

**FIFTH SUPPLEMENT DATED 26 NOVEMBER 2019 TO THE BASE PROSPECTUS DATED 22 JANUARY 2019**



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

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

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

This fifth Supplement (the "**Supplement**") to the base prospectus dated 22 January 2019 (the "**Prospectus**") as supplemented by the first supplement dated 23 April 2019, the second supplement dated 31 May 2019, the third supplement dated 10 July 2019 and the fourth supplement dated 6 September 2019 constitutes a supplement for the purposes of Article 13.1 of Chapter I of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities as amended from time to time (the "**Luxembourg Prospectus Law**") and is prepared in connection with the €20,000,000,000 covered bond programme (the "**Programme**") established by Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Issuer**") and guaranteed by MPS Covered Bond S.r.l. (the "**Guarantor**").

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

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

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

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* ("**CSSF**"), which is the Luxembourg competent authority for the purposes of the Luxembourg Prospectus Law.

Copies of this Supplement and the document incorporated by reference in this Supplement can be obtained free of charge from the registered office of the Issuer and are available on the Luxembourg Stock Exchange website ([www.bourse.lu](http://www.bourse.lu)). In case of any offering of securities under the Programme, the above documents with respect to the Issuer will also be available on the Issuer's website ([www.mps.it](http://www.mps.it)).

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

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Prospectus since the publication of the Prospectus.

## **Purpose of this Supplement**

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

1. update paragraphs titled "*Risks deriving from tax disputes*", "*Risks deriving from judicial and administrative proceedings*" and "*Risks associated with the investigations of supervisory authorities*" set out in the "*Risks Factors*" section of the Prospectus;
2. update the section named "*Documents Incorporated by Reference*" of the Prospectus, incorporating by reference the consolidated unaudited interim financial report of BMPS as at 30 September 2019,
3. update the section named "*Banca Monte dei Paschi di Siena S.p.A.*" of the Prospectus;
4. update the section named "*Management of the Bank*" of the Prospectus; and
5. update the section named "*General Information*" of the Prospectus.

## 1. RISKS FACTORS

- 1.1 On pages 25 and ss. of the Prospectus, under paragraph "*Risks associated with the investigations of supervisory authorities*", the item b) "*Investigations of the ECB and the Bank of Italy and UIF*" shall be deleted and replaced as follows (track changes show the amendments made):

### *(b) Investigations of the ECB and the Bank of Italy and UIF*

The ECB and the Bank of Italy, within the limits of their competence and powers, may carry out investigations, both ordinary and extraordinary, on the Bank and/or the other supervised Group companies.

For more information on inspection activities carried out by the supervisory authority please see "*Banca Monte dei Paschi di Siena S.p.A. – Major Events – ECB/Bank of Italy inspections concluded during the period 2015-2019*" of this Prospectus.

#### *ECB activity Ordinary inspection on internal models review (TRIM – 2939 activity on credit risk and the portfolio of receivables (OSI 3435)*

~~TRIM is a multiannual project, launched by the ECB in 2016 and expected to end in 2019; aimed at assessing compliance with the regulatory requirements of the internal models currently used by banks and their reliability and comparability.~~

~~From December 2017 to April 2018, within the context of TRIM the Group and the Issuer were subject to an on-site inspection, in relation to the internal models on credit risks with specific reference to PD and LGD parameters within the context of the retail exposures area – excluding SMEs – associated with real estate guarantees. On 10 July 2018, the Bank received from the ECB the inspection assessment report setting out 19 findings in relation to which the Bank sent a letter providing for an action plan. The Issuer is waiting for the reply of the ECB.~~

~~Furthermore, with a letter dated 27 November 2018, the ECB informed the Bank that, within the context of TRIM, starting from 21 January 2019, an on-site inspection relating to the internal model on credit risk of the Issuer and the Group will be carried out with respect to parameters *Probability to Default, Loss Given at Default and Credit Conversion Factor*, in the context of the exposures called *Corporate – others*.~~

~~The internal models review (TRIM) may have also significant impacts on RWA; in particular, the introduction of the new definition of default (expected by 31 December 2020) and the introduction of specific models for the calculation of the LGD on the Defaulted Assets and the Expected Loss Best Estimate (ELBE) could entail a significant review of all the models on the Probability of Default (PD) and Loss Given at Default (LGD), with following variation of the capital requirements that, as at the date of this Prospectus, are not estimable. In such a case, it cannot be excluded that the Issuer could face a situation where it is required to carry out capital consolidation interventions.~~

During the period January-May 2015, an ordinary investigation was conducted by the ECB and the Bank of Italy in relation to the credit risk and the loan portfolio and the relevant final “follow-up” letter was sent to the Bank on 30 November 2015 with 31 recommendations provided by the investigation bodies and to which the Bank formally responded on 20 January 2016 indicating the relevant remedial actions identified. Such actions are of organisational, internal regulation, process and control nature, as well as of

structural enhancement for supporting IT tools. For the purpose of implementing the necessary actions in response to the observations raised further to the aforementioned investigations, the Issuer internally activated a programme called ARGO 2 (“ARGO 2”), established on 14 January 2016, for the purpose of responding to such 31 recommendations.

As of the date of the fifth supplement to this Prospectus dated 26 November 2019 (the “**Supplement**”), all activities provided for the 31 recommendations have been completed, with the exception of some technical solutions related to remedy action no. 31 which will be implemented by the Bank on a later stage.

The final accounting relating to ARGO 2 was sent by the Issuer. However, as evidenced by the ECB's assessment carried out in October 2018, some of the requests in relation to the findings related to the proceeding in respect of which the Bank has started the intervention and remedy programme named ARGO 3 (“ARGO 3”), issued in the context of the inspection activity OSI 1238, which replicate the findings set out in ARGO 2. The release of the deliverables of the ARGO 3 programme is, therefore, a further element to support the conclusion of the ARGO 2 programme. As at the date of the Supplement, all the projects monitored by ARGO 2 and ARGO 3 programmes have been completed, with the exception of certain remedial actions relating to the review of the IT systems dedicated to credit, whose activities are due to be continued during 2019.

#### *Thematic Review on Risk Governance and Appetite carried out by the ECB*

The investigation relating to the functioning of the offices responsible for the strategic, control and management supervision and to the Risk Appetite Framework (“RAF”) was carried out in 2015 in respect of the significant entities of the Euro zone. In particular, the ECB recommended: (i) raising the competence and expertise of the board of directors in respect of risk management, control and back office activities, enhancing the appointment procedure of its members, and reviewing the functioning mechanisms of internal board committees, in particular the risk committee, in respect of the role and guidance by the chief risk officer.

As at the date of the Prospectus, remedial actions are almost entirely completed in compliance with the deadlines requested and evidence of the implemented remedial actions has been provided to the supervisory authority.

#### *Ordinary inspection activity on the governance of the Banks and the risk management system (OSI 3233)*

During the period September 2015-January 2016 an ordinary investigation was carried out by the ECB and the Bank of Italy concerning the Bank's governance and the risk management system, OSI 3233. On 28 February 2017, the Bank received the relevant follow-up letter. The ECB, in this respect, highlighted some improvement areas associated with the risk management system and the organisational aspects thereof, for which the Issuer has already undertaken the requested mitigation actions.

#### *Inspection activity on the risks relating to credit, counterparty and control system (OSI 1238)*

In May 2016, the ECB and the Bank of Italy started an inspection (OSI 1238) within the Bank concerning the control system of credit and counterparty risk with respect to the

retail portfolio, SMEs portfolio and corporate portfolio of the Bank, MPS Capital Services and MPS Leasing Factoring that ended in February 2017. The findings relating to the inspection were mainly relating to identification of exposures to credit risk, classification, monitoring, reporting, organisation, data base and collateral management, policy and determination of provisions, and specific disclosure to corporate bodies on the deterioration of credit quality.

In order to ensure the monitoring of the interventions, the Bank started a project named ARGO 3, managed by the Chief Lending Officer. In this respect, the activities are in line with the scheduled planning, and all the project targets deliverables scheduled for 31 December 2018 have been concluded and therefore the ARGO 3 programme is considered completed. The requests underlying some findings of ARGO 3, as evidenced by the assessment of the ECB, reiterate and/or reinforce certain aspects already highlighted by the findings of the ARGO 2 programme (relating to OSI 3435). At the date of the Supplement, all the projects monitored by the ARGO 2 and ARGO 3 programmes have been completed, with the exception of certain remedial actions relating to the review of the IT systems dedicated to credit, whose activities are due to be continued during 2019.

