MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

BOARD APPROVES RESULTS AS AT 30 JUNE 2019:

NET PROFIT FOR THE SEMESTER AT EUR 93 MILLION, AFTER BOOKING NON-OPERATING NEGATIVE COMPONENTS FOR EUR 140 MILLION

NET PROFIT FOR THE SECOND QUARTER AT EUR 65 MILLION, AFTER BOOKING NON-OPERATING NEGATIVE COMPONENTS FOR EUR 47 MILLION

REVENUE RESILIENCE, DESPITE CONTINUOUS AND PROGRESSIVE RESIZING OF COMMERCIAL NETWORK AND STAFF AND MORE CHALLENGING MARKET ENVIRONMENT

SOLID TREND OF COMMERCIAL ACTIVITY: CURRENT ACCOUNTS AND TIME DEPOSITS INCREASE BY EUR 3.6 BILLION VS. DECEMBER 2018 (WITH ESSENTIALLY STABLE COST OF FUNDING), NEW MORTGAGES ARE UP BY OVER EUR 3 BILLION IN 1H19 AND BANCASSURANCE GROWS

CAPITAL POSITION IMPROVES, WITH RATIOS[1] ABOVE REGULATORY REQUIREMENTS:

TRANSITIONAL CET1 RATIO: 14.0%

TRANSITIONAL TOTAL CAPITAL RATIO: 16.0%[2]

ACCELERATION OF NPE REDUCTION STRATEGY: EXPECTED FY2019 GROSS NPE RATIO AT 12.7%[3], TWO YEARS AHEAD OF PLAN'S 2021 TARGETS

- **Pre-provision profit for the quarter at EUR 169 million (EUR 218 million net of Juliet agreement unwinding costs):**
  - **net interest income at EUR 404 million, impacted by reduced return on assets (only partly offset by positive trend of average commercial volumes, up by 0.4% Q/Q) and by increased average commercial direct funding volumes (+1.8% Q/Q)**
  - **net fees and commissions at EUR 364 million, up Q/Q mainly thanks to traditional banking services and wealth management product placement**
  - **other operating income/expenses impacted by costs for the unwinding of the Juliet agreement, booked for c. EUR 49 million**
  - **operating costs at EUR 577 million, up Q/Q for seasonality on other administrative costs; personnel costs down by 3% Q/Q, benefiting from the 750 Solidarity Fund exits in the quarter**

[1] *Ratios calculated including the result for the period (inclusion subject to authorisation by supervisory authority).*
[2] *Including EUR 0.3 billion Tier 2 bond issued in July 2019. Without considering Tier 2 issue, transitional total capital ratio at 15.5%.*
[3] *Proforma, including, in addition to the EUR 2 billion currently being disposed (booked in financial accounts as assets held for sale – IFRS5), further EUR 2 billion disposals planned for 2H19.*

- **Cost of risk at 57 basis points, partly impacted, in the second quarter, by the following events:**
    - **unwinding of the servicing agreement with Juliet, which eliminated the prospective costs of the agreement reflected in the loan portfolio value adjustments (gross positive effect of c. EUR 457 million)**
    - **review of the NPE reduction strategy, aimed at hastening the 2019 disposal plan (negative effect for c. EUR 248 million)**
    - **annual review of risk parameters used for the analytical/collective assessment of loans (negative effect for c. EUR 106 million), partially offset by benefits from some updated loan estimation criteria (positive effect for c. EUR 53 million)**
- **Gross NPE ratio at 14.6%[4] (17.3% at 2018 year-end):**
    - **disposals/reductions of UTPs for c. EUR 0.4 billion accomplished**
    - **conditions for c. EUR 1.2 billion UTP disposals/reductions defined**
    - **disposal of leasing bad loans currently being completed**
    - **binding offers for c. EUR 0.4 billion received on bad loan portfolios**
- **NPE reduction strategy revised, with expected 2019 year-end Gross NPE ratio at 12.7%[5], achieving Plan's 2021 targets ahead of time with no further economic impact expected.**
- **Solid liquidity position: unencumbered counterbalancing position at c. EUR 23 billion (17.4% of total assets), LCR at 201% and NSFR at 113%.**

Siena, 1 August 2019 – Today the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. reviewed and approved the results as at 30 June 2019.

Group profit and loss results at 30 June 2019

At 30 June 2019 the Group's **total revenues** stand at **EUR 1,549 million**, a 9.3% Y/Y decrease, mainly due to lessened net fees and commissions and net interest income and to worsened other operating income/expenses. In 2Q19 revenues decrease by EUR 56 million Q/Q, mainly impacted by the worsening of other operating income/expenses (EUR -55 million) connected with the booking of the Juliet agreement unwinding costs (EUR 40 million excluding VAT); net of this component, the Q/Q dip is due to decreased net profit from trading and financial assets/liabilities and to substantial expenses from judgements/settlement agreements and contingent liabilities.

Net interest income at 30 June 2019 is **EUR 813 million**, down by 6.5% from the same period of 2018, mainly due to the negative trend of commercial loans, which recorded both a contraction of average volumes and a decrease of related yields. This trend is only partially offset by the

[4] *Proforma, including EUR 2 billion currently being disposed (booked in financial accounts as assets held for sale – IFRS5), the economic impacts of which were booked in the 1Q19 results. 16.3% net of this component.*

[5] *Proforma, including, in addition to the EUR 2 billion currently being disposed (booked in financial accounts as assets held for sale – IFRS5), further EUR 2 billion disposals planned for 2H19.*

lower negative interests resulting from the reduced cost of commercial funding, which saw a drop in average lending volumes and rates. The 2Q19 result weakens Q/Q (-1.1%), mainly for the lower contribution of commercial components (lower interest income due to the decline in loan interest rates, higher interest expense on deposits and lower revenues from commissions on advances), partly offset by the reduced cost of market funding. The aggregate was also impacted by the introduction of IFRS 16, which led to the booking of interest expense for c. EUR 3 million at June 30, 2019.

