MONTE DEI PASCHI DI SIENA BANK

Consolidated Interim Report as at 30 September 2017

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

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Interim Report on Operations
Monte dei Paschi di Siena Group
30 September 2017

Banca Monte dei Paschi di Siena S.p.a.
Share Capital: € 15,692,799,350.97 fully paid in
Siena Companies' Register no. and tax code 00884060526
Member of the Italian Interbank Deposit Protection Fund. Banks Register no. 5274.
Monte dei Paschi di Siena Banking Group, registered with the Banking Groups Register

INTERIM REPORT ON OPERATIONS

Results in brief

The economic and financial indicators, based on accounting data, are those used in the internal systems of performance management and management reporting, and are consistent with the most commonly used metrics within the banking industry in order to ensure the comparability of figures presented.

Pursuant to the requirements set forth in the document "Guidelines on Alternative Performance Measures" published by the European Securities and Markets Authority (ESMA) in June 2016, this section contains the definitions and the methods for the calculation of alternative performance measures.

The Group's results as at 30 September 2017 include the effects connected to the planned transfer of a set of credit exposures classified as doubtful (allocated to balance sheet item 150 "Non-current assets held for sale and discontinued operations"), a transaction defined in the Restructuring Plan approved by the European Commission on 4 July 2017.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2017

INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES	30/09/17	30/09/16	Chg.
Net interest income	1,373.7	1,518.7	-9.5%
Net fee and commission income	1,213.2	1,402.4	-13.5%
Other operating income	636.3	496.4	28.2%
Total Revenues	3,223.2	3,417.5	-5.7%
Net impairment losses (reversals) on loans and financial assets	(4,902.4)	(2,018.8)	n.s.
Net operating income	(3,571.7)	(530.4)	n.s.
Net profit (loss) for the period	(3,000.7)	(848.7)	n.s.
EARNING PER SHARE (EUR)	30/09/17	30/09/16	Chg.
Basic earnings per share	(11.136)	(28.945)	-0.615
Diluted earnings per share	(11.136)	(28.945)	-0.615
BALANCE SHEET FIGURES AND INDICATORS	30/09/17	31/12/16	Chg.
Total assets	145,099.1	153,178.5	-5.3%
Loans to customers	91,041.1	106,692.7	-14.7%
Direct funding	102,968.4	104,573.5	-1.5%
Indirect funding	98,242.9	98,151.8	0.1%
of which: assets under management	57,812.7	57,180.9	1.1%
of which: assets under custody	40,430.2	40,971.0	-1.3%
Group net equity	10,944.5	6,425.4	70.3%
OPERATING STRUCTURE	30/09/17	31/12/16	Chg.
Total head count - end of period	24,719	25,566	-847
Number of branches in Italy	1,860	2,032	-172

The item Loans to Customers does not include the transferred portfolio classified under assets held for sale as at 30 September 2017.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2017

ALTERNATIVE PERFORMANCE MEASURES

MPS GROUP

PROFITABILITY RATIOS (%)	30/09/17	31/12/16	Chg.
Cost/Income ratio	58.7	61.2	-2.5
R.O.E.	-46.1	-40.5	-5.6
Return on Assets (RoA) ratio	-2.8	-2.1	-0.7
ROTE (Return on tangible equity)	-46.1	-40.5	-5.6

The credit quality ratios are shown below, including the share of the portfolio allocated to assets held for sale (and to the items Non-performing loans and Loans to Customers):

KEY CREDIT QUALITY RATIOS (%)	30/09/17	31/12/16	Chg.
Net non-performing loans / Loans to Customers	15.8	19.0	-3.2
Coverage non-performing loans	66.4	55.6	10.8
Net doubtful loans / Loans to Customers	7.6	9.7	-2.1
Coverage doubtful loans	77.2	64.8	12.4
Net impairment losses on loans / Loans to Customers (Provisioning)	5.3	4.2	1.1
Texas Ratio	111.1	145.0	-33.9

The credit quality ratios are shown below, which do not consider the share of the portfolio allocated to assets held for sale:

KEY CREDIT QUALITY RATIOS (%)	30/09/17	31/12/16	Chg.
Net non-performing loans / Loans to Customers	11.3	19.0	-7.7
Coverage non-performing loans	47.5	55.6	-8.1
Net doubtful loans / Loans to Customers	2.7	9.7	-7.0
Coverage doubtful loans	62.5	64.8	-2.3
Net impairment losses on loans / Loans to Customers (Provisioning)	1.2	4.2	-3.0
Texas Ratio	98.2	145.0	-46.8

Cost/Income ratio: ratio of Operating Expenses (Administrative Expenses and Net adjustments on property, plant and equipment and intangible assets) to Total revenues (for the composition of the aggregate, see reclassified Income Statement)

Return On Equity (ROE): ratio of the annualised Net profit (loss) for the period to the average between the shareholders' equity (including Profit and Valuation Reserves) at the end of period and the shareholders' equity at the end of the previous year.

Return On Asset (ROA): ratio of the annualised Net profit (loss) for the period to the Total assets at the end of the period.

Return On Tangible Equity (ROTE): ratio of the annualised Net profit (loss) for the period to the average between the shareholders' equity (including Profit and Valuation Reserves, cleared of Goodwill) at the end of the previous year and for the year under way.

Net impairment losses on loans/Loans to Customers (Provisioning): ratio between annualised net impairment losses on loans and loans to customers.

Texas Ratio: ratio between Gross non-performing loans and the sum, in the denominator, of Tangible shareholders' equity and the Allowance for impairment on non-performing loans.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2017

REGULATORY MEASURES

MPS GROUP

CAPITAL RATIOS (%)	30/09/17	31/12/16	Chg.
Common Equity Tier 1 (CET1) ratio	15.2	8.2	7.0
Total Capital ratio	15.4	10.4	5.0
FINANCIAL LEVERAGE INDEX (5)	30/09/17	31/12/16	Chg.
Leverage ratio - Transitional Phase	5.5	3.2	2.3
LIQUIDITY RATIO (%)	30/09/17	31/12/16	Chg.
LCR	233.6	107.7	125.9
NSFR	106.8	87.6	19.2
Encumbered asset ratio *	33.7	49.4	-15.7
Counterbalancing capacity	21.1	6.9	14.2

* Ratio between Carrying amount of encumbered assets and collateral and Total assets and collateral (XVII, section 1.6, point 9, of Regulation (EU) 2015/79).

Executive summary

Changes in the key items of the main aggregates of the Group for the first nine months of 2017 are summarised below:

- The Group recorded **Total revenues** of **EUR 3,223 mln**, down by 5.7% compared to the same period of the previous year, due to the downturn in Net interest income and Net fee and commission income, only partially offset by the increase in the Net profit (loss) from trading and financial assets/liabilities (impacted by the positive effects of burden sharing). This revenue trend is affected by the performance of **Net interest income**, which amounted to approximately **EUR 1,374 mln** (-9.5% Y/Y), due especially to the negative performance of interest-bearing assets, particularly lending to commercial counterparties (decrease in average volumes and decline in the relative returns), the trend of which was only partially attenuated by the decrease in interest expenses as a result of the reduction in the cost of commercial funding, the maturity of bonds issued with more costly conditions and the effects of burden sharing. **Net fee and commission income**, totalling approximately **EUR 1,213 mln** as at 30 September 2017, recorded a decline of 13.5% compared to the same period of the previous year, penalised primarily by the recognition of the cost of the guarantee on government issues and the disposal of the merchant acquiring business on 1 July 2017. Under other revenues, **Net profit (loss) from trading and financial assets/liabilities** in the first nine months of the year stood at around **EUR 571 mln** (including the effects relating to the burden sharing transaction) up over the same period of the previous year. Net of these effects, the aggregate would be down compared to 30 September 2016, which was characterised by higher net profit from trading, disposals/repurchases of securities and capital gains on liabilities issued and measured at fair value.

