PRESS RELEASE

BOARD APPROVES RESULTS AS AT 30 SEPTEMBER 2019:

NET PROFIT FOR THE FIRST NINE MONTHS OF THE YEAR AT EUR 187 MILLION, OF WHICH EUR 94 MILLION IN THE THIRD QUARTER

NEGATIVE NON-OPERATING COMPONENTS FOR EUR 207 MILLION BOOKED IN THE FIRST NINE MONTHS OF 2019, OF WHICH EUR 67 MILLION IN THE THIRD QUARTER

REVENUES CONTINUE TO PROVE RESILIENT IN THIRD QUARTER, THANKS TO CONSTANT FOCUS ON BANCASSURANCE AND TO MANAGEMENT OF GOVIES PORTFOLIO

GOOD COMMERCIAL TREND CONTINUES:
IN THE FIRST NINE MONTHS OF THE YEAR CURRENT ACCOUNTS AND TIME DEPOSITS GROW BY C. EUR 3 BILLION (WITH COST OF FUNDING ESSENTIALLY STABLE) AND NEW MORTGAGES ARE UP BY OVER EUR 5 BILLION

COST OF RISK AT 53 BASIS POINTS;
GUIDANCE OF 60/65 BASIS POINTS CONFIRMED FOR 2019

SOLID CAPITAL POSITION, WITH RATIOS WELL ABOVE SREP REGULATORY REQUIREMENTS:

TRANSITIONAL CET1 RATIO: 14.8%

TRANSITIONAL TOTAL CAPITAL RATIO: 16.7%

IMPAIRED LOAN PORTFOLIO REDUCTION CONTINUES:
TARGET GROSS NPE RATIO FOR 2019 YEAR-END CONFIRMED BELOW 12.5%, REACHING PLAN'S 2021 TARGET OF 12.9% TWO YEARS IN ADVANCE

- **Pre-provision profit for the third quarter at EUR 262 million:**
  - **net interest income at EUR 355 million, down by 12.3% Q/Q, mainly impacted by reduced loan rates and average volumes and by the increased cost connected with the institutional bonds issued in the quarter**
  - **net fees and commissions at EUR 356 million, down Q/Q (-2.1%) but up Y/Y (+0.7%); wealth management fees grow in the quarter (+3.9% Q/Q), driven by Bancassurance component**
  - **other income from banking business[1] equal to EUR 112 million, including c. 90 million capital gain from the sale of securities, chiefly government bonds**
  - **operating costs at EUR 549 million, down by 4.9% Q/Q**

[1] *Dividends, similar income and gains (losses) on equity investments, net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss, net profit (loss) from hedging.*

- **Texas ratio[2] at c. 85%, vs. 95% at 31 December 2018**
- **Proforma gross NPE ratio at c. 14%[3] (17.3% at 2018 year-end):**
    - **UTPs reduced by EUR 1.1 billion and bad loans by EUR 0.4 billion in the quarter**
    - **further EUR 0.2 billion UTPs and EUR 0.4 billion leasing bad loans currently being deconsolidated**
    - **c. EUR 0.2 billion UTPs currently on the market (binding offers expected by year end)**
- **2019 year-end Gross NPE target ratio confirmed below 12.5%[4], achieving Plan's 2021 targets ahead of time with no further impact expected on profit & loss**
- **Solid liquidity position: unencumbered counterbalancing position at c. EUR 23.4 billion (17.5% of total assets), LCR >200% and NSFR >100%.**

Siena, 6 November 2019 – Today the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. reviewed and approved the results as at 30 September 2019.

Group profit and loss results at 30 September 2019

At 30 September 2019 the Group recorded **total revenues** for **EUR 2,360 million**, a 6.3% Y/Y decrease, mainly due to reduced net interest income and net fees and commissions and to weakened other operating income/expenses, chiefly ascribable to the Juliet agreement unwinding costs, partly offset by improved other income from banking business. Compared to the previous quarter, which had been impacted by the Juliet agreement unwinding costs (EUR 40 million excluding VAT), revenues increase by EUR 64 million, notwithstanding the reduced net interest income, thanks to capital gains on the sale of securities.

Net interest income at 30 September 2019 is **EUR 1,168 million**, down by 11% from the same period of 2018, mainly impacted by 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 increased contribution of the securities portfolio and by the reduced cost of commercial funding, which witnessed a drop in average lending volumes and rates. NII is down by -12.3% Q/Q, mainly for the lower contribution of commercial components (lower interest income due to the decline in loan volumes and interest rates), the increased cost of market funding, connected with institutional bond issued in 3Q19. The aggregate was also impacted by the introduction of IFRS 16, which led to the booking of interest expense for c. EUR 4.9 million at 30 September 2019.