Net fees and commissions for the first half of 2019, at **EUR 723 million**, show a 10.7% Y/Y decrease, mainly due to lower income from product placement and credit facilities. Y/Y trend is partly impacted by the lack of c. EUR 15 million one-off revenues recorded in 1H18, connected with the renewal of the product distribution agreement with Compass S.p.A.. On the other hand, the aggregate is slightly up Q/Q, mainly on service fees and on asset management fees (in particular from product placement).

Dividends, similar income and profit (loss) on investments amount to **EUR 43 million** and are mainly from AXA-MPS[6]. This component is up Y/Y (EUR +9.1 million), thanks to the increased AXA-MPS profits which in the first semester of 2018 had been negatively impacted by market trends. The aggregate is also up Q/Q (EUR +12.0 million), mainly due to the recognition of the dividend distributed by the Bank of Italy.

Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss at 30 June 2019 amounts to **EUR 42 million**, up from the result recorded for the same period of the previous year (equal to EUR 8 million). An analysis of the main aggregates shows:

- **net profit from trading for EUR +59 million**, up vs. 30 June 2018 for the increased contribution of subsidiary MPS Capital Services, which benefited from the absence of the negative effects recorded in the first half of 2018 for the widening of the BTP-BUND spread. The aggregate is down Q/Q for the reduced contribution of the trend recorded by subsidiary MPS Capital Services;
- **net profit from financial assets and liabilities measured at fair value through profit and loss negative for EUR 35 million**, up from the result recorded for the same period of 2018 (equal to EUR -49 million) and from the previous quarter (EUR -20 million);
- **gains on disposals/repurchases positive for EUR 17 million**, down both from the EUR 53 million of the same period of the previous year and from 1Q19, which had benefited from greater profits from the sale of securities.

The following items also contribute to total revenues:

- **net income from hedging equal to EUR -0.6 million**, EUR +0.2 million at 30 June 2018 and essentially nil in 1Q19;
- **other operating income/expenses negative** for **EUR 71 million**, down vs. the result recorded in the first semester of 2018 (equal to EUR -13 million) and vs. the previous quarter (equal to EUR -8 million), mainly due to the recognition of the Juliet agreement

[6] *AXA – MPS is consolidated at net equity in the Group's financial accounts.*

unwinding costs. Net of this component, the item is still down Y/Y and Q/Q for the increased expenses from judgements/settlement agreements and contingent liabilities.

At 30 June 2019 **operating expenses** amount to **EUR 1,146 million**, reduced by EUR 0.7% from the previous year[7]. 2Q19 is up vs. 1Q19 by 1.4% (EUR +8 million), mainly impacted by other administrative expenses and value adjustments to tangible and intangible assets, partly offset by personnel expenses, down 3% Q/Q. Detailed examination of individual aggregates shows that:

- **administrative expenses** stand at **EUR 1,018 million**, reduced by EUR 24 million from the previous year and increased by 0.3% vs. 1Q19. Within the aggregate:
  - **personnel expenses**, at **EUR 726 million**, are down 1.1% Y/Y and 3.0% Q/Q, an effect of the benefits from the headcount reduction scheme which brought 650 exits on 1 April and further 100 exits on 1 May, entirely funded with the FY2018 provisions. Compared to 30 June 2018, these benefits were partly offset by contractual salary increases recorded from October 2018 and by the effects of the supplementary company agreement renewal;
  - **other administrative expenses**, amounting to **EUR 292 million**, are down by 5.2% Y/Y. In the comparison with 1H18, this aggregate is affected by the IFRS16 FTA, net of which the trend would have been slightly up, manly for increased credit recovery expenses. Up by 9.1% Q/Q due to increased credit and project expenses, only partly offset by reduced expenditure on outsourcing and professional services;
- **net value adjustments to tangible and intangible assets** at 30 June 2019 amount to **EUR 128 million**, worsening by 14.5% vs. the same period of the previous year, impacted by the effects of the IFRS16 fist-time adoption (cleared of these effects, the aggregate would be down by c. 9.6%). Up by 11.0% Q/Q, impacted by 2Q19 impairments.

As a result of the above- described trends, the Group's **pre-provision profit** is **EUR 403 million** (EUR 555 million at 30 June 2018), with quarterly contribution down by EUR 64 million Q/Q.

At 30 June 2019 the Group recorded **net impairment losses on financial assets measured at amortised cost and at fair value through other comprehensive income** for a total of **EUR 252 million**, up by EUR 5 million vs. those recorded for the same period of the previous year. Of these, EUR 164 million were booked in 1Q19 and EUR 88 million in 2Q19.

Cost of risk for the semester was affected by the following events:

- the unwinding of the servicing agreement signed with Juliet, which eliminated prospective costs of the agreement reflected in the loan portfolio value adjustments (positive effect for c. EUR 457 million booked in 2Q19, equal to c. EUR 463 million net of c. EUR 6 million, considering that internalisation of the recovery process will take place gradually);

[7] *Comparisons with 2018 amounts are purely indicative, as data are not homogeneous following the introduction of the new IFRS16 accounting standard, which led to the recognition of EUR 30 million fewer other administrative expenses and EUR 27 million more net value adjustments to tangible and intangible assets.*

- the simultaneous review of the NPE reduction strategy, which provided for an acceleration of the 2019 disposal plan in order to further reduce the NPE Ratio (negative effect for approximately EUR 248 million).

In comparison with the first half of 2018, the aggregate was also negatively impacted by the annual review of risk parameters used for the analytical/collective assessment of performing and below-threshold non-performing exposures (c. EUR 106 million recognised in 2Q19), by reduced cure benefits, by increased coverage on already deteriorated positions and by the effects deriving from the downward revision of the of GDP growth estimates for 2019 incorporated in the forward-looking scenarios required by IFRS9 (c. EUR 37 million booked in 1Q19). These dynamics were only partially offset by the positive effects deriving from the lower default flows, from the reduced downward migrations to bad loans and from the changes in loan estimates criteria relating to the analytical assessment threshold and to the evaluation of specialised lending transactions (c. EUR 53 million booked in 2Q19).

The ratio of annualised loan loss provisions at 30 June 2019 over total customer loans reflects a **provisioning rate of 57 bps**.