- **Operating expenses** amounted to **EUR 1,893 mln** (-1.9% YoY). **Personnel expenses**, which totalled **EUR 1,188 mln**, declined year on year by 4.1% as a result of workforce downsizing (due in the first place to the roughly 600 Solidarity Fund exits on 1 May 2017), as well as lower provisions on the variable component in 2017 with respect to the same period of the previous year. **Other administrative expenses** ended the first nine months of 2017 at about **EUR 512 mln**, down by 3.9% from the same period of the previous year thanks to structural cost control measures taken during the first nine months of the year. **Net adjustments to (recoveries on) property, plant and equipment and intangible assets**, amounting to approximately **EUR 192 mln** until 30 September 2017, were higher than the values from the corresponding period of the previous year in relation to property, plant and equipment (impairment on land and buildings of roughly EUR 12 mln) and intangible assets (write-down of the residual value of a software licence agreement by roughly EUR 15 mln).

- **Net impairment (losses) reversals on loans, financial assets and other transactions** amounted to approximately **EUR 4,902 mln**, up by 2,884 from those recorded in the same period of the previous year. This includes i) net impairment losses recognised since the start of the year on the scope subject to transfer following the adjustment to recoverable value (roughly EUR -4 bn, already accounted for as at 30 June 2017), ii) write-downs on equity investments in Atlante (roughly EUR -30 mln, already recognised in the first half of the year) and in Banca Popolare di Spoleto (EUR -8 mln, in 3Q17) and iii) the write-off of the share held in the Voluntary Scheme as well as the partial write-down of irrevocable commitments made by the Group to the Voluntary Scheme - Caricesena/Carim/Carismi (for a total amount of EUR -46 mln recognised in 3Q17). The ratio of net impairment losses on loans annualised as at 30 September 2017 to total Loans to Customers, net of the effects of transferred doubtful loans, reflects a **Provisioning Rate** of **119 bps**, which comes to 526 bps also including that share of the portfolio.

- As a result of the trend of the above-mentioned economic aggregates and also considering the capital gain realised from the sale of the merchant acquiring business to CartaSi (EUR +525 mln, recorded in June 2017), the restructuring charges allocated against the early retirement incentives/provision for personnel (EUR -280 mln) and the closure of branches (EUR -16 mln), in addition to the partial reassessment of DTAs from tax losses (EUR +551 mln) accrued but not recognised in previous years, induced by the recent regulatory measure which ordered the reduction in the ACE benefit (cf. article 7 of Law Decree no. 50 of 24 April 2017), the Group recorded a **loss of roughly EUR 3,001 mln** as at 30 September 2017, compared to a negative result of around EUR 849 mln in the same period of 2016.

- **Total Funding** at the end of September 2017 amounted to approximately **EUR 201 bn** with a decline in volumes of about EUR 1.5 bn recorded compared to 31 December 2016, owing mainly to the decrease in the direct component, which was impacted by the effects of the burden sharing transaction on the bond component in 3Q17.
- At 30 September 2017, **Loans to Customers** amounted to about **EUR 91 bn**, down by EUR 15.7 bn as compared to 31 December 2016. The decline in the aggregate seen during the first nine months of the year was concentrated in repo transactions with institutional counterparties and in the segment of non-performing loans as a result of higher impairment losses on loans recognised during the period and the reclassification of transferred loans to balance sheet item 150 “Non-current assets held for sale and discontinued operations”.
- The Group’s **net exposure to non-performing loans**, included in item 70 “Loans to Customers” stood at **EUR 10.3 bn** at the end of September 2017 (a EUR -10.0 bn decline from the beginning of the year as a result of the trends described above). Including the transferred portfolio, the value stood at EUR 15.1 bn (EUR -5.2 bn since the beginning of the year), with a decline in the share of net doubtful loans (from 9.7% in December 2016 to 7.6% as at 30 September 2017) and Unlikely to Pay positions (from 8.5% in December 2016 to 7.6% as at 30 September 2017), against substantial stability in Past Due Exposures. The percentage of coverage of non-performing loans, including the transferred portfolio, came to 66.4%, up compared to 31 December 2016 by more than 1,000 bps (on the other hand, the same percentage net of this portfolio would have been 47.5%, a decline of 807 bps compared to December 2016). The increase in coverage is linked primarily to impairment losses on loans within the transferred portfolio of roughly EUR -4 bn. The coverage of Doubtful loans rose from 64.8% in December 2016 to 77.2% in September 2017 (62.5% net of that portfolio).
- With regard to capital ratios, as at 30 September 2017 the **Common Equity Tier 1 Ratio** stood at **15.2%** (8.2% at the end of 2016) and the **Total Capital Ratio** at **15.4%**, compared to 10.4% recorded at the end of December 2016.
- As at 30 September 2017 the operational liquidity position showed an **unencumbered Counterbalancing Capacity** of **EUR 21.1 bn**, up significantly (approximately EUR +14.2 bn) compared with the same figures as at 31 December 2016. This trend can be attributed to the improvement in commercial liquidity (increase in direct funding and simultaneous reduction in loans), government backed bond issues carried out in the first quarter of 2017 (pursuant to Law Decree no. 23/2016), which made it possible to reduce exposure to the ECB, and the increase in cash deriving from the share of the share capital increase subscribed by the MEF.

Shareholders

Following the completion of the Burden Sharing transaction and the Precautionary Recapitalisation, on 30 September the share capital of the Parent Company Banca MPS is equal to EUR 15,692,799,350.97 and is broken down into 1,140,290,072 ordinary shares, of which 36,280,748 treasury shares.

According to the communications received pursuant to the applicable legislation and based on other information available, the entities that, as at 30 September 2017, directly and/or indirectly hold ordinary shares representing a shareholding exceeding 3% of the share capital of the Issuer and which do not fall under the cases of exemption set forth in art. 119-bis of the Issuers' Regulations, as well as on the basis of what is set forth on the CONSOB institutional website, are as follows:

Shareholder	% of Outstanding Ordinary Shares
Ministry of Economy and Finances	52.184%
Assicurazioni Generali S.p.A.*	4.319%
BMPS S.p.A.**	3.181%

*Share held directly and through 12 subsidiary companies

**Treasury shares held by the MPS Group following the capital enhancement operations pursuant to D.L. n. 237/2016 (as subsequently amended and converted into law) and D.M. of 27/07/2017.

On 5 October, the Parent Company announced its intention to promote, on behalf of the Ministry of Economy and Finance, a partial voluntary public offering for exchange and settlement intended for holders of the Bank's ordinary shares (ISIN IT0005276776) arising from the conversion of the "Upper Tier II 2008 - 2018" subordinated bond loan (IT0004352586). If all addressees accept the offering in full, it is estimated that the MEF will come to hold a total of 772,622,096 ordinary shares of the bank, amounting to 67.76% of the share capital of Banca MPS.