#### *Verification activity on banking transparency*

During the period September-December 2016, the Bank of Italy carried out a verification activity within sample branches of the Bank for the verification of compliance with the provisions relating to transparency of contractual conditions and the fairness of the relationships with retail customers, pursuant to article 128 of the Italian Banking Act. In a note dated 28 August 2017, the Bank was informed of the results (six findings) of the investigation activity.

On 7 August 2018, the Bank of Italy sent a further notice inviting the Bank to (i) re-examine the fees schemes relating to the advances on invoices transactions, (ii) strengthen the Bank capacity to quickly face other criticalities found during the inspections and (iii) give updates on the state of implementation of the planned activities. The reply was sent on 19 October 2018 coupled with the assessments of the compliance and audit offices. With regard to points (i) and (ii) the Bank undertook to implement the requests of the Bank of Italy; with regard to point (iii) the state of implementation was provided.

On 11 February 2019, the supervisory authority was provided with a new report stating that the actions requested had almost been completed.

~~Inspection activity of~~ On 7 October 2019 the Bank of Italy started a new inspection with the aim of verifying compliance with the transparency regulations and the fairness of the Bank's relationship with its customers and the Financial Information Unit (Unità Informazione Finanziaria) (UIF) in the field of anti money laundering.

#### *Bank of Italy inspection on transparency in relation to Banca Widiba S.p.A.*

During the period between 13 November 2017 and 9 January 2018, the Bank of Italy carried out an inspection on Banca Widiba S.p.A.

On 10 April 2018, the Bank of Italy notified the inspection report to Banca Widiba S.p.A. setting out ten issues and an assessment "partially compliant" due to weakness in the control structure.

On 28 September 2018, Banca Widiba S.p.A. sent a letter to Bank of Italy setting out the state of interventions implemented in relation to the issue raised by the authority highlighting that, as of that date, 21 interventions had been completed, five interventions were about to be completed, 14 interventions were still being implemented and one intervention had yet to be started. In addition, as requested by the supervisory authority, Banca Widiba S.p.A. reimbursed the amount wrongfully charged to its customers.

In March 2019, Banca Widiba S.p.A. notified to the supervisory authority that the actions requested are almost completed.

*Inspection activity on anti-money laundering*

In the field of anti-money laundering the results of the two inspections carried out in the period of May-June 2018 are not known yet.

In particular, Between 8 May and 28 August 2018, the Financial Information Unit ("UIF") carried out the inspection activity relating to the assessment of the procedures created to verify potential anomalies relating to the activity of the Issuer's clients. The supervisory authority has notified eight branch-owners of likewise verbal processes of inspection and notification for a missing warning of suspect transactions, UIF) raised to eight branch-managers eight notices of infringement for alleged omitted SAR's (suspicious activity report) for which the Issuer is jointly liable. The bank issued in December 2018 the relevant defences to MEF (Ministry of Economy and Finance). The administrative procedures are still in course.

A further inspection, started on 6 June and completed on 28 September 2018, has been conducted on the Bank and on Banca Widiba S.p.A which were formally subject to inspections with the aim of verifying the compliance with the anti-money laundering provisions.

On 28 February 2019 the supervisory authority reported the results of its inspection to the Bank's board of directors, indicating a number of requests, mainly in relation to adequate auditing and internal controls. The findings of the supervisory authority have been carefully assessed by the Bank, specifying the remedial action taken, undertaken and planned. The Bank's letter of reply – the contents of which were approved by the Bank's board of directors – was sent on 29 March 2019 in order to report on existing, ongoing and planned activities.

On 26 September 2019, the Bank updated the Bank of Italy on the results achieved, which showed significant progress in the planned activities, even though they did not fully achieve the levels of the required.

On 5 June 2018, The same results were reported to the Bank of Italy started an for the inspection on the of Bank and Banca Widiba with the aim of verifying the compliance with anti-money laundering provisions. The inspection ended on 27 September 2018. Spa. Both the reply to the Bank of Italy of 29 March and the update letters of 26 June and 26 September sent to the supervisory authority include the business plan implemented for Banca Widiba S.p.A.

In November 2019 the Bank of Italy informed the Issuer about the sanction to be submitted for approval to their competent body. The sanction takes in consideration both the detected breaches as well the financial capacity of the Bank and the remedial actions initiated and for the most part implemented.

~~For more information on these inspections, please see “ECB/Bank of Italy inspections concluded during the period 2015-2019” of this Base Prospectus.~~

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

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

*Inspection activity of the Bank of Italy inspection activity on in the field of usury*

Starting from 6 June 2018, the Bank of Italy commenced ~~began~~ an inspection aimed at verifying the ~~suitability~~appropriateness of the organisational structures ~~to produce correct reports of TEGMs and to prevent the risks associated with violations of usury regulations.~~ ~~The assessment was completed in order to correctly set out the global average interest rates and prevent risks linked to a violation of the provisions on usury.~~ The inspection ended in September 2018 and the ~~Bank is waiting to receive the communication of the relevant results.~~ supervisory authority informed the Bank of the results on 28 February 2019. Two observations were made: the first, of a managerial nature, is linked to deficiencies emerged in the usury process; the second concerns the detection by the compliance function of the Bank of episodes of exceeding the usury threshold rate and the relative actions of reimbursement of customers.

The Bank, in order to mitigate such critical issues, is carrying out a project aimed at reviewing the internal rules, strengthening controls and remedy actions. As at the date of this Base-Prospectus the findings of the supervisory authority have been carefully assessed by the Bank, specifying the remedial action taken, undertaken and planned. The Bank's letter of reply – the contents of which were approved by the Bank's board of directors – was sent on 29 March 2019 in order to report on existing, ongoing and planned activities.

*Inspection activity in relation to the IT Risk (OSI 3832)*

During the period between 26 March 2018 and 26 June 2018, the ECB carried out an on-site inspection relating to the Information Technology risk (IT Risk) of the Group. The inspection report was issued on 20 November 2018 and on 8 July 2019, the Bank received a draft version of the follow-up letter from the supervisory authority, highlighting 15 findings and the relevant remedial action. The Bank replied to the letter with a request to postpone certain deadlines. On 22 August 2019, the Bank received the final version of the letter, confirming the contents of the draft version, in which were reported 15 findings relating to IT security procedures, project management and the effectiveness of control systems.

*Inspection activity on legal risk (OSI 4125)*

During the period from 28 January to 26 April 2019, an on-site inspection was carried out at the Issuer's and the Group's premises. Such inspection was related to the legal risks within the context of the management of operational risk and mainly focusing on (i) the

scope of legal risks, processes and procedures for its prevention, management and monitoring (ii) assessment of legal risks arising from inappropriate practices with respect to the relations with customers, marketing and in relation to the business activity in general (iii) the process of allocations for risks and charges with respect to legal proceedings and claims for compensation (iv) level of reporting to, and involvement of, the board of directors on legal risks, with particular reference to litigation and legal proceedings.

The subject matter of the inspection did not expressly include the assessment of individual cases and the adequacy of provisions in relation to the existing legal risks.

In August 2019 the Bank received the draft inspection report setting out certain significant procedural findings relating, inter alia, to (a) an unsatisfactory supervision by the board of directors of the legal risk and of the relevant risk management; (b) deficiencies and weaknesses in the overall organisational profiles and in certain management activities, monitoring, data supply, line controls and internal reporting as part of certain phases of the process concerning the Bank's litigation and related internal procedures; (c) the need to supplement the Bank's risk appetite statement with a number of granular indicators suitable for monitoring the exposure to legal risk in terms of petitem, provisions and losses; (d) certain critical issues and shortcomings of a procedural nature regarding the definition of provisions relating to ordinary and extraordinary proceedings concerning the 2008-2011 capital increases and the securities subject to Burden Sharing; (e) the need to define guidelines in the governance of the sanction procedures notified to the Bank in the period 2012-2015; and (f) certain shortcomings relating to internal audit activities.

After a careful analysis of the findings, the Bank formulated its counterclaims in an articulated manner by targeting each finding and highlighting its disagreement with certain positions adopted during the inspection by the supervisory authority on such matters; in particular, the Bank pointed out the considerable commitment of the board of directors in the management and assessment of legal risk, both from a quantitative and qualitative perspective, in order to highlight the extensive activity of guidance carried out on numerous important legal and litigation issues submitted to the attention of the board of directors, all in close coordination with the accounting authority.