The Group's **net operating result is positive for c. EUR 151 million**, compared to EUR +308 million recorded for the same period of the previous year.

The following also contribute to the **result for the period:**

- **net provisions for risks and charges for EUR -24 million**, mainly attributable to provisions for lawsuits and for commitments undertaken by the bank for the diamond transactions reimbursements. A EUR 1 million positive result had been booked at 30 June 2018, mainly attributable to the revaluation of the commitment undertaken to meet the hedging costs of the vehicle as part of the sale of the bad loan portfolio;
- **gains on investments** for c. **EUR 3 million**, chiefly for the modified value of some investments, vs. a loss of EUR 4 million booked in 1H18 for write-downs on associate Trixia;
- **restructuring costs/one-off charges**, at **EUR +3 million**, include above all recoveries recognised by INPS[8] for previous headcount reductions, partly offset by the price adjustment connected with the sale of BMP Belgio S.A.. At 30 June 2018 the aggregate was negative for EUR 33 million and mainly included charges related to project initiatives aimed at complying with the commitments undertaken with DG Comp, somewhat offset by the recoveries recognised by INPS for the completed headcount reduction/solidarity fund manoeuvres;
- **risks and charges related to SRF, DGS and similar schemes**, balance of **EUR -87 million**, consisting of the Group's EUR 54 million contribution to the Single Resolution Fund (SRF), booked in 1Q19 (reduced by EUR 14 million Y/Y), of adjustments on the Voluntary Scheme (for the Carige intervention), booked partly in 1Q19, for EUR 6 million, and partly in 2Q19, for EUR 7 million, and of the additional contribution to the National Resolution Fund (NRF), booked in 2Q19 for EUR 20 million;

[8] *Istituto Nazionale della Previdenza Sociale, i.e. the Italian National Institute for Social Security.*

- **DTA fees**, equal to **EUR -35 million**. The amount, determined according to the criteria of Law Decree no. 59/2016, converted into Law no. 119 on 30 June 2016, represents the fees due on 30 June 2019 for DTAs (Deferred Tax Assets) which are convertible into tax credit;
- **gains on disposal of investments** for **EUR 1 million**, connected to the sale of real estate properties. In 1H18 the aggregate was positive for EUR 50 million, mainly proceeds from the sale of Juliet.

Due to the circumstances mentioned above, the Group's **profit before tax from continuing operations** amounts to **EUR +11 million**, down from 1H18, which had recorded a result of EUR +192 million.

Taxes on profit (loss) from continuing operations record a gain of **EUR +91 million**, essentially due to the partial reassessment of DTAs related to tax losses, accrued and not recorded in previous years.

Considering the net effects of PPA (EUR -9 million), the **Group's consolidated profit amounts to EUR 93 million**, against a profit of EUR 289 million reported for the same period of 2018.

Group balance sheet aggregates at 30 June 2019

At 30 June 2019 the Group's **total funding** volumes amount to **EUR 192.4 billion**, essentially stable Q/Q and up by EUR 5.4 billion vs. 31 December 2018, mainly for the increase of indirect funding.

Direct funding, amounting to **EUR 92.2 billion**, records a EUR 0.5 billion decrease vs. the end of March 2019 (a EUR 0.5 billion increase excluding the effects of the disposal of BMP Belgio S.A.), chiefly on repos and bonds, partly offset by current accounts. The aggregate is up by EUR 1.7 billion vs. the end of December 2018 (EUR 2.7 billion excluding the effects of the disposal of BMP Belgio S.A.), notwithstanding the EUR 3.8 billion decrease in repos with institutional counterparts, more than offset by the growth in current accounts and time deposits (EUR +3.6 billion), bonds (EUR +0.5 billion) and other funding (EUR +1.4 billion).

The Group's direct funding market share[9] stands at 3.74% (April 2019 update), slightly up from December 2018 (3.70%).

Indirect funding comes to **EUR 100.2 billion**, up both vs. 31 March 2019 (EUR +0.5 billion) and vs. 31 December 2018 (EUR +3.7 billion), in spite of the loss of the contribution from BMP Belgio S.A., thanks to a substantial positive market effect from which both assets under management and assets under custody have benefited.

In detail, **assets under management**, at **EUR 57.8 billion**, are in line with March 2019 and up by EUR 1.9 billion vs. December 2018, mainly on mutual funds and bancassurance.

As at 30 June 2019 Group **customer loans** amount to **EUR 87.5 billion**, down by EUR 1.9 billion Q/Q (EUR 1.2 billion excluding the effects of the sale of BMP Belgio S.A.) for the decrease on repos (EUR -0.9 billion), impaired loans (EUR -0.6 billion), other forms of lending (EUR -0.5

[9] *Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) with domestic ordinary customers and bonds net of repurchases placed with domestic ordinary customers as first borrowers.*

billion) and current accounts (EUR -0.3 billion); slight increase on mortgages (EUR +0.5 billion). However, the aggregate is up by EUR 0.6 billion (EUR +1.3 billion excluding the effects of the sale of BMP Belgio S.A.) vs. 31 December 2018, mainly on mortgages (EUR +1.1 billion) and loans represented by securities (EUR +0.6 billion). Decrease on impaired loans, which are down by c. 10% (also taking into account the amount booked under “other assets” as a result of disposal transactions), current accounts (EUR -0.2 billion) and repos (EUR -0.3 billion).

The Group’s market share[10] stands at 5.07% (April 2019 update), up by 3bps from the end of 2018.

Medium/long-term loans record in 2Q19 new disbursements/loan contracts for EUR 2.3 billion, up Q/Q (EUR +0.4 billion) but down Y/Y (EUR -0.9 billion).

The Group’s **gross non-performing exposures[11]** as at 30 June 2019 amount to **EUR 15.9 billion**, down Q/Q (EUR -0.3 billion) due to the combined effect of cure, recoveries, deconsolidation of the assets held for sale at 31 March 2019, disposals effected in the second quarter and other reductions resulting from write-offs, conversions and payments, only partly compensated by new default flows. The aggregate is also down vs. 31 December 2018 (EUR -0.9 billion). Gross bad loan exposures is essentially unchanged vs. 31 March 2019 and down by EUR 0.3 billion vs. 31 December 2018. Unlikely-to-pay exposures also decrease, by EUR 0.2 billion vs. March 2019 and by EUR 0.6 billion vs. December 2018, mainly as a result of cure, migration to bad loans and disposals/reductions recorded in the semester. Gross past-due exposures are slightly down vs. March 2019 and flat vs. 31 December 2018.