Information on the BMPS share

Share price and trends

Since the start of the year there has been a positive trend for the European stock exchanges, in the wake of signals from the real economy; indeed, actual figures and confidence data for the future continue to be positive, with the only imperfection being inflation. The best performance was seen in Milan (+18.0%), followed by Frankfurt (+11.7%), Madrid (+11.0%), Paris (+9.6%) and London (+3.2%). Third quarter performance was also positive, with the FTSE MIB at +10.3%, the DAX and CAC 40 at +4.1% and the FTSE 100 at +0.8%; the only exception was the IBEX 35, which closed the period down slightly (-0.6%).
The performance of the FTSE MIB in the first nine months of the year was especially influenced by the performance of the FTSE IT Banks index, which since the start of the year rose +28.4% (+9.7% in the third quarter).

Following the Consob resolutions of 22 and 23 December 2016 (no. 19833 and no. 19840, respectively), the trading of securities issued and guaranteed by Banca MPS and the financial instruments with securities issued by the bank as underlying assets was temporarily suspended on the regulated markets, the Italian multilateral trading facilities and the systematic internalisers. Consob ordered this suspension until the restoration of a proper set of information on the securities issued or guaranteed by the bank and on the financial instruments with securities issued by the Parent Company as the underlying assets.
Furthermore, after the close of trading on Friday 17 March 2017, the BMPS security was excluded from the FTSE MIB basket following the revision of the index launched by the company FTSE Russell. Indeed, on 1 March 2017 the latter had announced that, if no information was provided on the timing for the restoration of trading, it would proceed with the exclusion of the security from the FTSE MIB index during the March revision.

On 24 October 2017, Consob, with resolution no. 20167, revoked the previous resolution published on 23 December 2016 (no. 19840) relating to the temporary suspension of trading in the regulated markets of the securities issued or guaranteed by Banca MPS and therefore readmitted the securities to trading as of 25 October 2017. The BMPS share, which closed the day on 22 December 2016 at EUR 15.08, opened trading on 25 October at EUR 4.10 and closed at EUR 4.55.

Ratings

The ratings given by the rating agencies as at 30 September 2017 are provided below:

Rating Agencies	Short-term debt	Outlook	Long-term debt	Outlook	Last update
DBRS	R-4	Stable	B (High)	Stable	08/23/17
Fitch Ratings	B	-	B	Stable	08/11/17
Moody's Investors Service	NP	-	B3	Negative	07/12/17

- On 23 August, the rating agency DBRS raised the long-term rating to “B (high)” from “B (low)” and the short-term rating to “R-4” from “R-5”, changing the outlook from ‘Under Review Developing’ to ‘Stable’.
- On 11 August, the Fitch rating agency reduced to “f” and then raised to “b” the Bank’s viability rating, increased the long-term rating to “B” with a “Stable” outlook from “Rating Watch Evolving” and confirmed the short-term rating as a “B”, removing the “Rating Watch Negative” designation.
- On 12 July, the Moody’s rating agency increased the BCA (Baseline Credit Assessment) rating to “caa1” from “ca” and confirmed the long-term rating at “B3”. The long-term rating outlook was shifted to “Negative” from “Under Review with Direction Uncertain”.

Reference context

This year, the global economy is experiencing its eighth consecutive year of expansion. The IMF is forecasting an acceleration of global growth to 3.5% in 2017 and 3.6% in 2018, from 3.2% 2016. At the same time, although inflation has accelerated from the very moderate levels recorded in recent years, it is generally remaining below the target levels of the main central banks.

In the Eurozone, growth was resoundingly robust in the first half of the year, at around 2%, compared to the first half of 2016, and the consensus is now expecting growth exceeding 2% for the year under way and of around 1.8% for 2018. The quarter's most significant political issues were the German elections held towards the end of September and the continuation of Brexit negotiations. The former produced a result which, although disappointing due to the entry into parliament of the extreme-right party AfD, enables the party of Merkel, the Prime Minister in office, to lead negotiations for the formation of a new government, which should see a change in the government coalition. As regards Brexit negotiations, they are still in the initial phase, which plans indicate should be concluded before the end of the year, to enable a transition to the second phase, when the crucial matter of trade agreements will be dealt with.

In Italy, GDP growth in the first half of the year came to 1.4% compared to the first half of 2016, a significantly quicker pace than that recorded in the post-crisis period, although it is still below the level seen in other developed countries. For this year, the consensus has gradually revised estimates upwards and now growth of just under 1.5% is expected, while for 2018 a return to more moderate growth rates close to 1% is expected. The positive economic phase was accompanied by an improvement in job market conditions, with a drop in the number of unemployed people and an increase in employees and the workforce. The net result was an unemployment rate down to 11.2% in the June-August period, compared to 11.7% on average last year.

On the financial markets front, the positive phase in all risky asset classes continued in the third quarter. The major equity indexes recorded performance since the start of the year between 8% (Nikkei) and 17% (FTSE MIB). Ten-year bond yields continued to fluctuate within a well-defined range; the ten-year BTP yield closed the quarter at around 2.10%, not far from the levels seen in late June. Also in terms of the spread with the ten-year Bund, the values at the end of September (roughly 165 basis points) are just a few basis points below those recorded at the end of June. Corporate and high yield bonds continued to rise, with sector indexes showing performance since the start of the year close to 2% and 6%, respectively.

The largest central banks, encouraged by positive macroeconomic signals, have started to modify several aspects of the expansionary monetary policies deployed in the wake of the great financial crisis. In the US, the Federal Reserve announced that as of October 2017 it will begin to not fully reinvest the proceeds deriving from coupons and maturing securities held in the portfolio. This procedure will result in a gradual decline in the Central Bank's accounts in the years to come. The members of the Fed continue to expect another rate hike by the end of the year and three rises in 2018. In the meantime, the European Central Bank should soon announce details about the future of the Asset Purchase Program (APP) which currently calls for the acquisition of EUR 60 bn in securities per month until the end of the year.

Significant events in the first nine months of 2017

On **20 January 2017**, the Parent Company announced that it had received a decree from the Ministry of Economy and Finance granting the government guarantee to back its access to liquidity pursuant to Law Decree no. 237/2016 and that it had promptly initiated activities in preparation for the issue of government backed securities.

On **25 January 2017**, the Parent Company completed two issues of government backed securities pursuant to Law Decree no. 237/2016, for a total of EUR 7 bn: the first issue matures on 20/1/2018, with a 0.5% coupon and a nominal amount of EUR 3 bn, whereas the second matures on 25/1/2020, with a 0.75% coupon and a nominal amount of EUR 4 bn. The securities, backed by the government guarantee pursuant to Law Decree no. 237/2016, were subscribed in full by the issuer and in part sold on the market and in part used as collateral in funding transactions or collateral swaps. On 31 January 2017 the rating agency DBRS rated the two government backed securities issued on 25 January 2017 pursuant to Law Decree no. 237/2016. With regard to the "Banca Monte dei Paschi di Siena S.p.A. 360 giorni 0,50% 20.01.2018 con garanzia dello Stato - ISIN IT0005240491" issue, DBRS assigned a short-term rating of R-1 (low). With regard to the "Banca Monte dei Paschi di Siena S.p.A. 0,75% 25.01.2020 con garanzia dello Stato - ISIN IT0005240509" issue, DBRS assigned a long-term rating of BBB (high). The trend for both issues was assessed as "Stable". Considering the unconditional and irrevocable guarantee of the Italian government, the ratings and trend are aligned with those of the Italian Republic.