Net fees and commissions for the first nine months of 2019, at **EUR 1,078 million**, show a 7.3% decrease vs. the same period of the previous year. Y/Y trend is mainly impacted by

[2] *Ratio of gross non-performing exposures to the sum of tangible shareholders' equity and loan loss provisions.*

[3] *Proforma, including disposals which are currently underway and/or already perfected but awaiting deconsolidation. Gross NPE ratio at 14.6% net of this component.*

[4] *Proforma, including, in addition to disposals which are currently underway and/or already perfected but awaiting deconsolidation, disposals for further EUR 2 billion expected by 2019 year-end.*

reduced product placement fees and credit commissions, the latter impacted by the decrease in loans recorded in 9M19 and 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.. The aggregate is also down Q/Q, mainly on credit and service commissions, whereas asset management fees (particularly from product placement) improve.

Dividends, similar income and profit (loss) on investments amount to **EUR 80 million**, mainly thanks to the contribution of AXA-MPS[5]. This component is up both Y/Y (EUR +25.3 million) and Q/Q (EUR +9.4 million).

Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss at 30 September 2019 amounts to **EUR 115 million**, up from the result recorded for the same period of the previous year (equal to EUR 6 million). An analysis of the main aggregates shows:

- **net profit from trading for EUR +89 million**, up vs. 30 September 2018 for the increased contribution of subsidiary MPS Capital Services, which benefited from the absence of the negative effects recorded in the first nine months of 2018 for the widening of the BTP-BUND spread. The aggregate is also up Q/Q thanks to the contribution of subsidiary MPS Capital Services;
- **net profit from financial assets and liabilities measured at fair value through profit and loss negative for EUR 74 million**, down Y/Y from the result recorded for the same period of 2018 (equal to EUR -64 million), in particular due to negative impacts on loans. The result for 3Q19 is also down from 2Q19;
- **gains on disposals/repurchases positive for EUR 100 million**, up from the EUR 60 million of the same period of the previous year thanks to increased profits from the sale of securities. The result is also up Q/Q for the positive contribution of these security sales, only partially offset by the negative effect of loan disposals.

The following items also contribute to total revenues:

- **net income from hedging equal to EUR +1.2 million**, improved both vs. 30 September 2018 (EUR -1 million) and vs. 30 June 2019 (EUR -0.6 million);
- **other operating income/expenses negative for EUR 82 million**, down from the result recorded in the first nine months of 2018 (equal to EUR -16 million) due to the recognition of the Juliet servicing agreement unwinding costs booked in 2Q19. The aggregate is up Q/Q (with previous quarter equal to EUR -63 million), even excluding the effects of the Juliet agreement unwinding costs.

At 30 September 2019 **operating expenses** amount to **EUR 1,696 million**, reduced by 1.1% from the previous year[6]. 3Q19 is down vs. 2Q19 by 4.9%, with savings for c. EUR 28 million, mainly thanks to other administrative expenses and value adjustments to tangible and intangible assets. Detailed examination of individual aggregates shows that:

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

[6] *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 44.2 million fewer other administrative expenses and EUR 40.6 million more net value adjustments to tangible and intangible assets.*

- **administrative expenses** stand at **EUR 1,510 million**, reduced by c. EUR 36.5 million from September 2018. Quarterly expenses are also down vs. 2Q19, by 3.5%. Within the aggregate:
  - **personnel expenses**, at **EUR 1,081 million**, are down by 1.6% Y/Y, with 3Q19 expenses reduced by 0.8% Q/Q mainly thanks to benefits from the additional staff cut connected with the headcount reduction scheme, which brought 100 exits on 1 May, and from the deconsolidation of BMP Belgio S.A.. Compared to 30 September 2018, personnel expense dynamics also benefit from the headcount reduction scheme 650 exits which took place on 1 April, whilst impacted by the contractual salary increases recorded from October 2018, by the effects of the 31 December 2018 agreement on personnel costs and of the supplementary company agreement renewal (12 July 2019);
  - **other administrative expenses**, amounting to **EUR 429 million**, are down by 4.2% Y/Y. In the comparison with 9M18, this aggregate is affected by the IFRS16 first-time adoption, net of which the trend would have been up mainly for increased credit recovery expenses. Down by 9.8% Q/Q thanks to reduced expenditure on ICT, credit recovery and logistics;
- **net value adjustments to tangible and intangible assets** at 30 September 2019 amount to **EUR 186 million**, worsening by 9.9% vs. the same period of the previous year, impacted by the introduction of IFRS16 (cleared of these effects, the aggregate would be down by c. EUR 24 million). Improved by c. 15.1% Q/Q for the reduced impairments on properties in 3Q19.