With regard to the critical issues raised in relation to the allocation of provisions processes, the Bank has pointed out that the findings do not take into account the Bank's extensive activity relating to the evaluation of the various scenarios of extraordinary proceedings which, with the help of primary level independent experts, financial lawyers and accountants, have made possible the development of guidelines for the definition of the procedures relating to the assessment of legal and litigation risks and for the allocation of provisions for risks and charges, which, moreover, were one of the key aspects of the auditing activities (the so-called "Key Audit Matters" or "KAM") as well as one of the most significant aspects in the context of the audit of the consolidated financial statements as described in the auditors' report on the Issuer's consolidated financial statements as at 31 December 2017 and as at 31 December 2018.

With regard to the other findings, in respect of which the shortcomings highlighted are mainly of procedural nature, the Bank replied providing certain preliminary information in order to allow the supervisory authority a broader view of the current situation compared to what was found during the inspection.

The Bank is waiting for the delivery of the final report which will be followed by further formal discussions with the supervisory authority that will lead to a final discussion on the actual remedial actions to be planned and implemented.

*Inspection activity on Interest Rate Risk Inspection (OSI 3834)*

During the period between 26 June and 27 September 2019 the ECB conducted an on-site inspection regarding the interest rate risk of the Group. The inspection exit meeting has not yet been carried out.

*Inspection activity on Liquidity Allocation and Internal Funds' Transfer Pricing (OSI 4356)*

On 18 October 2019 will be started a review of the liquidity allocation and internal funds' transfer pricing.

*ECB inspection activity in relation to the review of the internal models*

The Targeted Review of Internal Models ("TRIM") is a multi-year project conducted by the ECB in 2016 (to be concluded in 2019) aimed at assessing the compliance with regulatory requirements of the internal models currently used by banks, as well as their reliability and comparability.

The following is a summary of the inspection activities relating to the revision of the internal models on credit risk:

• TRIM - 2939: The on-site inspection was carried out in the period from 22 November 2017 to 18 April 2018, relating to the internal models on credit risk with reference to the parameters PD and LGD within the perimeter of retail providing real estate guarantees (excluding SMEs). On 10 July 2018, the Bank received the ECB's assessment report, and subsequently, on 5 July 2019, the draft version of the decision, in which 21 findings were reported (instead of 19 as highlighted in the assessment report). On 16 July 2019, the Bank responded to this draft decision by accepting what was reported and requesting the postponement of certain deadlines.

• TRIM General Topics: Off-site inspection carried out during 2017. In January 2018 the ECB reported 7 deviations from its requests. On 22 March 2018, the Bank sent a letter of reply indicating the remedial actions and their timing.

*Internal Model Investigation – IMI 40*

• On 14 June 2018, the ECB formally notified the Issuer of its final decision relating to the internal inspection on the models for the calculation of the requirements in relation to the credit risk ended on 4 December 2015, setting out 21 findings. On 11 July 2018, the Issuer sent to the ECB its plan setting out the relevant remedial actions and implemented the limitations set out in the prudential data.

• TRIM 3917: On-site inspection carried out during 2019. On 18 September 2019, the Bank received the final assessment report with the results of the revision.

*Internal Model Investigation (IMI) 4357*

On 1 October 2019 the ECB started an inspection relating to the credit risks models adopted by the Bank focusing on certain parameters (PD, LGD, Expected Loss Best Estimate ("ELBE")) for corporate and retail exposures. The revision of the internal models could have significant impacts on RWAs, in particular, the introduction of the new definition of default (expected by 31 December 2020) and the introduction of specific models for the calculation of LGD on the defaulted asset and ELBE could imply a revision of all PD and LGD models, resulting in a possible change in capital requirements that is not yet quantifiable. In this case, it cannot be excluded that the Issuer may have to resort to capital strengthening measures and that it may not be able to establish and/or maintain the capital requirements established by the supervisory authority from time to time.

Banca d'Italia on Site Inspection ECAF\IRB systems

On 13 November 2019 Banca d'Italia reported the result "In Prevalenza Soddisfacente" of its inspection on "Utilizzo del sistema IRB di Banca MPS in ambito ECAF" carried out during the period 21-23 May 2019.

As at the date of this ~~Base~~ Prospectus, the Bank is not subject to further inspections or significant specific supervisory activities by the competent supervisory authorities, other than the one herein described.

- 1.2 On page 50 of the Prospectus, under paragraph "*Risks deriving from judicial and administrative proceedings*", the seventh sub-paragraph shall be amended as follows (track changes show the amendments made):

In relation to disputes in which the Bank is involved, it has to be specified that, as at the date of the ~~this Base~~ Prospectus, it cannot be excluded that disputes against the Bank may increase in number, also in consideration of the criminal proceedings pending and/or concluded before the Courts of Milan as well as the extraordinary transactions put in place by the Bank, in particular in relation to the civil plaintiffs in the context of such proceedings and/or the filing of civil claims for damages following the conviction sentence of the Court of Milan of 8 November 2019 (for more information, reference is made to paragraphs (a) to (c) below).

- 1.3 On page 51 of the Prospectus, under paragraph "*Risks deriving from judicial and administrative proceedings – (a1) Risks deriving from disputes initiated against former representatives and representatives of the Bank*" the following sub-paragraphs shall be added after the sixth sub-paragraph:

In the context of criminal proceedings no. 29634/14, by way of sentence dated 8 November 2019, the Court of Milan sentenced at first instance all accused natural persons and - pursuant to Legislative Decree 231/2001 - Deutsche Bank AG and Nomura International PLC.

The Issuer, in its capacity as civil responsible (not indicted pursuant to Legislative Decree 231/2001), has been ordered - jointly and severally with the natural persons and with the two foreign banks - to pay damages to the civil parties who were still part of the proceeding (to be settled in separate civil proceedings); the Court of Milan rejected the request for the concession of an immediately enforceable provisional request pursuant to art. 539 of the Italian Criminal Code. Such individuals were sentenced to pay damages on an equitable basis in the amount of Euro 50,000 in favour of the civil parties Federconsumatori and Confconsumatori. In addition, the Issuer, jointly and severally with Nomura International Plc. London and a number of the

defendants, was ordered to pay damages in favour of the CONSOB - equitably settled in the amount of Euro 300,000.

- 1.4 On page 53 of the Prospectus, under paragraph "*Risks deriving from judicial and administrative proceedings – (a2) Risks deriving from dispute against former representatives charged with the crimes of false corporate communications and market manipulations*" the eighth sub-paragraph shall be amended as follows (track changes show the amendments made):

In relation to the aforementioned risks under points (a1) and (a2) above, investors must take into account that, as at the date of this Base Prospectus, a precise monetary figure relating to the total of the compensatory requests and accordingly the economic burden the Bank will have to bear cannot be predicted, except to the extent of the petitum quantified as highlighted above, since most of the civil plaintiffs' requests with specific reference to criminal proceedings 955/16 are not quantified and such quantification shall wait for the development of the proceedings or the filing of civil claims for damages following the conviction sentence of the Court of Milan of 8 November 2019, which, however, rejected the request for the concession of an immediately enforceable provisional request pursuant to art. 539 of the Italian Criminal Code. Furthermore, there is the risk that, should the Bank and/or other Group companies or their representatives (even former) be convicted after the established violation of criminally relevant provisions, such circumstance may have an impact under a reputational point of view for the Bank and/or the Group, as well as entail a liability under the Legislative Decree No. 231/2001. For further information, reference is made to "*Risks associated with the organisation and management model pursuant to Legislative Decree 231/2001*" below.

- 1.5 On page 82 of the Prospectus, under paragraph "*Risks deriving from tax disputes*", the fifth sub-paragraph shall be amended as follows (track changes show the amendments made):

Finally, it should be noted that, on 10 April 2018, the revenue agency, regional office for Tuscany, started a control proceedings on the Bank for the 2015 tax period. Following the conclusion of such controls, on 17 December 2018 a tax police audit report was notified to the Bank objecting (i) the incorrect calculation with regard to IRES of the benefits deriving from the provisions of EGS and (ii) with regard to Italian regional tax on productive activities ("IRAP") the non-taxation of certain revenues recorded under items not relevant for the purpose of the mentioned tax. The higher potential taxes associated with the EGS finding are equal to Euro 3.3 million, while the findings relating to IRAP entail higher taxes for approximately Euro 3.9 million. On the basis of the abovementioned tax assessment report, on 14 November 2019 the tax authorities notified the Bank challenging the ACE benefits (aiuto alla crescita economica or allowance for corporate equity) with respect to the effects on the amount of the surplus available for the 2014 tax period. In-depth assessments of the complaints raised are still on-going in order to identify the appropriate initiatives to be carried out.