As at 30 June 2019 the Group’s **net non-performing exposures[12]** are **EUR 7.3 billion**, down both Q/Q (EUR -0.3 billion) and vs. 2018 year-end (EUR -0.5 billion). Net bad loan exposures are somewhat reduced both vs. 31 March 2019 and vs. 31 December 2018, as are net unlikely-to-pay exposures, by EUR 0.2 billion Q/Q and by EUR 0.5 billion vs. 31 December 2018. Net past-due exposures are also down both vs. 31 March 2019 and from December 2018, mainly for the effect of increased coverage, which reaches 25% at 30 June 2019.

The ratio of net non-performing exposures to net customer loans at 30 June 2019 is 8.3%, flat vs. March 2019 (8.4%) and down vs. December 2018 (9%). Within the aggregate, in 2Q19 the percentage incidence of bad, past-due and unlikely-to-pay loans remained essentially stable compared to March 2019. Furthermore, at 30 June 2019 c. EUR 2.0 billion gross bad loans and unlikely-to-pay loans were reclassified among assets held for sale, being subject to already defined disposal transactions that will be closed in the coming months.

As at 30 June 2019 **coverage** of non-performing exposures is 53.8%, up both vs. 31 March 2019 (53.1%) and vs. December 2018 (53.1%). In particular, coverage of past-due loans increases to 25% (vs. 17.5% at 31 March 2019 and 18.3% at 31 December 2018), affected by the annual revision of risk parameters adopted for the collective evaluation of loans. Percentage coverage of non-performing exposures is conversely down vs. 30 June 2018 (56%), mainly for the deconsolidation of disposed bad loans effected in 2Q18.

[10] *Loans to domestic ordinary customers, including bad loans and net of repurchase agreements with central counterparties.*

[11] *NPE exposures include, in addition to exposures measured at amortised cost, all cash exposures, regardless of the accounting portfolio to which they belong, with the exception of equity securities, UCITS, financial assets held for trading and hedging derivatives.*

[12] *See footnote no. 11.*

At 30 June 2019, the Group's **financial assets designated at fair value** amount to **EUR 19.9 billion**, down by EUR 0.7 billion from 31 March 2019, due to the decrease of financial assets held for trading (EUR -0.4 billion) and financial assets designated at fair value through other comprehensive income (EUR -0.2 billion). Down also vs. 31 December 2018 (EUR -0.4 billion), impacted by the decreased financial assets designated at fair value through other comprehensive income, only partly offset by the growth of the trading component relating to subsidiary MPS Capital Services. Financial liabilities held for trading increase by EUR 0.5 billion Q/Q and decrease by EUR 0.2 billion vs. 31 December 2018.

At the end of June 2019 the Group's **net interbank position** stands at **EUR 8.7 billion** in funding, decreased by EUR 2.4 billion vs. 31 March 2019 due to increased minimum reserves and reduced funding from banks (repos). The aggregate is also down vs. December 2018 (EUR -0.8 billion), due to lower funding from banks (particularly repos and current accounts).

At 30 June 2019 the operational liquidity position shows an **unencumbered counterbalancing capacity of about EUR 22.9 billion**, unchanged Q/Q and up by EUR 1.8 billion vs. 2018 year-end thanks to the improvement in the commercial imbalance and to the covered bond issue effected in the month of January 2019, only partially offset by bond maturities.

At 30 June 2019 the **Group's shareholders' equity and non-controlling interests** amount to approximately **EUR 9.3 billion**, up by EUR 0.2 billion Q/Q, chiefly due to i) decreased negative valuation reserves (for the decreased BTP/Bund spread), ii) the cancellation of the indemnity granted to Bank of new York (EUR 76 million) from reserves and iii) profit for the period. Also up vs. the end of December 2018 (+3.8%), thanks to above-mentioned trends (i and ii) and to the profit for the semester.

As for capital ratios[13], at 30 June 2019 the **common equity tier 1 ratio** is **14.0%** (vs. 13.7% at 31 December 2018) and **total capital ratio** is **15.5%**, compared to 15.2% recorded at the end of December 2018.

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Pursuant to paragraph 2, article 154-bis of the Consolidated Finance Act, the Financial Reporting Officer, Nicola Massimo Clarelli, declares that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

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This press release will be available on www.gruppomps.it

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[13] *Ratios calculated including the result for the period (inclusion subject to authorisation by supervisory authority).*

Income statement and balance sheet reclassification principles

Reclassified Income statement

It should be noted that, in order to allow continuity in the reporting and reading of progressive results, income statement data relating to subsidiary BMP Belgio S.A. as at 30 June 2019 – sold on 14 June 2019 – in addition to the result of the sale, are included in individual income statement items instead of income statement item “Profit (loss) after tax from groups of assets held for sale and discontinued operations”.

