would be required if, in the case of a transfer of an economic entity carrying out banking back office activities, the transferring Bank would maintain ownership of the applications and IT infrastructure, only granting them to the transferee for use for valuable consideration.

As at the date of this Prospectus, 72 (~~later reduced to 31 after renouncements and reconciliations~~ ~~later reduced to 31 after No. 25 renouncements to be ratified in accordance with the law and no. 16 reconciliations~~) over ~~no. 4779~~ entitled, notified an act of precept by which they have demanded to be reinserted into the labour sole book ("Libro Unico del Lavoro") of the Bank and for restoring their contribution and insurance position, both opposed by the Bank with appeals ~~in front of~~ ~~before~~ the labour section of the Court of Siena. At the ~~latest~~ hearings ~~of, the trials were referred for the discussion on 25 January 2019 and~~ 15 February 2019, ~~the judge reserved his judgement.~~

Even if the Bank's opposition were not to lead to the results hoped for, to date no economic impact is expected for the Issuer deriving from the integration of arrears of salaries for the employees re-instated in office, having all plaintiffs retained the remuneration treatments granted within BMPS upon assignment of the business unit, and instead not having been subject to the salary decreases applied to MPS employees, by virtue of the trade union agreements of 19 December 2012 and 24 December 2015.

Given the above, the Bank, jointly with Fruendo S.r.l., is analysing the issues arising from the possible unfavourable ruling in the labour disputes.

Please finally note that 32 employees filed a complaint for the offence of failed malicious execution of a judicial measure (article 388 criminal code). In the context of the criminal proceedings 567/17 instituted before the Criminal Courts of Siena, after the mentioned complaint, the public prosecutor filed a dismissal request against accused persons Tononi Massimo, Viola Fabrizio, Falciai Alessandro and Morelli Marco which was challenged by the claimants.

The public prosecutor again requested the closure of the proceedings for lack of grounds which has been opposed by the persons who filed the complaints on 2 March 2018, with the relevant hearing scheduled for 11 April 2018. At the hearing of 11 April 2018, scheduled for deciding the request of closure, the Judge for the Preliminary Investigation reserved his decision in the term of 5 days. On 12 April 2018, the Judge for the Preliminary Investigation rejected the opposition filed on 2 March 2018 and declared the closure of the proceedings.

Furthermore, it is worth noting that during 2017, 52 employees of Fruendo S.r.l. (then reduced to ~~32~~5 following renouncement/conciliation) have sued the Bank before the Court of Siena (with 6 separate proceedings) in order to demand the continuation of the working relationship with the Bank, following the declaration of illegal interposition of workforce ("*illegittima interposizione di manodopera*"), so called "*appalto illecito*" (which has no criminal implications) in the context of services disposed through outsourcing from the Bank to Fruendo S.r.l.; ~~On 26 January 2019, the Court of Siena upheld the motivations brought by the Bank, rejecting the claims raised by the plaintiffs.~~ ~~with hearings, as to date, set on 25 January 2019.~~

The amount of the petitum and of the related Fund for the Risks and Liabilities referred to in the labour litigation ~~above~~ described above is also inclusive of such judicial claims.

In such case ~~as well~~, the potential negative outcome of the proceeding would also determine, as of today, the restoration of the employment relationship with the Bank without liabilities for the previous wage differences, since such appellants were continuously employed with Fruendo S.r.l. and have maintained the wage treatment granted by BMPS in the context of the transfer of the business unit.

Finally, it is worth noting that, in relation to the Restructuring Plan, the evolution of the expenses related to the employees does not provide for the re-integration of those individuals that have ~~summoned~~ issued summons against the Bank, in relation to the transfer of the back-office unit to Fruendo S.r.l. occurred in January 2014. Such circumstance is explicitly emphasised in the text of the commitment, with specific reference to the interested target, as well as the number of employees and the cost/income ratio. As a consequence of the above, in the event that the Bank, following an adverse judgement, were constrained to re-integrate the employees related to such litigation, the Bank will have discretion, with the agreement of DG Comp, to consequently adjust such target."

- 3.10 On pages 349-350 and ss. of the Base Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.P.A. – Legal Proceedings – Judicial and arbitration proceedings – Sanctioning procedures*", the paragraph "AGCM – (D) "*Proceedings PS 10678 of the AGCM – Violations of the Consumer Code in the sale of investment diamonds*" shall be deleted and replaced as follows (track changes show the amendments made):

(D) Proceedings PS 10678 of the AGCM – Violations of the Consumer Code in the sale of investment diamonds

Between 2013 and ~~the~~ early 2017 BMPS referred customers interested in purchasing investment diamonds to Diamond Private Investment S.p.A. (DPI), pursuant to an agreement entered into in 2012 (similar agreements were entered into by the major Italian banks with DPI itself and other companies in the industry). Such activity led to the execution of agreements for the purchase of investment diamonds between the Bank's customers and DPI.