- 1.6 On page 82 of the Prospectus, under paragraph "*Risks deriving from tax disputes* ", the following sub-paragraph shall be added as sixth sub-paragraph:

Finally, it should be noted that the Siena Economic-Financial Police Unit of the Italian tax police notified on 5 and 9 September 2019 the Bank and its subsidiary MPS Leasing & Factoring that it had begun a tax verification concerning the sponsorships granted to Mens Sana Basket S.p.A. in the period from 2010 to 2014. Following the conclusion of the verification operations (assessment reports notified on 30 September 2019) the tax police requested the Bank and its subsidiary the recovery of unpaid taxes relating to most of the

sponsorship costs incurred in the period from 2010 to 2014, for a total taxable income (both IRES and IRAP) of approximately Euro 38.8 million.

## 2. DOCUMENTS INCORPORATED BY REFERENCE

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

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

- (i) The unaudited consolidated interim financial report of BMPS as at 30 September 2019, having previously been published and filed with the CSSF, is incorporated by reference in and forms part of this Supplement and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Prospectus.

\* \* \*

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

### Cross-reference List

<b>Unaudited consolidated interim financial report of the Issuer</b>	<b>30 September 2019</b>
Introduction	Page 3
Result in brief	Pages 4 - 6
Executive Summary	Pages 7 - 8
Reference Context	Page 9- 10
Shareholders	Page 10
Information on BMPS Share	Page 11
Significant Events after the first nine months of 2019	Pages 12-15
Significant Events after 30 September 2019	Page 15
Strategy	Pages 16 - 18
Explanatory Notes	Pages 19 - 23
Reclassified Income Statement	Pages 24 - 32
Reclassified Balance Sheet	Pages 33 - 45
Disclosure on risks	Pages 46 - 52
Results by operating segments	Pages 53 - 66

Prospects and outlook on operations

Page 67 - 68

Declaration of the financial reporting officer

Page 69

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

- 3.1 On page 295 of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Major Events – ECB/Bank of Italy inspections concluded during the period 2015– 2019 – Ordinary inspection activity on credit risk and the portfolio of receivables (OSI 3435)*” the second sub-paragraph shall be amended as follows (track changes show the amendments made):

For the purpose of implementing the necessary actions in response to the observations raised further to the aforementioned investigations, the Issuer internally activated ~~a programme called~~ ARGO 2 (“~~ARGO 2~~”), established on 14 January 2016, for the purpose of responding to the 31 recommendations notified to the Bank by the ECB letter dated 30 November 2015. The remedy action plan agreed with the ECB provided for the completion of all activities by 31 December 2016, with the exception of remedy action no. 31 (relating to the structural architectural review of the credit support IT systems).

- 3.2 On page 297 of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Major Events – ECB/Bank of Italy inspections concluded during the period 2015– 2019 – Verification activity on banking transparency*” the following sub-paragraph shall be added as sixth sub-paragraph:

On 7 October 2019 the Bank of Italy started a new inspection with the aim of verifying compliance with the transparency regulations and the fairness of the Bank's relationship with its customers.

- 3.3 On page 298 of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Major Events – ECB/Bank of Italy inspections concluded during the period 2015– 2019 – Inspection activity on anti-money laundering*” the fifth and the sixth sub-paragraphs shall be amended as follows (track changes show the amendments made):

Between 8 May and 28 August 2018, the UIF carried out the ~~first~~ inspection activity relating to the assessment of the procedures created to verify potential anomalies relating to the activity of the Issuer's clients.

The supervisory authority ~~has notified eight branch owners of likewise verbal processes of inspection and notification for a missing warning of suspect transactions~~(UIF) raised to ~~eight branch-managers~~ eight notices of infringement for alleged omitted SAR's (suspicious activity report), for which the Issuer is jointly liable. The bank issued in December 2018 the relevant defences to MEF (Ministry of Economy and Finance). The administrative procedures are still in course.

- 3.4 On page 298 of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Major Events – ECB/Bank of Italy inspections concluded during the period 2015– 2019 – Inspection activity on anti-money laundering*” the following sub-paragraphs shall be added as, respectively, the seventh, the eighth and the ninth sub-paragraphs:

On 26 September 2019, the Bank updated the Bank of Italy on the results achieved, which showed significant progress in the planned activities, even though they did not fully achieve the levels of the required.

The same results were reported to the Bank of Italy for the inspection of Banca Widiba SpA. Both the reply to the Bank of Italy of 29 March and the update letters of 26 June and 26

September sent to the supervisory authority include the business plan implemented for Banca Widiba S.p.A.

In November 2019 the Bank of Italy informed the Issuer about the sanction to be submitted for approval to their competent body. The sanction takes in consideration both the detected breaches as well the financial capacity of the Bank and the remedial actions initiated and for the most part implemented.

- 3.5 On page 298 of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Major Events – ECB/Bank of Italy inspections concluded during the period 2015– 2019 – ECB inspection activity in relation to the review of the internal models (TRIM-2939)*” the third and fourth sub-paragraphs shall be deleted and replaced as follows (track changes show the amendments made):

On 5 July 2019, the Bank received from the ECB the draft decision authorising the Bank to continue using internal models to calculate capital requirements for retail - not SMEs - with real estate guarantees. This decision requires the Bank to remedy the 21 findings (instead of 19 as highlighted in the assessment report) and related obligations, within established deadlines. On 16 July 2019, the Bank replied to the decision with a request to postpone some of the above deadlines. The Bank is waiting to receive the final version of the decision.  
~~With a letter dated 30 November 2017, the ECB sent to the Issuer the follow up letter relating to TRIM general topics review setting out one finding which the Bank considers to have solved as communicated to the ECB with a letter of reply on 13 December 2017.~~

~~With a following letter dated 15 January 2018, the ECB sent to the Issuer feedback relating to the autoassessment phase of TRIM general topics, identifying seven deviations with respect to the asked requirements. On 22 March 2018 the Issuer sent the response letter indicating the remedial actions and the relevant timeline.~~

- 3.6 On pages 299 and ss. of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Major Events – ECB/Bank of Italy inspections concluded during the period 2015-2019*” the paragraphs titled “*Inspection OSI-IT Risk*”, “*Internal Model Investigation – IMI 40*”, “*TRIM Inspection on the revision of internal model*”, “*OSI- legal risk*”, “*OSI- Interest Rate Risk Inspection*” shall be deleted and replaced as follows (track changes show the amendments made):

#### **Inspection activity in relation to the IT Risk (OSI 3832)**

##### **Inspection OSI-IT Risk**

During the period between 26 March 2018 and 26 June 2018, the ECB carried out an on-site inspection relating to the Information Technology risk (IT Risk) of the Group. The inspection report was issued on 20 November 2018 and as at the date of this Base Prospectus, the Issuer is waiting to receive the draft on 8 July 2019, the Bank received a draft version of the follow-up letter by the ECB by the ECB. from the supervisory authority, highlighting 15 findings and the relevant remedial action. The Bank replied to the letter with a request to postpone certain deadlines. On 22 August 2019, the Bank received the final version of the letter, confirming the contents of the draft version, in which were reported 15 findings relating to IT security procedures, project management and the effectiveness of control systems.

##### **Internal Model Investigation – IMI 40**

On 14 June 2018, the ECB formally notified the Issuer of its final decision relating to the internal inspection on the models for the calculation of the requirements in relation to the credit risk ended on 4 December 2015, setting out 21 findings. On 11 July 2018, the Issuer sent to the ECB its plan setting out the relevant remedial actions and implemented the limitations set out in the prudential data.

#### **TRIM Inspection activity on the revision of internal model on credit risk (TRIM 3917)**

On 27 November 2018, in the context of the revision process of the internal models (TRIM – Targeted Review of Internal Models), the Issuer has received notice from the ECB of an on-site inspection, starting 21 January 2019, relating to the internal model on credit risk for the Issuer and the Group, with respect to the PD, LGD and credit conversion factor (“CCF”) parameters on corporate credit exposures and others. The inspections were carried out from 21 January 2019 to 29 March 2019. On 18 September 2019, the Bank received the final assessment report with the results of the inspections, in which were reported 17 findings.