On **3 February 2017**, the Parent Company announced that it reached a binding agreement with Istituto Centrale delle Banche Popolari Italiane S.p.A ("ICBPI"), a national and international leader in the management of payment services, for the sale of assets relating to the "Merchant Acquiring" business on the basis of an enterprise value of EUR 520 million. As part of this transaction, BMPS and ICBPI, through its subsidiary CartaSì S.p.A., will enter into a ten-year partnership for the development and placement, through the MPS Group's distribution network, of payment products and services for current and future customers of the MPS Group. The closing of the transaction is subject to the satisfaction of certain standard conditions precedent for transactions of this type, including the obligatory completion of the trade union procedure established by law and the contract and obtaining authorisation from the Bank of Italy and the antitrust authorities.

On **6 February 2017** Fitch Ratings rated the two government backed securities issued by the Bank on 25 January 2017 pursuant to Law Decree no. 237/2016. In particular, with regard to the "Banca Monte dei Paschi di Siena S.p.A. 360 giorni 0,50% 20.01.2018 con garanzia dello Stato - ISIN IT0005240491" issue, Fitch assigned a short-term rating of F2. With regard to the "Banca Monte dei Paschi di Siena S.p.A. 0,75% 25.01.2020 con garanzia dello Stato - ISIN IT0005240509" issue, Fitch assigned a long-term rating of BBB+. Considering the unconditional and irrevocable guarantee of the Italian government, the ratings are aligned with those of the Italian Republic. In February, the above-mentioned securities were used in full in sales transactions in the market and as collateral to back funding transactions.

On **17 February 2017**, Law Decree no. 237 of 23 December 2016 was converted into law, with the main changes regarding the rules on deferred tax assets (DTAs), the amendment of conditions concerning the recovery of the subordinated Upper Tier II 2008-2018 security and the value of shares necessary to calculate the price of the shares to be attributed to the holders of the instruments and loans.

On **28 February 2017**, with reference to the planned transaction for the acquisition of Banca Monte dei Paschi di Siena S.p.A.'s doubtful loans platform (the "Juliet Project"), pursuant to the binding offer submitted by *Cerved Group* S.p.A. on 13 November 2016 and already subject to the previous communication of 14 November 2016, *Cerved Information Solutions* S.p.A. (MTA: CERV) the holding company heading up the Cerved Group and a leader in Italy in credit risk analysis and credit management, and Banca Monte dei Paschi di Siena S.p.A. announce that (i.) the conditions precedent set forth in the agreement for the completion of the Juliet Project were not fulfilled by the established deadline of 28 February 2017 and, therefore, the agreement relating to that project should be considered void, and (ii.) *Cerved Information Solutions* S.p.A. expressed its willingness to extend the above-mentioned deadline to 30 June 2017. In this context, *Cerved Information Solutions* S.p.A. and Banca Monte dei Paschi di Siena S.p.A. note, in any case, that discussions are ongoing between the parties to explore alternative business partnership forms within the doubtful loan management sector.

On **9 March 2017** the Board approved a preliminary proposal for the Restructuring Plan, which was sent to the competent Authority to start the comparison to finalization of the plan itself and its approval by the Authority.

On **15 March 2017** the Parent Company issued a government backed security pursuant to Law Decree no. 237/2016, as amended by conversion law no. 15/2017, with the following characteristics: nominal amount of EUR 4 bn, maturity on 15/3/2020, 0.75% coupon (ISIN IT0005246423). The security, backed by the government guarantee pursuant to Law Decree no. 237/2016, as subsequently amended by conversion law no. 15/2017, was subscribed in full by the issuer and was subsequently in part sold on the market and in part used as collateral in funding transactions or collateral swaps. The issue joins the two already carried out on 25 January for a total amount of EUR 7 billion. On the same date of **15 March**, Fitch Ratings rated the government backed security issued by the Bank. In particular, with regard to the "Banca Monte dei Paschi di Siena S.p.A. 0,75% 15.03.2020 con garanzia dello Stato - ISIN IT0005246423" issue, Fitch assigned a long-term rating of BBB+. Subsequently, on **17 March 2017** DBRS assigned the same security a rating of BBB (high). Considering the unconditional and irrevocable guarantee of the Italian government, the rating is aligned with that of the Italian Republic.

On **12 April 2017**, the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. appointed Independent Director Massimo Egidi as the new member of the Risk Committee. The Risk Committee therefore consists of the following members: Roberto Isolani (Chairman), Stefania Bariatti, Daniele Bonvicini, Antonino Turicchi and Massimo Egidi.

On **24 April 2017**, Law Decree no. 50 was approved (published in Official Gazette no. 95 of 24 April 2017 - O.S. no. 20), which as of 2017 amended the regulation underlying the ACE (Support to Economic Growth) deduction.
Article 7 of the final version of Law Decree no. 50, after the amendments to the original text made during the process of conversion into Law (cf. Law no. 96 of 24/06/2017), establishes - effective as of the 2017 tax period - a reduction in the rate (notional return) to be applied to increases in own capital relevant for the purposes of the ACE benefit (substantially those realised from 2011 and thereafter).
Concretely, the ACE benefit rate for 2017 declines from 2.3% to 1.6% and, when fully implemented, for the subsequent years, from 2.7% to 1.5%; therefore, with respect to the regulations previously in force, the rate reduction will decrease the amount of deductions from taxable income for 2017 and subsequent years, downsizing the effect of the fiscal benefit in question.
Aside from this effect, for the MPS Group the regulatory amendment in question also had significant impacts on the probability test and therefore on the ability to recognise DTAs. Indeed, on a forward-looking basis, the lower ACE deductions will reduce the absorption of future taxable income which may be allocated to a greater extent to offsetting previous tax losses.

On **26 June 2017**, a binding agreement was entered into with the Atlante II Fund (managed by Quaestio Capital Management SGR S.p.A.) for the acquisition of 95% of the junior and mezzanine notes as part of the assignment of doubtful loans (for further details, please refer to the "The doubtful loan disposal transaction" section).

On **30 June 2017**, the sale to CartaSi S.p.A. ("CartaSi"), a subsidiary of Istituto Centrale delle Banche Popolari Italiane S.p.A ("ICBPI"), a national and international leader in the management of payment services, of the BMPS assets relating to the merchant acquiring business was completed for consideration of EUR 536 mln. This transaction, announced on 3 February, also envisages a ten-year commercial partnership between the Group and CartaSì for the development and placement, through the Group's distribution network, of payment products and services for current and future customers of the Group.

The sale to ICBPI of the stakes of 11.74% in Bassilichi S.p.A. and 10.13% in Consorzio Triveneto S.p.A. held by the Parent Company was completed on **3 July**.