As a result of the described trends, the Group's **pre-provision profit** is **EUR 665 million** (EUR 803 million at 30 September 2018), with quarterly contribution up by EUR 93 million Q/Q.

At 30 September 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 365 million**, essentially flat vs. those recorded for the same period of the previous year (EUR 368 million). Costs booked in 3Q19, equal to EUR 113 million, are up from the EUR 88 million booked in 2Q19.

Cost of risk was affected by the following events, which had already occurred during the first half of the year:

- 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);
- 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 30 September 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 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 net loan loss provisions at 30 September 2019 over total customer loans reflects a **provisioning rate of 53 bps**.

The Group's **net operating result is positive for c. EUR 300 million**, compared to EUR +435 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 -33 million**, mainly attributable to provisions related to commitments undertaken by the bank for the settlement of diamond transactions. As at 30 September 2018, a EUR 15 million negative result had been booked, attributable to provisions for lawsuits partly offset by the revaluation of the commitment undertaken to meet the hedging costs of the Siena NPL 2018 S.r.l. vehicle as part of the securitisation of the bad loan portfolio;
- **gains on investments** for c. **EUR 4 million**, chiefly for the modified value of some investments, vs. a gain of EUR 1 million booked in the same period of the previous year;
- **restructuring costs/one-off charges**, at **EUR -2 million**, mostly include project costs and the price adjustment for the sale of BMP Belgio S.A., partly offset by recoveries recognised by INPS for the completed headcount reductions/solidarity fund manoeuvres. At 30 September 2018 the aggregate was negative for EUR 61 million and mainly included charges related to project initiatives aimed at complying with the commitments undertaken with DG Comp, amongst which the expected loss on the sale of BMP Belgio S.A., 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 -123 million**, consisting of the Group's EUR 54 million contribution to the Single Resolution Fund (SRF), booked in 1Q19, 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, of the additional contribution to the National Resolution Fund (NRF), booked in 2Q19 for EUR 20 million and of the estimated share to be recognised to the FITD (DGS), booked in the third quarter for EUR 36 million;
- **DTA fees**, equal to **EUR -53 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 September 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. At 30 September 2018 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 +93 million**, down from 30 September 2018, when a result of EUR +233 million had been recorded.

Taxes on profit (loss) from continuing operations record a gain of **EUR 104 million**, essentially due to the partial reassessment of DTAs related to tax losses, accrued and not recorded in previous years. This component was recorded until 30 June 2019; as a prudential measure, the reassessment of DTAs from tax losses pertaining to the third quarter was not recorded, in order to take into account the potential negative effects on future taxable income that could derive both from the reintroduction of the ACE scheme, hypothesised in Italy's Draft Budgetary Plan 2020, and from the worsening of the macroeconomic scenario.

Considering the net effects of PPA (EUR -11 million), the **Group's consolidated profit amounts to EUR 187 million**, against a profit of EUR 379 million reported for the same period of 2018.

Group balance sheet aggregates at 30 September 2019

At 30 September 2019 the Group's **total funding** volumes amount to **EUR 193.3 billion**, up by EUR 0.9 billion Q/Q and by EUR 6.3 billion vs. 31 December 2018, mainly for the increase of indirect funding.

Direct funding, amounting to **EUR 92.2 billion**, is in line with the volumes recorded at the end of June 2019, the EUR 1.4 billion increase in bonds having been offset by the decrease in repos (EUR -0.7 billion) and current accounts (EUR -0.9 billion). The aggregate is up by EUR 1.8 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 4.4 billion decrease in repos with institutional counterparts, more than offset by the growth in current accounts and time deposits (EUR +2.9 billion), bonds (EUR +1.9 billion) and other funding (EUR +1.4 billion).

The Group's direct funding market share[7] stands at 3.67% (July 2019 update), slightly down from December 2018 (3.70%).

Indirect funding comes to **EUR 101.0 billion**, up both vs. 30 June 2019 (EUR +0.9 billion) and vs. 31 December 2018 (EUR +4.5 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 benefit.

In detail, **assets under management**, at **EUR 58.6 billion**, are up by EUR 0.8 billion vs. June 2019 and by EUR 2.7 billion vs. December 2018, mainly on bancassurance and mutual funds.