- Item “**interest income**” was cleared of the negative contribution (EUR -4 million) of the Purchase Price Allocation (PPA), referable to past business combinations, which was reclassified to a specific item, and integrated with the contribution from subsidiary BMP Belgio S.A., for EUR +4 million.
- Item “**net fees and commissions**” was integrated with the contribution from subsidiary BMP Belgio S.A., for EUR +0.7 million.
- Item “**dividends, similar income and gains (losses) on investments**” incorporates item 70 “Dividends and similar income” and the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at net equity, equal to EUR 35 million, included under item 250 “Gains (losses) on investments”. The aggregate was furthermore cleared of dividends earned on securities other than equity investments (EUR 0.9 million), reclassified under item “net profit (loss) from trading/valuation of financial assets/liabilities measured at fair value through profit and loss”.
- Item “**net profit (loss) from trading/valuation and from financial assets/liabilities measured at fair value through profit and loss**” includes item 80 “net profit (loss) from trading”, item 100 “gains (losses) on disposal/repurchase of: i) financial assets measured at amortised cost, ii) financial liabilities measured at fair value through other comprehensive income and iii) financial liabilities” and item 110 “net profit (loss) on financial assets measured at fair value through profit and loss”. The item also incorporates dividends earned on securities other than equity investments (EUR 0.9 million) and the contribution of subsidiary BMP Belgio S.A., for EUR -3 million, whereas it was cleared of the capital loss on the Carige stock for c. EUR 13 million, reclassified to item “risks and charges related to the SRF, DGS and similar schemes”.
- Item “**other operating income (expense)**” includes item 230 “other operating expenses (income)” net of stamp duty and other expenses recovered from customers, which are stated under the reclassified item “other administrative expenses” (EUR 131 million) and net of other expense recoveries, which are reclassified under item “net value adjustments to tangible assets” (EUR 4 million). The item was integrated with the contribution of subsidiary BMP Belgio S.A., for EUR -0.1 million.
- Item “**personnel expenses**” includes the balance of financial statement item 190a “personnel expenses”, decreased by EUR 9 million for INPS recoveries on provisions for previous headcount reduction measures, reclassified under item “restructuring costs/one-off charges”. The item also includes the share of costs relating to subsidiary BMP Belgio S.A., for EUR 4 million.

- Item "**other administrative expenses**" includes the balance of financial statement item 190b "other administrative expenses", reduced by the following cost items:
  - expenses, amounting to EUR 75 million, resulting from EU Deposit Guarantee Schemes Directive – heretofore DGSD – and Bank Recovery and Resolution Directive – heretofore BRRD – directives for the resolution of bank crises, posted under the reclassified item "risks and charges associated with SRF, DGS and similar schemes";
  - fee on DTAs convertible into tax credits, for EUR 35 million, posted under the reclassified "DTA fee" item;
  - extraordinary charges for EUR 1 million, related to project initiatives partly aimed at complying with the commitments undertaken with DG Comp (among which the closing of domestic and foreign branches), reclassified to item "restructuring costs/one-off charges".

  The item also incorporates stamp duty and other expenses recovered from clients (EUR 131 million) posted under item 230 "Other operating expenses/income" and the share of costs relating to subsidiary BMP Belgio S.A., for EUR 4 million.

- Item "**net value adjustments to tangible and intangible assets**" includes amounts from items 210 "Net adjustments to/recoveries on property, plant and equipment" and 220 "Net adjustments to/recoveries on intangible assets", and was cleared of the negative contribution (EUR -10 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item, whereas it includes expense recoveries (EUR 4 million) posted under item 230 "Other operating expenses/income" in the financial statements. It was furthermore integrated with the contribution of subsidiary BMP Belgio S.A., for EUR 0.9 million.

- Item "**net impairment (losses)/reversals on financial assets at amortised cost**" includes items 130a "Financial assets measured at amortised cost" and 140 "modification gains (losses)". The item was integrated with the contribution of subsidiary BMP Belgio S.A., for EUR +2.8 million.

- Item "**Net impairment losses on financial assets measured at fair value through other comprehensive income"** includes item 130b "Net impairment (losses)/reversals on financial assets measured at fair value through other comprehensive income" and was integrated with the contribution of subsidiary BMP Belgio S.A., for EUR 0.1 million.

- Item **"net provisions for risks and charges"** includes the balance of item 200 "net provisions for risks and charges" and was integrated with the contribution of subsidiary BMP Belgio S.A, for EUR 0.2 million.

- Item **"profit (loss) on equity investments"** incorporates the balance of item 250 "profits (losses) on equity investments" without the contribution to the income statement of the portion of the profit on the connected equity investments in AXA, consolidated at net equity, equal to EUR 35 million, posted under reclassified item "Dividends, similar income and gains (losses) on investments".

- Item "**restructuring costs/one-off charges**" mainly includes recoveries recognised by INPS for previous headcount reduction/solidarity fund manoeuvres, equal to EUR 9 million, booked under item 190a "personnel expenses" in the annual report, charges related to project initiatives, partly aimed at complying with the commitments undertaken with DG Comp, equal to EUR 1 million, booked under item 190b "other administrative expenses" in the annual report, and the price adjustment relating to the sale of subsidiary BMP Belgio S.A. equal to EUR 5 million, posted under item 320 “Profit (loss) after tax from assets held for sale and discontinued operations” in the annual report.

- Item “**risks and charges related to the SRF, DGS and similar schemes**” includes the charges deriving from the Community directives DGSD and BRRD, equal to EUR 75 million, posted in the annual report under item 190b “other administrative expenses”, in addition to the capital loss on the Carige stock for c. EUR 13 million, posted under item 110 “net profit (loss) from trading/valuation and from financial assets/liabilities measured at fair value through profit and loss” in the annual report.
- Item “**DTA fees**” contains costs relating to the fees on DTAs which are convertible into tax credits, provided for by art. 11 of Law Decree no. 59 of 3 may 2016 converted into Law no. 119 of 30 June 2016, booked in item 190b “Other Administrative Expenses” for EUR 35 million.
- Item “**tax expense (recovery) on income from continuing operations**” includes the balance of item 300 “tax (expense)/recovery on income from continuing operations” and was cleared of the theoretical tax component relating to the Purchase Price Allocation (PPA), which was reclassified to a specific item for an amount of EUR 5 million.
- Item “**profit (loss) after tax from assets held for sale and discontinued operations**” was cleared of the subsidiary’s result for the period (EUR -4 million), which was reclassified under individual income statement items, and of the effects of the price adjustment relating to the sale of subsidiary BMP Belgio S.A., equal to EUR 5 million, reclassified as “restructuring costs/one-off charges”.
- The overall negative effects of the Purchase Price Allocation (PPA) have been reclassified to the specific item, separating them from the economic items concerned (in particular “**interest margin**” for EUR -4 million and “**net adjustments to/recoveries on tangible and intangible assets**” for EUR -10 million, net of a theoretical tax burden of EUR +5 million which integrates the item).