On **4 July 2017**, the European Commission announced that it had approved the Group's 2017-2021 Restructuring Plan (the "Restructuring Plan") to allow for the precautionary recapitalisation pursuant to Law Decree no. 237/2016, as converted and subsequently amended (the "Precautionary Recapitalisation" and "Decree 237"), of the Bank in line with the regulations of the European Union ("EU").

On **12 July 2017** the Moody's rating agency increased the individual rating of the Parent Company (Baseline Credit Assessment – BCA) to "caa1" from "ca" and confirmed the long-term rating at "B3".

On **28 July 2017**, as part of the procedure for the capital strengthening of the Parent Company, the decrees of the Ministry of Economy and Finance were published in the Official Gazette of the Italian Republic pursuant to Law Decree no. 237/2016, as converted and subsequently amended ("Decree 237"), ordering the application of the Burden Sharing measure, pursuant to art. 22, paragraphs 2 and 4 of Decree 237 (the "Burden Sharing Decree") and the share capital increase of the Bank servicing the subscription of shares by the MEF (the "Precautionary Recapitalisation", the "Recapitalisation Decree" and the "BMPS Shares reserved to the MEF", respectively).
As part of the Burden Sharing, in compliance with what is set forth in art. 23, paragraph 3 of Decree 237, as well as art. 2 of the Burden Sharing Decree, on 1 August 2017 the financial instruments specified below were converted into ordinary shares of the Bank newly issued at the unit price of EUR 8.65 (the "Burden Sharing Shares"):

- IT0004352586
- XS0122238115
- XS0131739236
- XS0121342827
- XS0180906439
- XS0236480322
- XS0238916620
- XS0391999801
- XS0415922730
- XS0503326083
- XS0540544912

For further details, please refer to the press release published on the website www.mps.it on the same date.

On **2 August 2017**, the Parent Company announced that it had reached a binding agreement with Cerved Group S.p.A. ("Cerved") and Quaestio Holding SA ("Quaestio") concerning the sale of its doubtful loans platform. The transaction envisages the disposal to a company established ad hoc by Cerved and Quaestio of the platform for the collection of doubtful loans of BMPS and the subscription of a long-term servicing agreement for the outsourced management of future flows of doubtful loans of all of the Group's Italian banks. The servicing agreement does not include loans classified as doubtful as at 31 December 2016 and subject to the disposal plan for a total of EUR 28.6 bn. The platform disposal transaction represents one of the actions included within the Banca MPS Restructuring Plan and is intended to improve debt collection performance by virtue of an industrial partnership with an important operator specialised in the management of doubtful loans, which is capable of guaranteeing high quality standards aligned with best market practices. The consideration of the disposal is EUR 52.5 mln, in addition to a possible earn out of up to EUR 33.8 mln, based on the achievement of economic results in the timespan until 2025. The closing of the transaction, expected to take place by the end of the first quarter of 2018, is subject to the approval of the supervisory authority as well as the completion of the precautionary recapitalisation procedure set forth in the Restructuring Plan and the securitisation of the doubtful loans of BMPS, with the subscription of mezzanine notes by funds managed by Quaestio.

On **3 August 2017**, an agreement was signed between the Group and the trade unions with regard to the "Solidarity Fund for professional retraining and requalification, for the support of employment and the income of credit personnel", which the exit as at 1 November 2017 of a further 1,200 resources in 2017 in addition to the 600 exits already completed as at 1 May 2017, in line with the targets of the Restructuring Plan, which requires, inter alia, a headcount reduction across all of the Group's organisational structures by around 5,500 resources, to be carried out primarily through exit support measures (roughly 4,800 through the activation of the "Solidarity Fund").

On **10 August 2017**, pursuant to art. 85-bis of the Issuers' Regulations, the new breakdown of the Parent Company's share capital was announced, as a result of the share capital increase which took place due to the issue on 27 July 2017 of the decrees of the Ministry of Economy and Finance (hereinafter, "MEF") relating to "Capital strengthening initiatives of Banca Monte dei Paschi di Siena, pursuant to art. 18, paragraph 2 of Law-Decree no. 237 of 23 December 2016 converted, with amendments, by Law no. 15 of 17 February 2017" and "Capital strengthening initiatives of Banca Monte dei Paschi di Siena, pursuant to art. 18, paragraph 3 of Law-Decree no. 237 of 23 December 2016 converted, with amendments, by Law no. 15 of 17 February 2017", published in Official Gazette no. 175 on 28 July 2017. The share capital increase was completed on **11 August** when it was recorded in the Companies' Register.

On **11 August 2017**, the Fitch rating agency raised the long-term rating of the Parent Company to "B" from "B-" and the individual rating to "b" from "c", changing the outlook from "Rating Watch Evolving" to "Stable".

On **23 August 2017**, the rating agency DBRS raised the long-term rating of the Parent Company to "B (high)" from "B (low)" and the short-term rating to "R-4" from "R-5", changing the outlook from 'Under Review Developing' to 'Stable'.

Significant events after the 3rd quarter of 2017

On **11 October 2017**, the Parent Company and Compass, the consumer credit company of the Mediobanca Group, renewed the long-term partnership for the distribution of Compass loans in the over 1,800 branches of Siena-based banking group. After the success of the first three years of this collaboration, the new agreement between the Companies strengthens the commercial offering. Starting from the new year, aside from loans, the salary/pension-backed loan product will be available throughout the country with the collaboration of Futuro S.p.A., the Compass subsidiary specialised in this type of lending.

On **24 October 2017**, Consob approved the document relating to the Partial Voluntary Public Offering for Exchange and Settlement (the "Offer Document") for the holders of ordinary shares of the Bank (ISIN IT0005276776) resulting from the conversion - following the application of the new burden sharing measures pursuant to article 22, paragraph 2 of Law Decree no. 237 of 23 December 2016 (as converted with amendments by Law no. 15 of 17 February 2017 as amended) - of the subordinated bond loan named "€2.160.558.000 Tasso variabile Subordinato Upper Tier II 2008 - 2018" (ISIN IT0004352586) (the "Offering").

On **24 October 2017**, Consob also issued its judgement of equivalences, pursuant to article 34-ter, paragraph 1, letter j) of the regulation it adopted with resolution no. 11971 of 14 May 1999, as amended (the "Issuers' Regulations"), in relation to the information requirements concerning the senior debt securities offered in exchange by BMPS as part of the Offering.

Also on the same date, Consob approved the Registration Document relating to the Issuer (the "Registration Document") and the Information Note (the "Information Note") and Summary Note (the "Summary Note") relating to the admission to listing on the Mercato Telematico Azionario market organised and managed by Borsa Italiana S.p.A. (the "MTA") of ordinary shares of the Bank (the "New Shares"). In particular, the New Shares were issued (a) on 1 August 2017 following the adoption of burden sharing measures pursuant to article 22, paragraph 1 of Law-Decree 237/2016, converted with amendments by Law no. 15 of 17 February 2017 as amended by Law no. 121 of 31 July 2017 ("Decree 237") and the relative Ministerial Decree published in the Official Gazette on 28 July 2017 (the "Burden Sharing Shares") and (b) on 3 August 2017, following the share capital increase subscribed by the Ministry of Economy and Finance (the "Share Capital Increase reserved to the MEF" and the "MEF", respectively) pursuant to art. 18 of Decree 237 and the relative Ministerial Decree published in the Official Gazette on 28 July 2017. The Registration Document, the Information Note and the Summary Note constitute the prospectus - prepared in a three-part format - for the listing of the New Shares on the MTA (the "Prospectus").