As at 30 September 2019 Group **customer loans** amount to **EUR 90.5 billion**, up by EUR 3.0 billion Q/Q for the increase on repos (EUR +1.3 billion) and loans represented by securities

[7] *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.*

(EUR +1.4 billion). Compared to 31 December 2018, the aggregate is up by EUR 3.6 billion (EUR +4.3 billion excluding the effects of the sale of BMP Belgio S.A.), mainly on loans represented by securities (EUR +1.9 billion), repos (EUR +1.0 billion), mortgages (EUR +0.9 billion) and other loans (EUR +0.6 billion), whereas current accounts are essentially stable. Conversely, impaired loans decrease (EUR -0.8 billion), impacted also by UTP and bad loan disposals.

The Group's market share[8] stands at 5.05% (July 2019 update), slightly up from the end of 2018.

Medium/long-term loans record in 3Q19 new disbursements/loan contracts for EUR 2.4 billion, up Q/Q (EUR +0.1 billion) but down Y/Y (EUR -1.3 billion).

The Group's **gross non-performing exposures**[9] as at 30 September 2019 amount to **EUR 14.5 billion**, down Q/Q (EUR -1.4 billion) due to the deconsolidation of positions classified as assets held for sale at 30 June 2019, decreased net default flows, recoveries on bad loans and other decreases related to partial loan forgiveness, conversions and payments; cure rate is stable Q/Q. The aggregate is also down vs. 31 December 2018 (EUR -2.3 billion). Gross bad loan exposures decrease by EUR 0.2 billion vs. 30 June 2019, mainly for the deconsolidation of disposed portfolios and for recoveries, partly offset by quarterly inflows, and by EUR 0.5 billion vs. 31 December 2018. UTP exposure is down by EUR 1.2 billion Q/Q and by EUR 1.9 billion vs. December 2018, mainly as a result of migration to bad loans and disposals/reductions recorded in the period. Gross past-due exposures are slightly up vs. June 2019 and December 2018. Furthermore, at 30 September 2019 c. EUR 0.6 billion gross bad loans and UTPs were reclassified in the balance sheet as "other assets", being subject to already defined disposal transactions currently being perfectioned.

As at 30 September 2019 the Group's **net non-performing exposures**[10] are **EUR 6.9 billion**, down both Q/Q (EUR -0.5 billion) and vs. 2018 year-end (EUR -1.0 billion). Net bad loan exposures are somewhat reduced both vs. 30 June 2019 and vs. 31 December 2018, as are net unlikely-to-pay exposures, by EUR 0.4 billion Q/Q and by EUR 0.9 billion vs. 31 December 2018. Net past-due exposures are slightly up both vs. 30 June 2019 and vs. 31 December 2018.

The ratio of net non-performing exposures to net customer loans at 30 September 2019 is 7.6%, down both vs. June 2019 (8.3%) and vs. December 2018 (9%). Within the aggregate, in 3Q19 the percentage incidence of past-due loans is essentially flat Q/Q, whereas the incidence of both UTPs and bad loans is slightly reduced (respectively, from 4.6% in June 2019 to 4% in September 2019 and from 3.6% in June 2019 to 3.4% in September 2019).

As at 30 September 2019 **coverage** of non-performing exposures is 52.6%, down both vs. 30 June 2019 (53.8%) and vs. December 2018 (53.1%). In particular, coverage decreases on UTPs, to 41.7% (from 45.5% at 30 June 2019 and 44.0% at 31 December 2018), and on bad loans, to 61.7% (from 61.9% at 30 June 2019 and 62.4% at 31 December 2018). This dynamic is influenced by the deconsolidation of disposed portfolios.

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

[9] *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.*

[10] *See footnote no. 9.*

At 30 September 2019, the Group's **financial assets designated at fair value** amount to **EUR 18.2 billion**, down by EUR 1.7 billion from 30 June 2019, following the decrease of financial assets designated at fair value through other comprehensive income (EUR -2.2 billion) related to net purchases/sales carried out mainly in 3Q19. Down also vs. 31 December 2018 (EUR -2.1 billion) due to 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 by EUR 0.3 billion vs. 31 December 2018.

At the end of September 2019 the Group's **net interbank position** stands at **EUR 7.4 billion** in funding, decreased by EUR 1.3 billion vs. 30 June 2019 due to an increase in loan and reverse repo transactions and in deposits with the ECB, whereas funding from banks is stable. The aggregate is also down vs. December 2018 (EUR -2.1 billion), due to lower funding from banks (particularly repos and current accounts) and to increased loan and reverse repo transactions.

At 30 September 2019 the operational liquidity position shows an **unencumbered counterbalancing capacity of about EUR 23.4 billion**, slightly increased Q/Q and up by EUR 2.2 billion vs. 2018 year-end, thanks to the improvement in the commercial imbalance, to the issues carried out during the year and the new securitisation of SME mortgages, only partially offset by institutional and autocovered bond maturities.