#### **OSI—Inspection activity on legal risk-Inspection(OSI 4125)**

During the period from 28 January to 26 April 2019, an on-site inspection was carried out at the Issuer's and the Group's premises. Such inspection was related to the legal risks within the context of the management of operational risk and mainly focusing on (i) the scope of legal risks, processes and procedures for its prevention, management and monitoring (ii) assessment of legal risks arising from inappropriate practices with respect to the relations with customers, marketing and in relation to the business activity in general (iii) the process of allocations for risks and charges with respect to legal proceedings and claims for compensation (iv) level of reporting to, and involvement of, the board of directors on legal risks, with particular reference to litigation and legal proceedings.

The subject matter of the inspection did not expressly include the assessment of individual cases and the adequacy of provisions in relation to the existing legal risks.

In August 2019 the Bank received the draft inspection report setting out certain significant procedural findings relating, inter alia, to (a) an unsatisfactory supervision by the board of directors of the legal risk and of the relevant risk management; (b) deficiencies and weaknesses in the overall organizational profiles and in certain management activities, monitoring, data supply, line controls and internal reporting as part of certain phases of the process concerning the Bank's litigation and related internal procedures; (c) the need to supplement the Bank's risk appetite statement with a number of granular indicators suitable for monitoring the exposure to legal risk in terms of petitem, provisions and losses; (d) certain critical issues and shortcomings of a procedural nature regarding the definition of provisions relating to ordinary and extraordinary proceedings concerning the 2008-2011 capital increases and the securities subject to Burden Sharing; (e) the need to define guidelines in the governance of the sanction procedures notified to the Bank in the period 2012-2015; and (f) certain shortcomings relating to internal audit activities.

After a careful analysis of the findings, the Bank formulated its counterclaims in an articulated manner by targeting each finding and highlighting its disagreement with certain positions adopted during the inspection by the supervisory authority on such matters; in particular, the Bank pointed out the considerable commitment of the board of directors in the management and assessment of legal risk, both from a quantitative and qualitative perspective, in order to highlight the extensive activity of guidance carried out on numerous important legal and litigation issues submitted to the attention of the board of directors, all in close coordination with the accounting authority.

With regard to the critical issues raised in relation to the allocation of provisions processes, the Bank has pointed out that the findings do not take into account the Bank's extensive activity relating to the evaluation of the various scenarios of extraordinary proceedings which, with the help of primary level independent experts, financial lawyers and accountants, have made possible the development of guidelines for the definition of the procedures relating to the assessment of legal and litigation risks and for the allocation of provisions for risks and charges, which, moreover, were one of the key aspects of the auditing activities (the so-called "Key Audit Matters" or "KAM") as well as one of the most significant aspects in the context of the audit of the consolidated financial statements as described in the auditors' report on the Issuer's consolidated financial statements as at 31 December 2017 and as at 31 December 2018.

With regard to the other findings, in respect of which the shortcomings highlighted are mainly of procedural nature, the Bank replied providing certain preliminary information in order to allow the supervisory authority a broader view of the current situation compared to what was found during the inspection.

The Bank is waiting for the delivery of the final report which will be followed by further formal discussions with the supervisory authority that will lead to a final discussion on the actual remedial actions to be planned and implemented.

#### **Inspection activity on Interest Rate Risk Inspection (OSI 3834)**

On 28 January 2019, During the period between 26 June and 27 September 2019 the ECB started conducted an on-site inspection regarding the interest rate risk of legal risks for the Issuer, the Group and. The outsourcing service providers inspection exit meeting has not yet been carried out.

#### **Inspection activity on Liquidity Allocation and Internal Funds' Transfer Pricing (OSI 4356)**

On 18 October 2019 will be started a review of the liquidity allocation and internal funds' transfer pricing.

#### **Inspection activity relating to the revision of the internal models on credit risk (Internal Model Investigation IMI 4357)**

On 1 October 2019 the ECB started an inspection relating to the credit risks models adopted by the Bank focusing on certain parameters (PD, LGD, ELBE) for corporate and retail exposures.

#### **OSI – Interest Rate Risk Inspection**

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

#### **Banca d'Italia On Site Inspection ECAF\IRB systems**

On 13 November 2019 Banca d'Italia reported the result "In Prevalenza Soddisfacente" of its inspection on "Utilizzo del sistema IRB di Banca MPS in ambito ECAF" carried out during the period 21-23 May 2019.

- 3.7 On page 311 of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Judicial and arbitration proceedings*” the seventh, eighth, ninth and tenth sub-paragraphs shall be deleted and replaced as follows (track changes show the amendments made):

In addition, there were also 305 cases of threatened litigation relating to the 2014-2015 capital increases: for a petium of approximately Euro 257 million (approximately Euro 255 million in relation to those complainants who have not started any legal proceedings). There was a significant increase in the number of requests compared to 31 December 2018 (59 for a claimed amount of approximately Euro 17 million). The overall requested amount as at 30 June 2019 is therefore approximately equal to Euro 846 million.

As at 30 June 2019, the overall petium in relation to civil and administrative proceedings of the Group is equal to approximately Euro 5.4 billion. In particular, as at 30 June 2019, the overall petium in relation to the disputes and out-of-court claims related to financial information distributed in the 2008-2015 period amounts approximately to Euro 2.0 billion of which approximately Euro 896 million for deriving from the civil proceedings relating to the suits brought by the shareholders in the context of 2008, 2011, 2014 and 2015 capital increases of the Issuer, and, approximately Euro 267 million requested by the civil claimants, where quantified, relating to criminal proceedings no. 29634/14 and no. 955/16 which the Issuer is part of. Euro 846 million shall add to such overall petium in relation to extra-judicial claims received by the Issuer in relation to such capital increases and Euro 846 million deriving from out-of-court claims.

The overall petium for tax proceedings of the Group is equal to approximately Euro 106 million (of which Euro 102 million relating to the Bank) while, the overall petium relating to the passive labour proceedings is equal to Euro 63 million (including the labour proceedings brought by certain employees of Fruendo S.r.l.) almost entirely relating to the Bank., the overall petium relating to disputes regarding compound interests, interests and conditions is equal to approximately Euro 326 million and the overall petium regarding bankruptcy rescindments is equal to approximately Euro 206 million.

Furthermore, reference is made to the section “Explanatory Notes” of BMPS Unaudited Consolidated First Half Financial Report as at 30 June 2019 (incorporated by reference in the Prospectus) with respect to the classification of overall petium into “probable”, “possible” or “remote” risk of losing categories.

- 3.8 On page 312 of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Judicial and arbitration proceedings*” the following paragraph shall be added as the fifteenth sub-paragraph:

With respect to the civil and criminal disputes concerning the information disclosed solely in the period 2008-2011 and the criteria applied by the Bank in order to determine the relevant provisions for risks and charges, please refer to the section “Explanatory Notes” of BMPS Unaudited Consolidated First Half Financial Report as at 30 June 2019 and to the BMPS Unaudited Consolidated Interim Financial Report as at 30 September 2019, both incorporated by reference in the Prospectus.

- 3.9 On pages 315 and ss. of the Prospectus, under the section titled “*Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Criminal investigations and proceedings – (C) “FRESH*”

2008”, “Alexandria”, “Santorini”, “Chianti Classico” Transactions – Criminal proceedings before the Courts of Milan” the twenty-fifth and twenty-sixth sub-paragraphs shall be deleted and replaced as follows (track changes show the amendments made):

At the hearing of 18 July 2019, the defendants revoked their constitution against Deutsche Bank and Nomura, as well as their claims for damages against these banks. At the hearing of 19 September 2019, two revocations of claims for damages against the former managers of the Bank were filed together with the related waiver to the requests for compensation against the Bank as civil liable party.

On 30 September 2019 the discussions of Deutsche Bank and Nomura, charged pursuant to pursuant to Legislative Decree No. 231/2001, were concluded.

The proceedings, which continued on 31 October 2019 in order to include possible new revocations of constitution as civil party, ended on 8 November 2019, when the final hearing was held. The Court sentenced at first instance the accused natural persons and - pursuant to Legislative Decree 231/2001 - Deutsche Bank AG and Nomura International PLC; in particular, Giuseppe Mussari was sentenced to 7 years and 6 months imprisonment, Antonio Vigni to 7 years and 3 months imprisonment, Daniele Pirondini to 5 years and 3 months imprisonment and Gian Luca Baldassarri to 4 years and 3 months imprisonment.