On **24 October**, Consob, with resolution no. 20167, also ordered the Revocation of Resolution 19840 of 23 December 2016 relating to the temporary suspension of trading in regulated markets, multilateral trading facilities and the Italian systematic internalisers relating to the securities issued or guaranteed by the Parent Company and the financial instruments with securities issued by the Parent Company as the underlying assets.

On **25 October 2017**, the MPS security was readmitted to trading on the MTA.

On **30 October 2017**, the Parent Company announced that the decree of the Ministry of Economy and Finance had been issued relating to the acquisition by that Ministry of the shares subject to partial voluntary public offering for exchange and settlement of BMPS intended for the holders of ordinary shares of the Bank (ISIN IT0005276776) resulting from the conversion - following the application of the burden sharing measures pursuant to article 22, paragraph 2 of Law Decree no. 237 of 23 December 2016 (as converted with amendments by Law no. 15 of 17 February 2017 as amended) - of the subordinated bond loan named "€2.160.558.000 Tasso variabile Subordinato Upper Tier II 2008 - 2018".

Therefore, the period for acceptance of the Offering will begin at 8:30 a.m. on 31 October 2017 and will end at 4:30 p.m. on 20 November 2017 (inclusive), without prejudice to any extensions. The Offering will be settled by 24 November 2017 (the "Exchange Date").

For more information on the terms and conditions of the Offering, please refer to the offer document available to the public - starting today - at the registered office of the Offering Party, in Siena, piazza Salimbeni 3, Italy, as well as on the website www.gruppomps.it.

Strategy

The Restructuring Plan approved by the European Commission on 4 July aims for the Bank's return to an adequate level of profitability, with a target ROE of >10% at 2021, and is based on the following 4 pillars:

1. full leveraging of Retail and Small Business customers thanks to a simplified and highly digitalised business model;
2. renewed operating model, with a continuous focus on efficiency, which will result in a cost/income ratio of below 51% in 2021 and the reallocation to commercial activities of resources employed in the administrative area;
3. radically improved credit risk management, with a new Chief Lending Officer ("CLO") organisational structure that will make it possible to strengthen the Bank's early detection processes and improve the recovery rate, and which will bring the cost of risk to below 60 bps and the gross NPE ratio to below 13% in 2021;

4. strengthened capital and liquidity position, with targets at 2021 that include a CET1 of >14%, a Loan to Deposit Ratio of <90% and a Liquidity Coverage Ratio (LCR) of >150%, with at the same time a significant decrease in the cost of funding.

The Restructuring Plan includes the transfer of almost the entire doubtful loan portfolio as at 31 December 2016 for a gross amount of EUR 28.6 bn.

In particular, the Restructuring Plan is consistent with and reflects the commitments undertaken with respect to the DG Comp (the "Commitments") and is aligned with the parameters of the SREP letter received in June 2017. In this document, received on 19 June 2017, the ECB ordered the Bank to maintain a Total SREP Capital Requirement ratio of 11% at consolidated level as of 2018, which includes a minimum Pillar 1 requirement of 8% and an additional Pillar 2 requirement of 3% (P2R), entirely in terms of Common Equity Tier 1 capital.

As a result, the Group must meet the following requirements at consolidated level as of 1 January 2018:

- CET1 Ratio of 9.44% on a transitional basis,
- Total Capital Ratio of 12.94% on a transitional basis,

including, aside from the P2R, 1.875% for the Capital Conservation Buffer and 0.0625% for the O-SII Buffer (Other Systemically Important Institutions Buffer). The Capital Conservation Buffer and the O-SII Buffer will be fully implemented in 2019 with 2.5% and in 2021 with 0.25% (the latter on a transitional basis will have a coefficient of 0.125% in 2019 and of 0.1875% in 2020). The Restructuring Plan incorporates in full the results of the inspection on loans carried out by the ECB and completed in May 2017. The inspection, conducted on the loan portfolio with reference to 31 December 2015, brought to light the need to recognise additional provisions with respect to the levels of coverage as at the reference date. These additional adjustments substantially overlap with those already recognised from 31 December 2015 to date, the effects of the disposal of the doubtful loans portfolio and further reductions in non-performing loans laid out in the Restructuring Plan.

The Restructuring Plan includes the preliminary estimate of the effects of the entry into force of IFRS 9 for around EUR 1.2 bn upon First Time Adoption ("FTA"), determined on the basis of the status of implementation of the project activated by the Bank to adopt this new accounting standard.

The re-launch of the commercial business will be concentrated on Retail and Small Business customers, making recourse to a more simplified service model characterised by a high level of digitalisation with the launch of dedicated services (e.g., purchasing a home, coverage from risks, business requirements) and leveraging the distinctive elements of Widiba to attract new customers and optimise the management of existing customers. There will be a new Small Business customer service model based on a simplification of the offer and continuous attention focused on the granting of loans and the associated risks. Greater attention will be reserved to the Affluent and Private Banking segments, by leveraging the offer of insurance and wealth management products, as well as advisory services, with the aim of obtaining significant growth in assets under management (through the bancassurance agreement with AXA in the Life and Non-Life segments and the continuation of the collaboration with Anima in the investment funds segment).

The contribution of Widiba will be further leveraged as a vehicle for digitalisation and innovation, through the extension to the Group of technological and automation solutions for certain processes, enabling the Group to benefit from an overall reduction in the cost-to-serve.

Corporate segment activities will be streamlined, as a result of the revision of the business model and the optimisation of capital absorption.

The new operating model will focus on greater efficiency, continuing on the path outlined since 2012, through:

- the launch of a Group digital programme which, thanks to technological infrastructural investments and the leveraging of the capacities developed by Widiba, will make it possible to reduce the absorption of resources (on "manual" processes, from 34% in 2016 to less than 20% in 2021);
- the complete overhaul of the distribution network, with a downsizing of branches (from 2,000 in 2016 to around 1,400 in 2021) and the relative commercial governance structures (Regional Areas and Local Market Units) and with growth in the percentage of resources dedicated to commercial activities from around 62% in 2016 to around 70% in 2021;
- a revision of the size of all of the Group's organisational structures which, without impairing service quality, will result in a reduction of roughly 5,500 resources by the end of 2021 (of which 4,800 exits through the activation of the Solidarity Fund, 450 exits linked to the termination/closure of business activities, 750 exits deriving from natural turnover and roughly 500 new hires); the exit plan will result in extraordinary costs of around EUR 1.15 bn overall in the course of the plan;
- the further optimisation of other administrative expenses, which will drop by 26% (from around EUR 0.8 bn in 2016 to less than EUR 0.6 bn in 2021) and will rank the Bank as one of the best sector operators in terms of cost management and optimisation.