At 30 September 2019 the **Group's shareholders' equity and non-controlling interests** amount to approximately **EUR 9.6 billion**, up by EUR 0.3 billion Q/Q, chiefly due to improved valuation reserves (for the decreased BTP/Bund spread) and profit for the period. Also up vs. the end of December 2018 (+6.6%), thanks to i) the above-mentioned improved valuation reserves, ii) the cancellation of the indemnity granted to Bank of New York (EUR 76 million) and iii) profit for the period.

As for capital ratios, at 30 September 2019 the **Common Equity Tier 1 Ratio** is **14.8%** (vs. 13.7% at 31 December 2018) and **Total Capital Ratio** is **16.7%**, 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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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., although sold on 14 June 2019, 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”. Likewise, the result of the sale was included in item “restructuring costs/one-off charges”.

- Item “**interest income**” was cleared of the negative contribution (EUR -5 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 71 million, included under item 250 “gains (losses) on investments”. The aggregate was furthermore cleared of dividends earned on securities other than equity investments (EUR 1.4 million), reclassified under item “net profit (loss) from trading/valuation of financial assets/liabilities measured at amortised cost and at fair value through profit and loss”.
- Item “**net profit (loss) from trading/valuation and from financial assets/liabilities measured at amortised cost and 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 1.4 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 206 million) and net of other expense recoveries, which are reclassified under item “net value adjustments to tangible assets” (EUR 11 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 c. EUR 12 million, primarily connected with INPS recoveries on provisions for the 2017 solidarity fund exits, 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 110 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 53 million, posted under the reclassified "DTA fee" item;
  - extraordinary charges for EUR 4 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 206 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 -11 million) referable to the purchase price allocation (PPA), which was reclassified to a specific item, whereas it includes expense recoveries (EUR 11 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 +3 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 71 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 12 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 4 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 11 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 110 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 53 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 11 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 -5 million and “net adjustments to/recoveries on tangible and intangible assets” for EUR -11 million, net of a theoretical tax burden of EUR +5 million which integrates the item).

Reclassified Balance sheet

- 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”.

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- 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 September 2019 (and 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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MONTE DEI PASCHI DI SIENA
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INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	30 09 2019	30 09 2018*	Chg.
Net interest income	1,167.9	1,312.0	-11.0%
Net fee and commission income	1,078.4	1,162.9	-7.3%
Other income from banking business	196.4	59.8	n.m.
Other operating income	(82.4)	(16.3)	n.m.
Total Revenues	2,360.3	2,518.4	-6.3%
Operating expenses	(1,695.6)	(1,715.4)	-1.1%
Net impairment losses (reversals) on financial assets measured at amortised cost and at fair value through other comprehensive income	(365.1)	(368.1)	-0.8%
Net operating income	299.6	435.0	-31.1%
Net profit (loss) for the period	186.9	379.3	-50.7%
EARNINGS PER SHARE (EUR)	**30 09 2019**	**30 09 2018***	**Var.**
Basic earnings per share	0.169	0.344	-50.7%
Diluted earnings per share	0.169	0.344	-50.7%
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**30 09 2019**	**31 12 2018***	**Var.**
Total assets	133,875.2	130,481.0	2.6%
Loans to customers	90,470.7	86,855.5	4.2%
Direct funding	92,246.3	90,471.7	2.0%
Indirect funding	101,023.0	96,488.6	4.7%
of which: assets under management	58,603.0	55,887.7	4.9%
of which: assets under custody	42,420.0	40,600.8	4.5%
Group net equity	9,587.0	8,992.0	6.6%
OPERATING STRUCTURE	**30 09 2019**	**31 12 2018***	**Var.**
Total headcount - end of period	22,151	23,129	-978
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

PROFITABILITY RATIOS (%)	30 09 2019	31 12 2018*	Var.
Cost/Income ratio	71.8	71.5	0.3
R.O.E.	2.7	2.9	-0.2
Return on Assets (RoA) ratio	0.2	0.2	n.m.
ROTE (Return on tangible equity)	2.7	2.9	-0.2

** 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 09 2019	31 12 2018*	Var.
Net non-performing loans / Loans to customers	7.6	9.0	-1.4
Gross NPL ratio	14.6	17.3	-2.7
Growth rate of gross NPL	-13.7	-60.8	47.1
Coverage of non-performing exposures	52.6	53.1	-0.5
Bad loans / Loans to customers	3.4	3.7	-0.3
Loans to customers measured at amortised cost - Stage 2/Performing loans to customers measured at amortised cost	13.9	15.9	-2.0
Coverage of bad loans	61.7	62.4	-0.7
Net impairment losses on loans measured at amortised cost/ Loans to customers measured at amortised cost (Provisioning)	0.5	0.7	-0.2
Texas Ratio	85.2	95.0	-9.8