<u>Reclassified Balance sheet</u>

- Item “**financial assets measured at fair value**” includes item 20 “financial assets measured at fair value through profit and loss”, item 30 “financial assets measured at fair value through other comprehensive income”.
- Item “**other assets**” on the assets side incorporates item 50 “hedging derivatives”, item 60 “value adjustments to financial assets subject to macro-hedging”, item 110 “tax assets”, item 120 “Non-current assets held for sale and discontinued operations”, item 130 “other assets”.
- Item “**deposits from customers and debt securities issued**” on the liabilities side includes item 10b “financial liabilities measured at amortised cost – deposits from customers”, item 10c “financial liabilities measured at amortised cost – outstanding securities” and item 30 “financial liabilities measured at fair value”.
- Item “**other liabilities**” on the liabilities side incorporates item 40 “hedging derivatives”, item 50 “change in value of macro-hedged financial liabilities”, item 60 “tax liabilities”, item 70 “liabilities associated with groups of assets held for sale, item 80 “other liabilities”.

- Furthermore, it should be noted that the balance sheet figures as at 30 June 2019 do not include BMP Belgio S.A., since the disposal of the entire investment was completed in June. In order to allow continuity in reading the Group's results, the subsidiary's balance sheet figures as at 31 March 2019, 31 December 2018 and 30 September 2018, although it was at the time being divested, have been included in the individual balance sheet items.

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INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	30 06 2019	30 06 2018*	Chg.
Net interest income	813.2	870.0	-6.5%
Net fee and commission income	722.5	809.5	-10.7%
Other income from banking business	84.8	42.4	n.m.
Other operating income	(71.4)	(12.9)	n.m.
Total Revenues	1,549.2	1,709.0	-9.3%
Operating costs	(1,146.4)	(1,154.2)	-0.7%
Net impairment losses (reversals) on financial assets mesured at amortised cost and finanaicl assets measured at fair value through other comprehensive income	(251.8)	(246.7)	2.1%
Net operating income	151.0	308.0	-51.0%
Net profit (loss) for the period	93.1	288.5	-67.7%
EARNING PER SHARE (EUR)	**30 06 2019**	**30 06 2018***	**Var.**
Basic earnings per share	0.084	0.261	-67.7%
Diluted earnings per share	0.084	0.261	-67.7%
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**30 06 2019**	**31 12 2018***	**Var.**
Total assets	131,538.9	130,481.0	0.8%
Loans to customers	87,483.7	86,855.5	0.7%
Direct funding	92,215.9	90,471.7	1.9%
Indirect funding	100,156.8	96,488.6	3.8%
of which: assets under management	57,813.4	55,887.7	3.4%
of which: assets under custody	42,343.4	40,600.8	4.3%
Group net equity	9,336.4	8,992.0	3.8%
OPERATING STRUCTURE	**30/06/19**	**31 12 2018***	**Var.**
Total headcount - end of period	22,223	23,129	-906
Number of branches in Italy	1,529	1,529	n.m.

N.B.: Total headcount refers to the effective workforce and therefore does not include resources posted outside the Group's perimeter

ALTERNATIVE PERFORMANCE MEASURES

MPS GROUP

CONSOLIDATED PROFITABILITY RATIOS (%)	30 06 2019	31 12 2018*	Chg.
Cost/Income ratio	74.0	71.5	2.5
R.O.E. (on average equity)	2.0	2.9	-0.9
Return on Assets (RoA) ratio	0.1	0.2	-0.1
ROTE (Return on tangible equity)	2.0	2.9	-0.9

** The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS16, therefore 2018 figures are not fully comparable.*

KEY CREDIT QUALITY RATIOS (%)	30 06 2019	31 12 2018*	Chg.
Net non-performing loans / Loans to Customers	8.3	9.0	-0.7
Gross NPL ratio	16.3	17.3	-1.0
Growth rate of gross NPLs [1]	-5.5	-60.8	55.3
Coverage non-performing loans	53.8	53.1	0.7
Bad loans / Loans to Customers	3.6	3.7	-0.1
Loans to Customers measured at amortised cost - Stage 2/Performing exposures measured at amortised cost	14.1	15.9	-1.8
Coverage bad loans	61.9	62.4	-0.5
Net impairment losses on loans measured at amortised cost/ Loans to Customers measured at amortised cost (Provisioning)	0.6	0.7	-0.10
Texas Ratio	89.8	95.0	-5.2

[1] The growth rate of gross NPLs represents the annual growth rate of gross non-performing exposures based on the difference between annual stocks. The value as at 31 December 2018 was affected by the disposal of the NPL portfolio which was completed in June 2018.

REGULATORY MEASURES			
MPS GROUP			
CAPITAL RATIOS (%)	30 06 2019	31 12 2018*	Chg.
Common Equity Tier 1 (CET1) ratio	14.0	13.7	0.3
Total Capital ratio	15.5	15.2	0.3
FINANCIAL LEVERAGE INDEX (%)	30 06 2019	31 12 2018*	Chg.
Leverage ratio - Transitional Phase	5.9	5.5	0.4
LIQUIDITY RATIO (%)	30 06 2019	31 12 2018*	Chg.
LCR [1]	201.1	190.2	10.9
NSFR	113.1	112.3	0.8
Encumbered asset ratio	36.3	35.5	0.8
Loan to deposit ratio	94.9	96.0	-1.1
Counterbalancing capacity (EUR bn)	22.9	21.2	1.7

[1] LCR at 31 December 2018 was adjusted in order to take into account a specific clarification provided by the supervisory authority.