The activity was suspended in ~~the~~ early 2017, also due to the fact that proceedings were opened by the AGCM against DPI in connection with the alleged breach of the Consumer Code, resulting in unfair commercial practices. Afterwards, in April 2017, the proceedings were also extended, inter alia, to BMPS, and ended up with a sanction against DPI and the banks involved.

By notice dated 26 July 2017, the AGCM held that BMPS and the other bank involved in the proceedings were not liable for one of the two charges; as far as BMPS is concerned, the proceedings continued only in respect of the remaining charge regarding breach of the rules on transparency in contractual and advertising documents.

BMPS had previously entered with DPI into a customer referral agreement, and AGCM held that the bank was actively involved in the promotion and sale of investment diamonds. The proceedings ended with the decision taken by AGCM during the hearing held on 20 September 2017 and notified to the parties on 30 October 2017. AGCM held that the breaches the parties had been charged with had actually been committed, and sentenced BMPS to pay a fine of Euro 2 million. The Bank paid the fine within the relevant terms and challenged the decision before the Administrative Regional Court TAR of Lazio; at the hearing held on 17 October 2018, the Court reserved its decision. Meanwhile, the Bank has taken action to reimburse its

customers previously referred to DPI, who have purchased diamonds from the latter and who intended to exit from their investment. In light of such reimbursement initiative, the Bank set up provisions to take into account, among others, the projection of expected requests and the current wholesale value of the diamonds to be withdrawn. As at 31 March 2019, the provisions for risks and charges in view of the reimbursement initiative amounted to Euro 150 million and were partly used in the first part of 2019 to enter into settlement agreements for an amount equal to Euro 31 million. These funds are constantly monitored by the Bank, and periodically updated in the light of the evolution of pending claims and disputes, in line with the accounting and financial statement criteria used by the Issuer in order to deal with the risks associated with claims for compensation arising from its customers.

By a decision published on 14 November 2018, the Regional Administrative Court of Lazio (TAR) rejected the appeal of BMPS and confirmed the AGCM sanctions; the Bank, following proper evaluations of the legal grounds of the events, has decided not to appeal against such decision which, consequently, became the final judgement.

For the sake of completeness, it is highlighted that, with reference to such events, ~~a-in the context of the criminal proceedings pending for alleged for fraud, the judge for preliminary investigations of the Court of Milan notified the Bank of two seizure decrees, also for the alleged offence of self-laundering in relation to which the Bank would be liable pursuant to Legislative Decree 231/2001. before the Milan Court is currently pending. In such context the Bank has been notified with an exhibition order and a computer search and seizure warrant.~~

- 3.11 On page 352 of the Base Prospectus, under the section titled ““*Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Judicial and arbitration proceedings*”, the paragraph “*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)*” shall be added following paragraph “*Judicial proceedings pursuant to Italian Legislative Decree 231/2001*”:

“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)

On 19 February 2019, the Bank was served by the judge for preliminary investigations of the Court of Milan with a decree of preventive seizure relating to the diamonds case reported hereby. The decree was notified to numerous natural persons, two diamond companies (Intermarket Diamond Business S.p.A. and Diamond Private Investment S.p.A.), as well as five banking institutions, including the Issuer, leading to the preventive seizure against the Issuer of the profit arising from the crime of continued aggravated fraud, for the amount equal to Euro 35.5 million. The Issuer was also notified of a decree of preventive seizure pursuant to article 53 Legislative Decree 231/2001 in relation to the crime of self-money laundering, for an amount equal to Euro 195,237.33. As at the date of the Base Prospectus, three employees of the Issuer are involved in this case, but identification of any other natural persons belonging to the BMPS structure is ongoing. The Issuer submitted a request for review of the above mentioned precautionary measure.

Pursuant to the decree of preventive seizure, the Bank was held responsible of the administrative offence arising from articles 5, paragraph 1, letter b) and 25-octies of Legislative Decree 231/2001 in relation to the criminal offence of self-money laundering provided for under article 648 ter, paragraph 1, of the Italian criminal code.

The sanction provided for by article 25-octies, paragraph 1, of Legislative Decree 231/2001 is a pecuniary sanction with a range from 200 to 800 quotas. Pursuant to article 10, paragraph 3, of Legislative Decree 231/2001, the amount of each quota shall be comprised between a minimum of Euro 258 to a maximum of Euro 1,549.

In order to have access to the investigative documents, the Bank submitted a request of re-examination (“riesame”) of such preventive measures. On 28 March 2019, the notice scheduling the hearing before the re-examination Court on 2 April 2019 (“Tribunale del riesame”) was delivered.

The Bank, having obtained the procedural documentation, waived the appeal before the re-examination Court to request the release from seizure pursuant to article 321, paragraph 3, of the Italian criminal code.

On 11 April 2019, the Issuer received an order to exhibit documents issued by the Public Prosecutor's Office of Milan.