REGULATORY MEASURES			
MPS GROUP			
CAPITAL RATIOS (%)	30 09 2019	31 12 2018*	Var.
Common Equity Tier 1 (CET1) ratio	14.8	13.7	1.1
Total Capital ratio	16.7	15.2	1.5
FINANCIAL LEVERAGE INDEX (%)	30 09 2019	31 12 2018*	Var.
Leverage ratio - Transitional Phase	6.1	5.5	0.6
LIQUIDITY RATIO (%)	30 09 2019	31 12 2018*	Var.
LCR[1]	211.4	190.2	21.2
NSFR	112.9	112.3	0.6
Encumbered asset ratio	36.8	35.5	1.3
Loan to deposit ratio	98.1	96.0	2.1
Counterbalancing capacity (EUR bn)	23.4	21.2	2.2

[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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MONTE DEI PASCHI DI SIENA
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Reclassified Consolidated Income Statement

MONTEPASCHI GROUP	30 09 2019	30 09 2018*	Change	
			Abs.	%
Net interest income	1,167.9	1,312.0	(144.1)	-11.0%
Net fee and commission income	1,078.4	1,162.9	(84.5)	-7.3%
Income from banking activities	**2,246.3**	**2,474.9**	**(228.6)**	**-9.2%**
Dividends, similar income and gains (losses) on equity investments	80.3	55.0	25.3	46.0%
Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss	114.9	5.8	109.1	n.m.
Net profit (loss) from hedging	1.2	(1.0)	2.2	n.m.
Other operating income (expenses)	(82.4)	(16.3)	(66.1)	n.m.
Total Revenues	**2,360.3**	**2,518.4**	**(158.1)**	**-6.3%**
Administrative expenses:	(1,509.8)	(1,546.3)	36.5	-2.4%
a) personnel expenses	(1,080.5)	(1,098.0)	17.5	-1.6%
b) other administrative expenses	(429.3)	(448.3)	19.0	-4.2%
Net adjustments to (recoveries on) tangible and intangible assets	(185.8)	(169.1)	(16.7)	9.9%
Operating expenses	**(1,695.6)**	**(1,715.4)**	**19.7**	**-1.1%**
Pre Provision Profit	**664.7**	**803.1**	**(138.4)**	**-17.2%**
Net impairment losses (reversals) on:	**(365.1)**	**(368.1)**	**3.0**	**-0.8%**
a) financial assets measured at amortised cost	(363.0)	(361.1)	(1.9)	0.5%
b) financial assets measured at fair value through other comprehensive income	*(2.1)*	*(7.0)*	4.9	-70.0%
Net operating income	**299.6**	**435.0**	**(135.4)**	**-31.1%**
Net provisions for risks and charges	(32.8)	(15.3)	(17.5)	n.m.
of which commitments and guarantees issued	*37.5*	*37.2*	*0.3*	*0.8%*
Gains (losses) on investments	3.7	1.0	2.7	n.m.
Restructuring costs / One-off costs	(2.5)	(61.1)	58.6	-95.9%
Risks and charges related to the SRF, DGS and similar schemes	(123.2)	(123.5)	0.3	-0.3%
DTA Fees	(52.9)	(53.1)	0.2	-0.5%
Gains (losses) on disposal of investments	1.1	50.1	(49.0)	-97.8%
Profit (loss) before tax from continuing operations	**93.0**	**233.0**	**(140.0)**	**-60.1%**
Tax expense (recovery)	104.5	164.5	(60.0)	-36.5%
Net profit (loss) for the period including non-controlling interests	**197.5**	**397.5**	**(200.1)**	**-50.3%**
Net profit (loss) attributable to non-controlling interests	(0.1)	0.1	(0.2)	n.m.
Profit (loss) for the period before PPA	**197.6**	**397.4**	**(199.9)**	**-50.3%**
PPA (Purchase Price Allocation)	(10.7)	(18.1)	7.5	-41.2%
Net profit (loss) for the period	**186.9**	**379.3**	**(192.4)**	**-50.7%**