The Issuer, in its capacity as civil responsible (not indicted pursuant to Legislative Decree 231/2001), has been ordered - jointly and severally with the natural persons and with the two foreign banks - to pay damages to the civil parties who were still part of the proceeding (to be settled in separate civil proceedings); the Court of Milan rejected the request for the concession of an immediately enforceable provisional request pursuant to art. 539 of the Italian Criminal Code. Such individuals were sentenced to pay damages on an equitable basis in the amount of Euro 50,000 in favour of the civil parties Federconsumatori and Confconsumatori. In addition, the Issuer, jointly and severally with Nomura International Plc. London and a number of the defendants, was ordered to pay damages in favour of the CONSOB - equitably settled in the amount of Euro 300,000.

~~Further hearings are scheduled for September 2019.~~ On 12 May 2017, the indictment of officers Alessandro Profumo, Viola Fabrizio and Salvadori Paolo (the first two no longer being in office) has been requested in the context of new criminal proceedings before the Courts of Milan where they are charged with the crimes of false corporate communications (article 2622 of the Italian Civil Code), in respect of the accounting of the “Santorini” and “Alexandria” transactions, as regards the Bank’s financial statements, reports and other corporate communications, from 31 December 2012 until 31 December 2014 and as regards the semi-annual report as at 30 June 2015 as well as market manipulation (article 185 of the Consolidated Finance Act) in relation to communications released to the public with regard to the approval of the abovementioned financial statements and reports.

- 3.10 Respectively, on pages 336, 341, 341-342 and 344 of the Prospectus, under the section titled “Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Civil disputes arising in connection with the ordinary business of the Issuer” the paragraphs titled (A) “Civil dispute instituted by the extraordinary administration of SNIA S.p.A. before the Courts of Milan”, (G) “Civil dispute instituted by Mr. Giosuè Pagano and Lucia Siani pending before the Court of Appeal of Salerno”, (H) “ Civil dispute instituted by Formenti Seleco S.p.A. in extraordinary administration before the Courts of Monza”, (O) “ Arbitration promoted by Cinecittà Centro Commerciale Srl” shall be deleted. The remaining paragraphs shall be renumerated as follows:

(A) ~~(B)~~ Civil dispute brought by Fatrotek S.r.l. before the Courts of Salerno

~~(B)(C)~~ Civil dispute instituted by the bankruptcy receivership of Medeghini S.p.A. in bankruptcy proceedings before the Courts of Brescia

~~(C)(D)~~ Civil dispute instituted by the bankruptcy receivership of the company Antonio Amato & Company Molini Pastifici S.p.A. in liquidation before the Courts of Naples – section specialised in corporate matters

~~(D)(E)~~ Civil disputes instituted by Riscossione Sicilia S.p.A. and the Assessorato of Economy of Sicily before the Courts of Palermo

~~(E)(F)~~ Civil dispute instituted by Edilgarba s.r.l. before the Courts of Milan

~~(F)(H)~~ Civil dispute instituted by Serventi Micheli Terzilia and Others against Zenith Bankruptcy, BMPS and other credit institutions before the Courts of Parma

~~(G)(I)~~ Civil dispute instituted by the receivership of CO.E.STRA. S.p.A. before the Courts of Florence

~~(H)(K)~~ Action brought by Procedura Amministrazione Straordinaria Impresa S.p.A.

~~(I)(L)~~ Action brought by BMPS before the Courts of Rome against CODACONS et alios.

~~(J)(M)~~ Civil proceedings commenced by Lucchini SpA in Amministrazione Straordinaria before the Court of Milan vis-à-vis the Bank and other 11 credit institutions and companies.

- 3.11 On pages 339 and ss. of the Prospectus, under the section titled “Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Civil disputes arising in connection with the ordinary business of the Issuer– (E) Civil disputes instituted by Riscossione Sicilia S.p.A. and the Assessorato of Economy of Sicily before the Courts of Palermo” the following sub-paragraph shall be added as the tenth sub-paragraph:

In its ruling of 24 September 2019, the Court of Palermo rejected the opposition filed by Riscossione Sicilia S.p.A. and therefore upheld the injunction issued in favour of the Bank, ordering the counterparty to pay the costs of the proceedings (Euro 45.000.00 plus additional legal costs).

- 3.12 On pages 342 of the Prospectus, under the section titled “Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Civil disputes arising in connection with the ordinary business of the Issuer – Civil dispute instituted by the receivership of CO.E.STRA. S.p.A. before the Courts of Florence ” the first sub-paragraph shall be amended as follows (track changes show the amendments made):

On 4 December 2014, CO.E.STRA. S.p.A., within the context of the arrangement with creditors procedures, served a writ of summons to the Bank and the other banks participating in a pool to ascertain and declare their contractual or non-contractual liability in relation to the restructuring agreement signed by CO.E.STRA. S.p.A. on 30 November 2011, with subsequent request for joint liability of the banks with respect to the alleged damages suffered for having caused/worsened the distress of CO.E.STRA. S.p.A., quantified by the latter in the amount of Euro 34.6 million. The order of the judge has been challenged before the Supreme Court on the basis of lack of competence pursuant to article 42 of the Italian Code of Civil Procedure. The hearing was held on 12 April 2018 in private and the Supreme Court referred the proceedings to a public hearing held on 5 February 2019. Following the decision on the

lack of competence is still pending as the judge has deemed appropriate to wait for the solution of the same legal issue raised in a different proceeding which might be ruled by the United Sections of the Supreme Court dated 23 July 2019 relating to a similar case of lack of competence, the public hearing for the discussion of the banks' claim for lack of competence has been scheduled for 13 December 2019. The proceeding pending before the Court of Florence is still suspended.

- 3.13 On page 348 of the Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings –Sanctioning Procedures– CONSOB – (B) CONSOB's sanctioning procedures for failed compliance with the provisions in the matter of a public offer of financial instruments and rules concerning the provision of investment services*" the following sub-paragraph shall be added as the fifth sub-paragraph:

With a ruling filed on 26 September 2019, the Supreme Court partially upheld the appeal filed by the Issuer against the decision of the Florence Court of Appeal, declaring: a) no longer applicable the sanction imposed on the Bank as jointly and severally liable for the sanction imposed on the previous director Carlo Querci of Euro 135,000 following his death and b) upheld the appeal concerning the position of Dr. Fabrizio Viola (sanctioned with €7,500), referring the decision to another section of the Court of Appeal.

- 3.14 On pages 349 and 350 of the Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings –Sanctioning Procedures– AGCM – (D) Proceedings PS 10678 of the AGCM – Violations of the Consumer Code in the sale of investment diamonds*" the fourth, the fifth, the sixth and the seventh sub-paragraphs shall be deleted and replaced as follows (track changes show the amendments made):

BMPS had previously entered into a customer referral agreement with DPI, and the AGCM held that the Bank was actively involved in the promotion and sale of investment diamonds. The proceedings ended with the decision taken by AGCM during the hearing held on 20 September 2017, and notified to the parties on 30 October 2017. AGCM held that the breaches with which the parties had been charged had actually been committed, and sentenced BMPS to pay a fine of Euro 2 million. The Bank paid the fine within the relevant terms and challenged the decision before the Administrative Regional Court TAR of Lazio; at the hearing held on 17 October 2018, the Court reserved its decision. Meanwhile, the Bank has taken action to reimburse its customers previously referred to DPI, who have purchased diamonds from the latter and who intended to exit from their investment. In light of such reimbursement ~~reimbursement~~ initiative, the Bank set up provisions to take into account, inter alia, the projection of expected requests and the current wholesale value of the diamonds to be withdrawn. As at ~~30 June~~ 31 March 2019, the provisions for risks and charges in view of the reimbursement ~~reimbursement~~ initiative amounted to Euro ~~160.50~~ million (Euro 127 as at 31 December 2018) and were partly used in the first ~~half~~ part of the 2019 financial year to enter into settlement agreements for an amount equal to Euro ~~75.34~~ million.

These funds are constantly monitored by the Bank, and periodically updated in light of the evolution of pending claims and disputes, in line with the accounting and financial statement criteria used by the Issuer in order to deal with the risks associated with claims for compensation arising from its customers.

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

For the sake of completeness, it is highlighted that, with reference to such events, in the context of the criminal proceedings pending for alleged fraud, the judge for preliminary investigations of the Court of Milan notified the Bank of two seizure decrees, also for the alleged offence of self-laundering in relation to which the Bank would be liable pursuant to Legislative Decree 231/2001.