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Reclassified Consolidated Income Statement				
	30 06 2019	30 06 2018*	Change	
MONTEPASCHI GROUP			Abs.	%
Net interest income	813.2	870.0	(56.8)	-6.5%
Net fee and commission income	722.5	809.5	(87.0)	-10.7%
Income from banking activities	**1,535.7**	**1,679.5**	**(143.8)**	**-8.6%**
Dividends, similar income and gains (losses) on equity investments	43.4	34.3	9.1	26.4%
Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and maesured at fair value through profit and loss	42.0	7.8	34.2	n.m.
Net profit (loss) from hedging	(0.6)	0.2	(0.8)	n.m.
Other operating income (expenses)	(71.4)	(12.9)	(58.5)	n.m.
Total Revenues	**1,549.2**	**1,709.0**	**(159.8)**	**-9.3%**
Administrative expenses:	(1,018.0)	(1,042.1)	24.1	-2.3%
a) personnel expenses	(726.0)	(734.1)	8.0	-1.1%
b) other administrative expenses	(291.9)	(308.0)	16.1	-5.2%
Net value adjustments to tangible and intangible assets	(128.4)	(112.2)	(16.3)	14.5%
Operating expenses	**(1,146.4)**	**(1,154.2)**	**7.8**	**-0.7%**
Pre Provision Profit	**402.8**	**554.7**	**(152.0)**	**-27.4%**
Net impairment losses (reversals) on:	**(251.8)**	**(246.7)**	**(5.1)**	**2.1%**
a) financial assets measured at amortised cost	(250.9)	(245.2)	(5.7)	2.3%
b) Financial assets measured at fair value through other comprehensive income	*(0.9)*	*(1.5)*	*0.6*	-40.0%
Net operating income	**151.0**	**308.0**	**(157.1)**	**-51.0%**
Net provisions for risks and charges	(24.1)	1.3	(25.4)	n.m.
of which commitments and guarantees issued	*34.3*	*46.7*	*(12.4)*	*-26.6%*
Gains (losses) on investments	3.2	(4.0)	7.2	n.m.
Restructuring costs / One-off costs	3.1	(33.3)	36.4	n.m.
Risks and charges related to the SRF, DGS and similar schemes	(87.4)	(94.9)	7.5	-7.9%
DTA Fees	(35.2)	(35.4)	0.2	-0.7%
Gains (losses) on disposal of investments	0.7	49.9	(49.2)	-98.6%
Profit (loss) before tax from continuing operations	**11.3**	**191.6**	**(180.3)**	**-94.1%**
Tax expense (recovery) on income from continuing operations	91.2	109.4	(18.2)	-16.6%
Net profit (loss) for the period including non-controlling interests	**102.5**	**301.0**	**(198.5)**	**-66.0%**
Net profit (loss) attributable to non-controlling interests	-	-	-	n.m.
Profit (loss) for the period before PPA	**102.5**	**301.0**	**(198.5)**	**-66.0%**
PPA (Purchase Price Allocation)	(9.4)	(12.5)	3.1	-25.0%
Net profit (loss) for the period	**93.1**	**288.5**	**(195.4)**	**-67.7%**

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Quarterly trend in reclassified consolidated income statement						
	2019		2018*			
MONTEPASCHI GROUP	2°Q 2019	1°Q 2019	4°Q 2018	3°Q 2018	2°Q 2018	1°Q 2018
Net interest income	404.3	408.9	430.8	442.1	448.5	421.5
Net fee and commission income	363.7	358.8	360.4	353.4	403.0	406.5
Income from banking activities	**768.0**	**767.7**	**791.2**	**795.5**	**851.5**	**828.0**
Dividends, similar income and gains (losses) on equity investments	27.5	15.9	19.5	20.7	16.2	18.1
Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and maesured at fair value through profit and loss	14.9	27.1	(18.8)	(2.0)	(29.5)	37.4
Net profit (loss) from hedging	(0.6)	-	0.8	(1.2)	(0.9)	1.1
Other operating income (expenses)	(63.0)	(8.3)	(23.6)	(3.4)	(5.1)	(7.8)
Total Revenues	**746.7**	**802.5**	**769.1**	**809.5**	**832.2**	**876.8**
Administrative expenses:	(509.7)	(508.2)	(554.3)	(504.3)	(526.4)	(515.7)
a) personnel expenses	(357.4)	(368.6)	(364.9)	(364.0)	(366.3)	(367.8)
b) other administrative expenses	(152.3)	(139.7)	(189.4)	(140.3)	(160.1)	(147.9)
Net value adjustments to tangible and intangible assets	(67.6)	(60.9)	(81.0)	(56.9)	(55.1)	(57.1)
Operating expenses	**(577.3)**	**(569.1)**	**(635.3)**	**(561.2)**	**(581.4)**	**(572.8)**
Pre Provision Profit	**169.4**	**233.4**	**133.8**	**248.3**	**250.7**	**304.0**
Net impairment losses (reversals) on:	**(87.5)**	**(164.3)**	**(256.5)**	**(121.4)**	**(108.8)**	**(137.9)**
a) financial assets measured at amortised cost	*(86.7)*	*(164.2)*	*(267.0)*	*(115.9)*	*(108.1)*	*(137.1)*
b) Financial assets measured at fair value through other comprehensive income	*(0.8)*	*(0.1)*	*10.5*	*(5.5)*	*(0.7)*	*(0.8)*
Net operating income	**81.9**	**69.1**	**(122.7)**	**126.9**	**141.9**	**166.1**
Net provisions for risks and charges	(6.8)	(17.3)	(53.7)	(16.6)	(51.3)	52.6
of which commitments and guarantees issued	*12.5*	*21.8*	*(22.3)*	*(9.5)*	*1.8*	*44.9*
Gains (losses) on investments	2.4	0.9	0.3	5.0	0.0	(4.0)
Restructuring costs / One-off costs	0.9	2.2	(140.6)	(27.8)	(16.3)	(17.0)
Risks and charges related to the SRF, DGS and similar schemes	(26.6)	(60.9)	(7.6)	(28.6)	(25.9)	(69.0)
DTA Fees	(17.3)	(17.9)	(17.7)	(17.7)	(17.7)	(17.7)
Gains (losses) on disposal of investments	0.1	0.6	(0.1)	0.2	49.6	0.3
Profit (loss) before tax from continuing operations	**34.6**	**(23.3)**	**(342.2)**	**41.5**	**80.4**	**111.3**
Tax expense (recovery) on income from continuing operations	34.4	56.7	245.7	55.1	26.1	83.3
Net profit (loss) for the period including non-controlling interests	**69.0**	**33.5**	**(96.6)**	**96.6**	**106.5**	**194.6**
Net profit (loss) attributable to non-controlling interests	(0.2)	0.2	-	0.1	-	-
Profit (loss) for the period before PPA	**69.2**	**33.3**	**(96.6)**	**96.5**	**106.5**	**194.6**
PPA (Purchase Price Allocation)	(4.0)	(5.4)	(4.1)	(5.7)	(5.6)	(7.0)
Net profit (loss) for the period	**65.2**	**27.9**	**(100.7)**	**90.8**	**100.9**	**187.6**