On 15 April 2019, a request for the extension of the preliminary investigations was delivered. For the sake of completeness, it is highlighted that, in light of the certain reimbursement initiatives set up in favour of the clients, the Bank allocated provisions to take account, among others, of the projection of expected requests and the current wholesale value of the diamonds to be withdrawn.

As at 31 March 2019, the provisions for risks and charges in view of the reimbursement initiative amounted to Euro 150 million and were partly used in the first part of 2019 to enter into settlement agreements for an amount equal to Euro 31 million. These funds are constantly monitored by the Bank, and periodically updated in the light of the evolution of pending claims and disputes, in line with the accounting and financial statement criteria used by the Issuer in order to deal with the risks associated with claims for compensation arising from its customers.

Such proceeding refers to the same events which have been the subject of the administrative procedure PS 10678 opened by the Antitrust Authority (AGCM); for further information, reference is made to paragraph "Proceedings PS 10678 of the AGCM – Violations of the Consumer Code in the sale of investment diamonds" above.”

4. MANAGEMENT OF THE BANK

4.1 On page 357 of the Base Prospectus, under the section titled "*Board of Directors*" the details relating to Marco Giorgino are replaced as follows:

“Marco Giorgino (**)	Director	11 dicembre 1969	Chair of the Board of Directors of Vedogreen S.r.l. Director of REAL STEP SICAF S.p.A. Director of Luxottica S.p.A. Statutory Auditor di RGI S.p.A. Director of Terna S.p.A.”
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4.2 On page 360 of the Base Prospectus, under the section titled "*Managers with strategic responsibilities*" the details relating to Giampiero Bergami are replaced as follows:

“Giampiero Bergami	vice-general manager and chief commercial officer	27 February 1968	Director of Banca Monte Paschi Belgio S.A. Director of Bonifiglioli Riduttori S.p.A.”
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4.3 On page 360 and ss. of the Base Prospectus, under the section titled "*Managers with strategic responsibilities*" the details relating to Andrea Rovellini are replaced as follows:

“Andrea Rovellini	deputy vice- general manager and chief financial officer	15 February 1959	Director of Wise Dialog Bank – Widiba S.p.A.
			Director of AXA MPS Assicurazioni Danni S.p.A.
			Director of AXA MPS Assicurazioni Vita S.p.A.
			Director of Nuova Sorgenia Holding S.p.A.”

5. THE GUARANTOR

On page 378, under paragraph headed "*Financial Statements*", the last two paragraphs shall be replaced as follows (track changes show the amendments made):

"The Guarantor has not, from the end of its first financial year (31 December 2009), carried out any business activities nor has incurred in any financial indebtedness (other than those incurred in the context of the Programme). Nevertheless, in accordance with Italian law (requiring all companies to approve a balance sheet within a specified period from the end of each financial year), the Guarantor has prepared its financial statements for the period between the end of its first financial year (31 December 2009) and the end of its ~~ninth~~-tenth financial year (31 December 201~~8~~7).

The financial statement of the Guarantor for the year ended on 31 December 201~~8~~7 (the end of its ~~tenth~~ninth financial year), as approved by the meeting of the quotaholders of the Guarantor on 9 April 2019~~11 April 2018~~, is incorporated by reference to this prospectus (see section headed "Documents incorporated by reference" above)."

6. GENERAL INFORMATION

- 6.1 On page 473 of the Base Prospectus, under section "*General information*", the paragraph headed "*Trend information / No Significant Change*" shall be deleted and replaced as follows (track changes show the amendments made):

"Trend Information / No Significant Change

Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer and since 31 ~~December 2018~~ March 2019 there has been no significant change in the financial or trading position of the Issuer and of Montepaschi Group.

Since 31 December 201~~8~~⁷ there has been no material adverse change in the prospects of the Guarantor and since 31 December 201~~8~~⁷ there has been no significant change in the financial or trading position of the Guarantor."

- 6.2 On page 473 and ss. of the Base Prospectus, under section "*General information*", the item headed "*Documents Available*" shall be updated as follows (track changes 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 and the constitutive documents of the Guarantor;
- (b) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2017 and 31 December 2018;
- (c) the unaudited half-yearly consolidated financial report of the Issuer as at and for the period ended 30 June 2017 and 30 June 2018;
- (d) the consolidated unaudited interim financial report of BMPS as at 30 September 2017 and 30 September 2018;
- ~~(d)~~(e) the consolidated unaudited interim financial report of BMPS as at 31 March 2019;

~~(e)~~(f) the audited financial statements of the Guarantor as at and for the years ended 31 December 2016, 31 December 2017 and 31 December 2018;

~~(f)~~(g) the auditors' reports for the Issuer for the financial year ended 31 December 2017 and 31 December 2018;

~~(g)~~(h) the auditors' reports for the Guarantor for the financial year ended 31 December 2016, 31 December 2017 and 31 December 2018;

~~(h)~~(i) a copy of this Prospectus;

~~(i)~~(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;

~~(j)~~(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"