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MONTE DEI PASCHI DI SIENA
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Quarterly trend in reclassified consolidated income statement							
	2019			2018*			
Montepaschi Group	3°Q 2019	2°Q 2019	1°Q 2019	4°Q 2018	3°Q 2018	2°Q 2018	1°Q 2018
Net interest income	354.7	404.3	408.9	430.8	442.1	448.5	421.5
Net fee and commission income	355.9	363.7	358.8	360.4	353.4	403.0	406.5
Income from banking activities	**710.6**	**768.0**	**767.7**	**791.2**	**795.5**	**851.5**	**828.0**
Dividends, similar income and gains (losses) on equity investments	36.9	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 at fair value through profit and loss	72.9	14.9	27.1	(18.8)	(2.0)	(29.5)	37.4
Net profit (loss) from hedging	1.8	(0.6)	-	0.8	(1.2)	(0.9)	1.1
Other operating income (expenses)	(11.0)	(63.0)	(8.3)	(23.6)	(3.4)	(5.1)	(7.8)
Total Revenues	**811.1**	**746.7**	**802.5**	**769.1**	**809.5**	**832.2**	**876.8**
Administrative expenses:	(491.8)	(509.7)	(508.2)	(554.3)	(504.2)	(526.4)	(515.7)
a) personnel expenses	(354.5)	(357.4)	(368.6)	(364.9)	(364.0)	(366.2)	(367.8)
b) other administrative expenses	(137.4)	(152.3)	(139.7)	(189.5)	(140.2)	(160.1)	(147.9)
Net adjustments to (recoveries on) tangible and intangible assets	(57.4)	(67.6)	(60.9)	(81.0)	(56.9)	(55.1)	(57.1)
Operating expenses	**(549.2)**	**(577.3)**	**(569.1)**	**(635.4)**	**(561.1)**	**(581.4)**	**(572.8)**
Pre Provision Profit	**261.9**	**169.4**	**233.4**	**133.7**	**248.3**	**250.8**	**304.0**
Net impairment losses (reversals) on:	**(113.3)**	**(87.5)**	**(164.3)**	**(256.5)**	**(121.4)**	**(108.8)**	**(137.9)**
a) financial assets measured at amortised cost	*(112.1)*	*(86.7)*	*(164.2)*	*(267.0)*	*(115.9)*	*(108.1)*	*(137.1)*
b) financial assets measured at fair value through other comprehensive income	*(1.2)*	*(0.8)*	*(0.1)*	*10.5*	*(5.5)*	*(0.7)*	*(0.8)*
Net operating income	**148.6**	**81.9**	**69.1**	**(122.8)**	**126.9**	**142.0**	**166.1**
Net provisions for risks and charges	(8.7)	(6.8)	(17.3)	(53.7)	(16.6)	(51.3)	52.6
of which commitments and guarantees issued	*3.2*	*12.5*	*21.8*	*(22.3)*	*(9.5)*	*1.8*	*44.9*
Gains (losses) on investments	0.5	2.4	0.9	0.3	5.0	0.0	(4.0)
Restructuring costs / One-off costs	(5.6)	0.9	2.2	(140.6)	(27.8)	(16.3)	(17.0)
Risks and charges related to the SRF, DGS and similar schemes	(35.8)	(26.6)	(60.9)	(7.6)	(28.6)	(25.9)	(69.0)
DTA Fees	(17.7)	(17.3)	(17.9)	(17.7)	(17.7)	(17.7)	(17.7)
Gains (losses) on disposal of investments	0.4	0.1	0.6	(0.1)	0.2	49.6	0.3
Profit (loss) before tax from continuing operations	**81.7**	**34.6**	**(23.3)**	**(342.2)**	**41.4**	**80.4**	**111.3**
Tax expense (recovery)	13.3	34.4	56.7	245.7	55.0	26.1	83.3
Net profit (loss) for the period including non-controlling interests	**95.0**	**69.0**	**33.5**	**(96.6)**	**96.4**	**106.5**	**194.6**
Net profit (loss) attributable to non-controlling interests	(0.1)	(0.2)	0.2	-	0.1	-	-
Profit (loss) for the period before PPA	**95.1**	**69.2**	**33.3**	**(96.6)**	**96.3**	**106.5**	**194.6**
PPA (Purchase Price Allocation)	(1.3)	(4.0)	(5.4)	(4.1)	(5.5)	(5.6)	(7.0)
Net profit (loss) for the period	**93.8**	**65.2**	**27.9**	**(100.7)**	**90.8**	**100.9**	**187.6**