On 2 July 2019, the Bank sent a report to the AGCM on the status of the reimbursement initiative as at 30 June 2019.

On 19 September 2019, the AGCM requested to receive a new report on the status of the reimbursement initiative by 15 January 2020, containing information on the progress and effects of the initiatives taken, updated to 31 December 2019, and hoping for a satisfactory definition of the complaints and reimbursement requests received.

- 3.15 On pages 352 and 353 of the Prospectus, under the section titled "*Banca Monte dei Paschi di Siena S.p.A. – Legal Proceedings – Sanctioning Procedures – Administrative offences pursuant to Legislative Decree 231/2001 challenged in relation to the sale of investment diamonds based on alleged self-laundering crime (article 648-ter of the Italian Criminal Code)*" the following sub-paragraphs shall be added as the eighth and ninth sub-paragraphs (track changes show the amendments made):

On 28 September 2019, the notice of completion of the investigations was filed against the suspects held jointly liable for the alleged fraud against diamond investment investors. The notice concerns 87 natural persons and 7 legal persons, including the Bank.

Eight members of the Bank are involved, 5 of whom are managers (who are also held responsible for the criminal conduct referred to in art. 648 ter 1, 2 and 5 of the Italian Criminal Code) and three are branch owners. The Bank remains involved in the proceedings by virtue of the alleged administrative offence referred to in Article 25-octies of Legislative Decree 231/01 in relation to Article 648 ter 1 of the Italian Criminal Code

4. **MANAGEMENT OF THE BANK**

- 4.1 On pages 356-358 of the Prospectus, under the section titled "*Board of Directors*" the table with the details relating to board of directors shall be deleted and replaced as follows:

<b>"MANAGEMENT OF THE BANK</b>			
<i>Board of Directors</i>			
<p>The board of directors was appointed by the ordinary shareholders' meeting of 18 December 2017 and such appointment will expire on the date of the shareholders' meeting approving the financial statements for the year ending on 31 December 2019.</p> <p>The board of directors is currently made up as follows.</p>			
<b>Name</b>	<b>Position</b>	<b>Date of birth</b>	<b>Position held</b>
Stefania Bariatti (*)	<del>Chairperson</del> <u>Chair</u>	28 October 1956	<del>Vice President</del> <u>Deputy Chairperson</u> of the Board of Directors of SIAS S.p.A.  Sole Director of Canova Guerrazzi s.s.  <del>Vice President</del> <u>Deputy Chairperson</u> of the Board of Directors and member of the Executive Committee of the Italian Banking Association  <del>Vice President</del> <u>Deputy Chairperson</u> of the Board of Directors of A2A S.p.A.
Antonino Turicchi	Deputy <del>Chair</del> <u>Chairman</u>	13 March 1965	Director of Autostrade per l'Italia S.p.A.  Director of Leonardo S.p.A.  <del>Chair</del> <u>Chairman</u> of the Board of Directors of STMicroelectronics Holding N.V.  Manager of Direzione VII – Finanze e privatizzazioni del Dipartimento del

				Tesoro del Ministero dell'Economia e delle Finanze
Marco Morelli	Chief Executive Officer	08 December 1961		Director and member of Executive Committee of the Italian Banking Association
				<del>Vice</del> Deputy President of the Board of Directors of Fondazione Onlus Gino Rigoldi
				<u>Director of Università Internazionale degli Studi Sociali LUISS</u> Guido Carli
Maria Elena Cappello (**)	Director	24 July 1968		Director of Prysmian S.p.A.
				Director and member of the Sustainability, Scenarios and Governance Committee of Saipem S.p.A.
				Director and member of the Related Party Committee of TIM S.p.A.
Roberta Casali (**)(***)	Director	25 January 1962		Director and member of Independent Directors and referent for Board of Directors on Audit, Compliance and <i>Risk Management</i> of Antirion SGR S.p.A.
Marco Giorgino (**)	Director	11 December 1969		<del>Chair</del> Chairman of the Board of Directors of Vedogreen S.r.l.
				Director of REAL STEP SICAF S.p.A. Statutory Auditor of RGI S.p.A.
				Director of Terna S.p.A.

Fiorella Kostoris (**)	Director	5 May 1945	//
Roberto Lancellotti (**)	Director	21 July 1964	Director of Datalogic S.p.A.  Member of the Steering Committee of Fondazione Welfare Ambrosiano
Nicola Maione (**)	Director	9 December 1971	<del>Chair</del> <u>Chairman</u> of the Board of Directors of ENAV S.p.A.  Director of Associazione Bancaria Italiana
Stefania Petruccioli (**)	Director	5 July 1967	Director of Dè Longhi S.p.A.  Director of Interpump Group S.p.A.  Director of RCS Media Group S.p.A.  Director of F2A S.p.A.  Director of Italian Banking Association
Salvatore Fernando Piazzolla (*)	Director	5 March 1953	//
Angelo Riccaboni (**)	Director	24 July 1959	<del>Chair</del> <u>Chairman</u> of Fundacion PRIMA  <del>Chair</del> <u>Chairman</u> of Fondazione Scavo  Director of Fondazione Smith Kline  <del>Chair</del> <u>Chairman</u> of the Steering Committee of Santa Chaira Lab Innovation Center of University of Siena Director of Università degli Studi di Milano – Bicocca

Michele Santoro (**)	Director	28 March 1955	//
Giorgio Valerio (**)	Director	13 July 1966	Director and Member of the Control and Risk Committee, the Nominating and Compensation Committee and the related party Committee of Massimo Zanetti Beverage Group S.p.A.  <del>Chair</del> <u>Chairman</u> of the Board of Directors of Niuma S.r.l..

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

(\*\*) Independent director pursuant to the Consolidated Finance Act and the Corporate Governance Code of Listed Companies (the “Corporate Governance Code”).

(\*\*\*) Coopted on 12 July 2018 by the Board of Directors, in place of the board member Giuseppina Capaldo, who resigned on 4 May 2018. Roberta Casali has been confirmed as director of the Bank by the resolution of the Shareholders’ Meeting held on 11 April 2019."

*Managers with strategic responsibilities*

The table below sets forth the names of the current management of the Bank with strategic responsibilities, together with their positions.

Name	Position	Date of birth	Position held
Marco Morelli	General Manager and Chief Executive Officer	08 December 1961	Director and member of Executive Committee of the Italian Banking Association  <del>Vice President</del> <u>Deputy Chairman</u> of the Board of Directors of Fondazione Onlus Gino Rigoldi  <u>Director</u> of <u>Università Internazionale degli Studi</u>

			<u>Sociali LUISS</u> <u>Guido Carli</u>
Giovanni Ametrano	Head of performing loan	06 April 1965	Director of MPS Leasing & Factoring S.p.A.
Maurizio Bai	Head of network division	23 July 1967	//
Leonardo Bellucci	Chief risk officer	21 February 1974	//
Giampiero Bergami	Chief commercial officer – <u>Deputy general manager</u>	27 February 1968	Director of Wise Dialog Bank – Widiba S.p.A.  Director of Banca Monte Paschi Belgio S.A.  Director of Bonfiglioli Riduttori S.p.A.
Vittorio Calvanico	Chief operating officer	08 February 1964	Director of Ausilia S.r.l.  CEO of Consorzio Operativo Gruppo Montepaschi S.c.p.a.
Pierfrancesco Cocco	Chief audit executive	07 June 1954	//
Roberto Coita	Chief human capital officer	28 January 1972	//
Eleonora Cola	Head of retail	18 July 1965	Director of Consorzio Operativo Gruppo Montepaschi S.c.p.a.  Director of AXA MPS Assicurazioni Vita S.p.A.  Director of AXA MPS

				Assicurazioni Danni S.p.A.
				Director of Microcredito di Solidarietà S.p.A.
Fiorella Ferri	Chief safety officer	5 June 1962	//	
Fabiano Fossali	Head of corporate	22 March 1968		Director of MPS Leasing & Factoring S.p.A. Director of MPS Capital Services Banca per le Imprese S.p.A.
Fabrizio Leandri	Chief lending officer	21 April 1966	//	
Ettore Minnella	Head of operations	18 September 1960	//	
Marco Palocci	Head of external and institutional relations	02 December 1960		<del>Vice President</del> <u>Deputy Chairman</u> of the Board of Directors of Fondazione Banca Agricola Mantovana
				Member of the Board of Directors of Fondazione Banca Antonveneta
Riccardo Quagliana	Head of group general counsel	04 February 1971		<del>Vice president</del> <u>Deputy Chairman</u> of Wise Dialog Bank – Widiba S.p.A.
				Director of MPS Capital Services Banca per le Imprese S.p.A.
				Director of Conciliatore bancario finanziario