In line with what was already implemented in recent years to improve credit quality and the credit risk management process, the Restructuring Plan envisages:

- the full reorganisation of the CLO, with the centralisation of lending decision-making mechanisms and the creation of direct links with the Regional Area governance structures, a strong push towards the automation of the lending process for smaller amounts for Retail and Small Business which in 2021 will result in an increase in the automated disbursement process to 70% for Retail and to 50% for the Small Business segment;
- the strengthening of systems for early detection and the monitoring of at-risk positions, which will allow for a reduction of the default rate and growth in the recovery rate of past due exposures;
- the creation of a business unit within the CLO dedicated to the management of the non-performing loan portfolio, which will handle early remedial actions/restructuring, the control of the activities and performance of the debt collection platform, as well as recovery activities relating to new streams of doubtful loans not conveyed to the platform;
- a specific programme for the transfer/reduction of the portfolio of unlikely to pay and doubtful loans, the economic effects of which are included in the Restructuring Plan, so as to allow for the achievement of the targets linked to the percentage of gross non-performing loans out of total loans (NPE ratio).

The Restructuring Plan envisages an overall capital strengthening exceeding EUR 8 bn, which was completed last August.

The share capital increase and the deconsolidation of the doubtful loans portfolio will have positive impacts on the main regulatory liquidity ratios, with the Liquidity Coverage Ratio and the Net Stable Funding Ratio considerably above the target level of 100% over the entire term of the plan.

On the commercial level, the Loan to Deposit ratio is expected to improve by roughly 16 percentage points (from 103% in 2016 to 87% in 2021), as a result of the growth in the level of funding coming from the network and the expected reduction in gross trade receivables. As a result of the share capital increase and the transfer of doubtful loans, a reduction in the cost of funding is also expected in the course of the plan, with a realignment to average market parameters.

The Group is expected to reach a CET1 ratio of >14% and an ROE of >10% in 2021.

The Restructuring Plan is consistent with the Commitments undertaken with respect to the DG Comp, laid out pursuant to European regulations, which regard various plan aspects, including:

- cost reduction measures: annual restrictions in terms of the number of branches, employees, cost/income ratio and total operating expenses, reduction of additional costs up to a

maximum of EUR 100 mln in the case of a deviation from the net operating margin targets (gross of provisions on loans);
- sale of non-strategic assets: sale of foreign banks, disposal of a list of equity investments in the course of the plan, without prejudice to the capital position of the Bank, and part of the real estate assets;
- risk containment: commitment to deconsolidate a portfolio of doubtful loans of EUR 26.1 bn, strengthening of risk control oversight, restrictions on proprietary finance activities in terms of VaR and the nature of instruments traded;
- prohibition against making acquisitions;
- the establishment of a remuneration ceiling corresponding to 10 times the average salary of Parent Company employees.

With reference to the Restructuring Plan approved by the European Commission in July 2017, the Bank has initiated the process of implementing the various operational policies. In particular, it continues to optimise the distribution network, with regard to which the closure of an additional 115 branches is planned for the fourth quarter, as well as to increase the efficiency of the organisational structure which see as 1 November the departure of 1,200 resources by making use of the "Solidarity Fund". With reference to the initiatives for the improvement of credit quality, the project for the disposal of the portfolio of doubtful loans to Atlante II continues according to schedule. Please take note of the following in terms of credit risk management: the implementation in 3Q17 of the project initiative focusing on the implementation of the new credit management model dedicated to the High Risk portfolio (at greater risk of transitioning to default); the creation of a specialised unit in terms of structures and resources at Regional Area level dedicated to overseeing the Portfolio at higher risk of "slipping" towards distressed credit and doubtful status; the separation of the lending and business chain.

The Restructuring Plan is subject to formal monitoring by the European Commission, through a Monitoring Trustee (the Bank confirmed Degroof Petercam Finance, with the favourable opinion of DG Comp). Please note that initial monitoring will be conducted with reference to the data as at 30 September 2017 in the final quarter of the year under way and that, with regard to the verification of compliance with commitments, this assumes formal relevance only at specific dates agreed upon with the European Commission.

The doubtful loan disposal transaction

The doubtful loan disposal transaction envisages the transfer of a portfolio of doubtful loans with a gross book value (GBV) as at 31 December 2016 of roughly EUR 26 bn through a securitisation transaction and through the intervention of the Atlante II Fund (managed by Quaestio Capital Management SGR S.p.A.), with which, on 26 June 2017, a binding agreement was signed for the acquisition of 95% of the junior and mezzanine notes.

The scope of the securitisation includes MPS Group loans that were classified as doubtful as at 31 December 2016 (EUR 28.6 bn excluding positions which due to certain characteristics could not be transferred, for roughly EUR 0.8 bn), net of a portfolio of EUR 2.5 bn consisting of unsecured loans with a gross unit value of less than EUR 150,000 and lease receivables.

The expected transfer price is around EUR 5.5 bn, equal to 21.0% of the GBV at the cut-off date of 31 December 2016, against a net book value as at 31 December 2016 of around EUR 9.4 bn; the difference between the transfer price and the net book value, equal to approx. EUR 3.9 bn, was accounted for in the first half of 2017 and the securitised portfolio is expected to be deconsolidated by the end of June 2018.

The portfolio will be transferred to a vehicle company established for this purpose and will be funded through the issue of the following securities:

(i) Senior A1 for EUR 3,256 mln (12.5% of the GBV);
(ii) Senior A2 for EUR 500 mln (1.9% of the GBV);
(iii) Mezzanine for EUR 1,029 mln (4.0% of the GBV);

(iv) Junior for EUR 686 mln (2.6% of the GBV).

During the period between the transfer of the securitised portfolio and its deconsolidation, the Senior A1, Senior A2 and Junior notes will be held by BMPS.

For the Senior A1 notes, there will be a request for the "GACS" guarantee scheme, to be obtained by the end of June 2018, after the assignment of an investment grade rating by at least two rating agencies; after which time, they may be placed in the market with institutional investors.

The Securitisation envisages the following phases:

(i) by the end of December 2017, the transfer of the portfolio to the vehicle company, the issue by it of all securities that will be initially subscribed by the originator and the transfer to Atlante II of 95% of the mezzanine notes;
(ii) by the end of June 2018, with the assignment of the investment grade rating to the Senior A1 notes and after obtaining the GACS, the placement on the market of such notes along with the Senior A2 notes and the transfer to Atlante II of 95% of the Junior notes, with the simultaneous deconsolidation of the portfolio.

An earn out is established in favour of the Group equal to 50% of the excess profit if the profit realised on the Junior notes exceeds 12% per annum.