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Reclassified Balance Sheet				
ASSETS	**30 09 2019**	**31 12 2018***	**Chg**	
			abs.	**%**
Cash and cash equivalents	675.8	950.6	(274.8)	-28.9%
Financial assets measured at amortised cost :				
a) Loans to customers	90,470.7	86,855.5	3,615.2	4.2%
b) Loans to banks	13,651.9	12,504.2	1,147.7	9.2%
Financial assets measured at fair value	18,195.0	20,296.2	(2,101.2)	-10.4%
Equity investments	1,053.4	922.8	130.6	14.2%
Property, plant and equipment / Intangible assets	2,890.8	2,727.3	163.5	6.0%
of which:				
a) goodwill	*7.9*	*7.9*	-	0.0%
Other assets	6,937.6	6,224.4	713.2	11.5%
Total assets	**133,875.2**	**130,481.0**	**3,394.2**	**2.6%**

LIABILITIES	**30 09 2019**	**31 12 2018***	**Chg**	
			abs.	**%**
Payables				
a) Deposits from customers and securities issued	92,246.3	90,471.7	1,774.6	2.0%
b) Deposits from banks	21,046.6	21,986.3	(939.7)	-4.3%
Financial liabilities held for trading	3,466.9	3,175.7	291.2	9.2%
Provisions for specific use				
a) Provisions for staff severance indemnities	184.7	192.1	(7.4)	-3.9%
b) Provisione related to guarantees and other commitments given	205.0	242.4	(37.4)	-15.4%
c) Pensions and other post retirement benefit obligations	35.9	37.9	(2.0)	-5.3%
d) Other provisions	991.6	1,199.9	(208.3)	-17.4%
Other liabilities	6,109.3	4,180.8	1,928.5	46.1%
Group net equity	9,587.0	8,992.0	595.0	6.6%
a) Valuation reserves	153.0	(176.7)	329.7	n.m.
c) Equity instruments carried at equity	-	-	-	-
d) Reserves	(767.8)	(1,124.8)	357.0	-31.7%
e) Share premium	-	-	-	-
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	186.9	278.6	(91.7)	-32.9%
Non-controlling interests	1.9	2.2	(0.3)	-13.6%
Total Liabilities and Shareholders' Equity	**133,875.2**	**130,481.0**	**3,394.2**	**2.6%**

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MONTE DEI PASCHI DI SIENA
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Reclassified Balance Sheet - Quarterly Trend

ASSETS	30 09 19	30 06 19	31 03 19	31 12 18*	30 09 18*	30 06 18*	31 03 18*
Cash and cash equivalents	675.8	650.1	609.1	950.6	714.1	721.2	896.9
Financial assets measured at amortised cost :							
a) Loans to customers	90,470.7	87,483.7	89,375.7	86,855.5	87,464.9	87,010.1	89,320.4
b) Loans to banks	13,651.9	12,474.4	11,097.1	12,504.2	8,724.2	8,636.3	6,374.5
Financial assets measured at fair value	18,195.0	19,892.4	20,568.7	20,296.2	25,430.0	29,257.2	25,652.3
Equity investments	1,053.4	958.2	901.7	922.8	905.1	896.8	1,075.8
Property, plant and equipment / Intangible assets	2,890.8	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*	*7.9*
Other assets	6,937.6	7,159.0	6,592.3	6,224.4	6,199.8	6,411.4	10,620.6
Total assets	**133,875.2**	**131,538.9**	**132,122.3**	**130,481.0**	**132,185.0**	**135,722.8**	**136,771.8**

LIABILITIES	30 09 19	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	92,246.3	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	21,046.6	21,137.3	22,170.2	21,986.3	20,838.9	20,794.8	20,483.1
Financial liabilities held for trading	3,466.9	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	184.7	182.8	182.1	192.1	194.6	196.3	197.3
b) Provisions related to guarantees and other commitments given	205.0	208.1	220.6	242.4	219.2	209.7	223.4
c) Pensions and other post retirement benefit obligations	35.9	36.6	37.2	37.9	40.5	43.8	49.4
d) Other provisions	991.6	1,035.0	1,073.7	1,199.9	1,067.4	1,112.5	1,086.6
Other liabilities	6,109.3	4,412.7	4,159.3	4,180.8	3,946.7	4,361.5	3,949.2
Group net equity	9,587.0	9,336.4	9,088.6	8,992.0	8,968.9	8,994.5	9,298.3
a) Valuation reserves	153.0	(15.0)	(123.7)	(176.7)	(305.0)	(194.0)	196.7
d) Reserves	(767.8)	(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	10,328.6
g) Treasury shares (-)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)
h) Net profit (loss) for the period	186.9	93.1	27.9	278.6	379.3	288.5	187.5
Non-controlling interests	1.9	2.0	2.4	2.2	2.2	2.2	2.3
Total Liabilities and Shareholders' Equity	**133,875.2**	**131,538.9**	**132,122.3**	**130,481.0**	**132,185.0**	**135,722.8**	**136,771.8**

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