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MONTE DEI PASCHI DI SIENA
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Reclassified Balance Sheet

ASSETS	30 06 2018	31 12 2018*	Change abs.	Change %
Cash and cash equivalents	650.1	950.6	(300.5)	-31.6%
Financial assets measured at amortised cost :				
a) Loans to customers	87,483.7	86,855.5	628.2	0.7%
b) Loans to banks	12,474.4	12,504.2	(29.8)	-0.2%
Financial assets measured at fair value	19,892.4	20,296.2	(403.8)	-2.0%
Equity investments	958.2	922.8	35.4	3.8%
Property, plant and equipment / Intangible assets	2,921.1	2,727.3	193.8	7.1%
of which:				
a) goodwill	*7.9*	*7.9*	-	0.0%
Other assets	7,159.0	6,224.4	934.6	15.0%
Total assets	**131,538.9**	**130,481.0**	**1,057.9**	**0.8%**

LIABILITIES	30 06 2018	31 12 2018*	Change abs.	Change %
Payables				
a) Deposits from customers and securities issued	92,215.9	90,471.7	1,744.2	1.9%
b) Deposits from banks at amortised cost	21,137.3	21,986.3	(849.0)	-3.9%
Financial liabilities held for trading	2,972.1	3,175.7	(203.6)	-6.4%
Provisions for specific use				
a) Provisions for staff severance indemnities	182.8	192.1	(9.3)	-4.8%
b) Provisions related to guarantees and other commitments given	208.1	242.4	(34.3)	-14.2%
c) Pensions and other post retirement benefit obligations	36.6	37.9	(1.3)	-3.4%
d) Other provisions	1,035.0	1,199.9	(164.9)	-13.7%
Other liabilities	4,412.7	4,180.8	231.9	5.5%
Group net equity	9,336.4	8,992.0	344.4	3.8%
a) Valuation reserves	(15.0)	(176.7)	161.7	-91.5%
c) Equity instruments carried at equity	-	-	-	0.0%
d) Reserves	(756.6)	(1,124.8)	368.2	-32.7%
e) Share premium	-	-	-	0.0%
f) Share capital	10,328.6	10,328.6	-	0.0%
g) Treasury shares (-)	(313.7)	(313.7)	-	0.0%
h) Net profit (loss) for the period	93.1	278.6	(185.5)	-66.6%
Non-controlling interests	2.0	2.2	(0.2)	-9.1%
Total Liabilities and Shareholders' Equity	**131,538.9**	**130,481.0**	**1,057.9**	**0.8%**

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Reclassified Balance Sheet - Quarterly Trend

ASSETS	30 06 19	31 03 19	31 12 18*	30 09 18*	30 06 18*	31 03 18*
Cash and cash equivalents	650.1	609.1	950.6	714.1	721.2	896.9
Financial assets measured at amortised cost :						
a) Loans to customers	87,483.7	89,375.7	86,855.5	87,464.9	87,010.1	89,320.4
b) Loans to banks	12,474.4	11,097.1	12,504.2	8,724.2	8,636.3	6,374.5
Financial assets measured at fair value	19,892.4	20,568.7	20,296.2	25,430.0	29,257.2	25,652.3
Equity investments	958.2	901.7	922.8	905.1	896.8	1,075.8
Property, plant and equipment / Intangible assets	2,921.1	2,977.7	2,727.3	2,746.9	2,789.9	2,831.2
of which:						
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Other assets	7,159.0	6,592.3	6,224.4	6,199.8	6,411.4	10,620.6
Total assets	**131,538.9**	**132,122.3**	**130,481.0**	**132,185.0**	**135,722.8**	**136,771.8**

LIABILITIES	30 06 19	31 03 19	31 12 18*	30 09 18*	30 06 18*	31 03 18*
Payables						
a) Deposits from customers and securities issued	92,215.9	92,686.1	90,471.7	93,906.0	96,833.9	97,856.8
b) Deposits from banks at amortised cost	21,137.3	22,170.2	21,986.3	20,838.9	20,794.8	20,483.1
Financial liabilities held for trading	2,972.1	2,502.1	3,175.7	3,000.6	3,173.6	3,625.4
Provisions for specific use						
a) Provisions for staff severance indemnities	182.8	182.1	192.1	194.6	196.3	197.3
b) Provisions related to guarantees and other	208.1	220.6	242.4	219.2	209.7	223.4
c) Pensions and other post retirement benefit	36.6	37.2	37.9	40.5	43.8	49.4
d) Other provisions	1,035.0	1,073.7	1,199.9	1,067.4	1,112.5	1,086.6
Other liabilities	4,412.7	4,159.3	4,180.8	3,946.7	4,361.5	3,949.2
Group net equity	9,336.4	9,088.6	8,992.0	8,968.9	8,994.5	9,298.3
a) Valuation reserves	(15.0)	(123.7)	(176.7)	(305.0)	(194.0)	196.7
c) Equity instruments carried at equity	-	-	-	-	-	-
d) Reserves	(756.6)	(830.5)	(1,124.8)	(1,120.3)	(1,114.9)	(1,100.8)
e) Share premium	-	-	-	-	-	-
f) Share capital	10,328.6	10,328.6	10,328.6	10,328.6	10,328.6	10,328.6
g) Treasury shares (-)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)
h) Net profit (loss) for the period	93.1	27.9	278.6	379.3	288.5	187.5
Non-controlling interests	2.0	2.4	2.2	2.2	2.2	2.3
Total Liabilities and Shareholders' Equity	**131,538.9**	**132,122.3**	**130,481.0**	**132,185.0**	**135,722.8**	**136,771.8**

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