Andrea Rovellini	Chief financial officer – <u>Senior deputy general manager</u>	15 February 1959	Director of Wise Dialog Bank – Widiba S.p.A.  Director of AXA MPS Assicurazioni Danni S.p.A.  Director of AXA MPS Assicurazioni Vita S.p.A.  Director of Nuova Sorgenia Holding S.p.A.
Lucia Savarese	Head of non-performing loan	30 March 1964	Director of MPS Capital Services Banca per le Imprese S.p.A.
Federico Vitto	Head of wealth management	14 November 1968	<del>Chair</del> <u>Chairman</u> of MPS Fiduciaria S.p.A.  Director of AXA MPS Assicurazioni Danni S.p.A.  Director of AXA MPS Assicurazioni Vita S.p.A.  Director of AXA MPS Financial Designated Activity Company (DAC)  Director of AIPE - Italian Association Private Banking
Ettore Carneade	Head of compliance area	16 June 1961	//

Nicola Massimo Chief financial reporting 22 October //  
 Clarelli officer 1971

The address of the managers with strategic responsibilities of the Bank for the duties they discharge is: Piazza Salimbeni 3, Siena, Italy.

The following table sets out the members of the Bank's board of statutory auditors:

Name	Title	Position held
Elena Cenderelli	Chairperson	Chairperson of the board of statutory auditors of AXA MPS Assicurazioni Vita S.p.A.
Raffaella Fantini	<u>Standing auditor</u>	<del>Chairperson of</del> <u>Chairperson of</u> the board of statutory auditors of AXA MPS Assicurazioni Danni S.p.A.
Raffaella Fantini	<u>Standing auditor</u>	<del>Standing — auditor</del> <u>Auditor</u> of SO.G.IM S.p.A.
Raffaella Fantini	<u>Standing auditor</u>	<del>Standing — auditor</del> <u>Auditor</u> of ICCAB S.r.l.
Raffaella Fantini	<u>Standing auditor</u>	<del>Standing — auditor</del> <u>Auditor</u> of Ecuador S.p.A.
Raffaella Fantini	<u>Standing auditor</u>	<del>Standing — auditor</del> <u>Auditor</u> of Società Immobiliare Minerva S.r.l.
Raffaella Fantini	<u>Standing auditor</u>	<del>Standing — auditor</del> <u>Auditor</u> of BP Real Estate S.p.A.
Raffaella Fantini	<u>Standing auditor</u>	<del>Standing — auditor</del> <u>Auditor</u> of Sport e Salute S.p.A.
Raffaella Fantini	<u>Standing auditor</u>	<del>Standing — auditor</del> <u>Auditor</u> of Istituto nazionale previdenza giornalisti italiani
Paolo Salvadori	<u>Standing auditor</u>	<del>Chairman</del> <u>Chairperson</u> of the board of statutory auditors of SEVIAN S.r.l.
Paolo Salvadori	<u>Standing auditor</u>	<del>Chairperson</del> <u>Chairman</u> of the Board of Directors of AXA Italia Servizi S.c.p.a.

Daniele Federico Monarca	Alternate auditor	<p><del>Chair</del><u>Chairman</u> of the Board of statutory auditors of Immobiliare Due Ponti S.p.A.</p>
		<p><del>Chairperson</del><u>Chairman</u> of the Board of statutory auditors of MA Centro Inossidabili S.p.A.</p>
		<p><del>Standing auditor</del><u>Auditor</u> of ICM S.p.A. Director of Blue Financial Communication S.p.A.</p>
		<p>Chief executive officer of Pigreco Corporate Finance S.r.l.</p>
		<p><del>Chairperson</del><u>Chairman</u> of the Board of statutory auditors of ADVALORA S.p.A.</p>
		<p><del>Standing auditor</del><u>Auditor</u> of Fiera Milano S.p.A.</p>
		<p><del>Standing auditor of ICM S.p.A.</del></p>
		<p><del>Director of Blue Financial Communication S.p.A.</del></p>
		<p>Director of Il cielo in una stanza S.r.l.</p>
		<p><del>Chairperson</del><u>Chairman</u> of the Board of directors Consaequo Partners S.r.l.</p>
		<p><del>Standing auditor</del><u>Auditor</u> of Fiere di Milano <del>Fiera</del><u>Media</u> S.p.A.</p>
		<p><del>Director of Pigreco Corporate Finance S.r.l.</del></p>
Claudia Mezzabotta	Alternate auditor	<p>Chairperson of the Board of statutory auditors of Carrara S.p.A.</p>
		<p><del>Standing auditor</del><u>Auditor</u> of Sabre Italia S.r.l.</p>
		<p><del>Standing auditor</del><u>Auditor</u> of AVIO S.p.A.</p>
		<p>Single <del>standing</del> auditor of RES – Research for enterprise systems S.r.l.</p>

	<p>Chairperson of the Board of statutory auditors of Fultes S.p.A.</p> <p><del>Standing—auditor</del><u>Auditor</u> of Quadrifoglio Piacenza S.p.A. in liquidazione</p>
	<p>Single <del>standing—auditor</del> of GE Lighting S.r.l.</p> <p><del>Standing—auditor</del><u>Auditor</u> of Pentagramma Perugia S.p.A.</p> <p><del>Standing—auditor</del><u>Auditor</u> of Inalca S.p.A.</p>
	<p><del>Standing—auditor</del><u>Auditor</u> of Synopo S.p.A.</p>
	<p>Single <del>standing—auditor</del> of Winwin S.r.l.</p>
	<p><del>Standin—auditor</del><u>Auditor</u> of Pentagramma Piemonte S.p.A. in liquidazione</p>
	<p><del>Standing—uditor</del><u>Auditor</u> of Ente Nazionale Previdenza e assistenza degli psicologi</p>

## 5. GENERAL INFORMATION

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

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

Since 31 December 2018 there has been no material adverse change in the prospects of the Issuer and since 30 September 2019 there has been no significant change in the financial or trading position of the Issuer and of Montepaschi Group.

Since 31 December 2018 there has been no material adverse change in the prospects of the Guarantor and since 31 December 2018 there has been no significant change in the financial or trading position of the Guarantor."

- 5.2 On page 473-474 and ss. of the Prospectus, under section "*General information*", the item headed "*Documents Available*" shall be updated as follows (track changes show the amendments made):

### **"Documents Available**

So long as Covered Bonds are capable of being issued under the Programme, copies of the following documents will, when published, be available (in English translation, where necessary) free of charge during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer:

- (a) the by-laws of the Issuer and the constitutive documents of the Guarantor;
- (b) the audited consolidated annual financial statements of the Issuer as at and for the years ended 31 December 2017 and 31 December 2018;
- (c) the unaudited half-yearly consolidated financial report of the Issuer as at and for the period ended 30 June 2018 and 30 June 2019;
- (d) the consolidated unaudited interim financial report of BMPS as at 30 September 2017, 30 September 2018 and 30 September 2019;
- (e) the consolidated unaudited interim financial report of BMPS as at 31 March 2019;
- (f) the audited financial statements of the Guarantor as at and for the years ended 31 December 2016, 31 December 2017 and 31 December 2018;
- (g) the auditors' reports for the Issuer for the financial year ended 31 December 2017 and 31 December 2018;

- (h) the auditors' reports for the Guarantor for the financial year ended 31 December 2016, 31 December 2017 and 31 December 2018;
- (i) a copy of this Prospectus;
- (j) any future offering circular, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference;
- (k) each of the following documents (as amended and restated from time to time, the "Programme Documents"), namely:
- Guarantee;
  - Subordinated Loan Agreements;
  - Master Assets Purchase Agreement;
  - Cover Pool Management Agreement;
  - Warranty and Indemnity Agreement;
  - Master Servicing Agreement;
  - Asset Monitor Agreement;
  - Quotaholders' Agreement;
  - Cash Allocation, Management and Payments Agreement;
  - English Account Bank Agreement;
  - Covered Bond Swap Agreements;
  - Asset Swap Agreements;
  - Mandate Agreement;
  - Deed of Pledge;
  - Deed of Charge
  - Intercreditor Agreement;
  - Guarantor Corporate Services Agreement;
  - Programme Agreement; and
  - Master Definitions Agreement"