For the entire duration of the securitisation, the Group will in any event maintain a net economic interest of 5% of the nominal amount of each class of notes so as to remain in compliance with the retention rule, in keeping with prudential regulations in force.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated balance sheet

	Assets	30 09 2017	31 12 2016
10	Cash and cash equivalents	821.9	1,084.5
20	Financial assets held for trading	10,101.7	9,266.2
40	Financial assets available for sale	15,301.3	16,663.1
60	Loans to banks	12,897.0	8,936.2
70	Loans to customers	91,041.1	106,692.7
80	Hedging derivatives	160.4	327.3
90	Change in value of macro-hedged financial assets (+/-)	24.0	113.3
100	Equity investments	1,001.2	1,031.7
120	Property, plant and equipment	2,537.6	2,597.4
130	Intangible assets	296.1	345.5
	of which: goodwill	*7.9*	*7.9*
140	Tax assets	3,971.5	4,147.5
	a) current	*1,067.5*	*850.7*
	b) deferred	*2,904.0*	*3,296.8*
	under Law 214/2011	*1,376.3*	*2,367.2*
150	Non-current assets and groups of assets held for sale and discontinued operations	4,892.3	60.7
160	Other assets	2,053.0	1,912.4
	Total Assets	**145,099.1**	**153,178.5**

follow: Consolidated balance sheet

	Liabilities and Shareholders' Equity	30 09 2017	31 12 2016
10	Deposits from banks	21,566.1	31,469.1
20	Deposits from customers	81,974.4	80,702.8
30	Debt securities issued	19,954.5	22,347.5
40	Financial liabilities held for trading	4,201.1	4,971.8
50	Financial liabilities designated at fair value	1,039.5	1,523.2
60	Hedging derivatives	610.1	1,018.3
70	Change in value of macro-hedging financial liabilities (+/-)	(0.2)	-
80	Tax liabilities	80.8	75.3
	a) current	*9.9*	*5.3*
	b) deferred	*70.9*	*70.0*
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	10.4
100	Other liabilities	3,485.7	3,238.7
110	Provision for employee severance pay	234.7	252.9
120	Provisions for risks and charges:	1,005.7	1,108.1
	a) post-employment benefits	*45.9*	*53.6*
	b) other provisions	*959.8*	*1,054.5*
140	Valuation reserves	60.5	47.3
170	Reserves	(1,494.4)	2,253.6
190	Share capital	15,692.8	7,365.7
200	Treasury shares (-)	(313.7)	-
210	Non-controlling interests (+/-)	2.2	34.9
220	Profit (loss) (+/-)	(3,000.7)	(3,241.1)
	Total Liabilities and Shareholders' Equity	**145,099.1**	**153,178.5**

Consolidated Income statement

Items		30 09 2017	30 09 2016
10	Interest income and similar revenues	2,076.7	2,547.1
20	Interest expense and similar charges	(712.8)	(1,043.1)
30	**Net interest income**	**1,363.9**	**1,504.0**
40	Fee and commission income	1,465.4	1,623.4
50	Fee and commission expense	(252.2)	(221.0)
60	**Net fee and commission income**	**1,213.2**	**1,402.4**
70	Dividends and similar income	12.8	13.2
80	Net profit (loss) from trading	17.2	151.6
90	Net profit (loss) from hedging	(4.5)	(1.7)
100	Gains/(losses) on disposal/repurchase of:	551.8	157.3
	a) loans	*(0.4)*	*(2.9)*
	b) financial assets available for sale	*51.4*	*112.4*
	d) financial liabilities	*500.8*	*47.8*
110	Net profit (loss) from financial assets and liabilities designated at fair value	(1.4)	107.2
120	**Net interest and other banking income**	**3,153.0**	**3,334.0**
130	Net impairment (losses)/reversals on	(4,902.4)	(2,018.8)
	a) loans	*(4,772.0)*	*(2,021.6)*
	b) financial assets available for sale	*(63.2)*	*(18.4)*
	d) other financial transactions	*(67.2)*	*21.2*
140	**Net income from banking activities**	**(1,749.4)**	**1,315.2**
180	Administrative expenses:	(2,400.9)	(2,279.0)
	a) personnel expenses	*(1,468.0)*	*(1,239.4)*
	b) other administrative expenses	*(932.9)*	*(1,039.6)*
190	Net provisions for risks and charges	(66.8)	(3.6)
200	Net adjustments to/recoveries on property, plant and equipment	(95.6)	(81.2)
210	Net adjustments to/recoveries on intangible assets	(116.2)	(96.7)
220	Other operating expenses/income	258.3	292.7
230	**Operating expenses**	**(2,421.2)**	**(2,167.8)**
240	Gains (losses) on investments	36.8	66.2
270	Gains (losses) on disposal of investments	533.5	12.8
280	**Profit (loss) before tax from continuing operations**	**(3,600.3)**	**(773.6)**
290	Tax (expense)/recovery on income from continuing operations	599.6	(73.7)
300	**Profit (loss) after tax from continuing operations**	**(3,000.7)**	**(847.3)**
320	**Profit (loss)**	**(3,000.7)**	**(847.3)**
330	Profit (loss) attributable to non-controlling interests	-	1.4
340	**Parent company's net profit (loss)**	**(3,000.7)**	**(848.7)**

	30 09 2017	30 09 2016
Basic Earnings per Share (Basic EPS)	**(11.136)**	**(28.945)**
of continuing operations	(11.136)	(28.945)
Diluted Earnings per Share (Diluted EPS)	**(11.136)**	**(28.945)**
of continuing operations	(11.136)	(28.945)

Consolidated statement of comprehensive income

	Items	30 09 2017	30 09 2016
10	**Profit (loss)**	**(3,000.7)**	**(847.3)**
	Other comprehensive income after tax not recycled to profit and loss	**(121.7)**	**(5.3)**
40	Actuarial gains (losses) on defined benefit plans	3.8	(5.1)
50	Non current assets held for sale	0.1	-
60	Share of valuation reserves of equity-accounted investments	-	(0.2)
*	Financial liabilities measured at fair value with impact to profit and loss	(125.6)	-
	Other comprehensive income after tax recycled to profit and loss	**(25.1)**	**2.5**
80	Exchange differences	(5.3)	(1.9)
90	Cash flow hedges	26.1	35.6
100	Financial assets available for sale	23.9	(10.8)
110	Non current assets held for sale	(15.3)	(19.6)
120	Share of valuation reserves of equity-accounted investments	(54.5)	(0.8)
130	**Total other comprehensive income after tax**	**(146.8)**	**(2.8)**
140	**Total comprehensive income (Item 10+130)**	**(3,147.5)**	**(850.1)**
150	Consolidated comprehensive income attributable to non-controlling interests	-	1.4
160	**Consolidated comprehensive income attributable to Parent Company**	**(3,147.5)**	**(851.5)**

** item added to the table following the partial early application of IFRS 9 limited to the recognition of changes in own creditworthiness on fair value option liabilities.*

Consolidated Statement of changes in equity – 30 September 2017

	Balance as at 31 12 2016	Changes in opening balances	Balance as at 01 01 2017	Allocation of profit from prior year		Change during the period									Total Equity as at 30 09 2017	Group equity as at 30 09 2017	Non-controlling interest as at 30 09 2017
							Shareolder's equity transactions										
				Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Purchase of treasury share	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Change in equity investments	Total Comprehensive income for 30 09 2017			
Share capital	7,379.1	-	7,379.1	-	-	(12.4)	8,327.1	-	-	-	-	-	-	-	15,693.8	15,692.8	1.0
a) ordinary shares	7,379.1	-	7,379.1	-	-	(12.4)	8,327.1	-	-	-	-	-	-	-	15,693.8	15,692.8	1.0
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	0.2	-	0.2	-	-	(0.2)	-	-	-	-	-	-	-	-	-	-	-
Reserves:	2,263.9	(162.5)	2,101.4	(3,231.5)	-	(364.3)	-	-	-	-	-	-	-	-	(1,494.4)	(1,494.4)	-
a) from profits	984.8	(162.5)	822.3	(1,832.8)	-	(363.2)	-	-	-	-	-	-	-	-	(1,373.7)	(1,373.7)	-
b) other	1,279.1	-	1,279.1	(1,398.7)	-	(1.1)	-	-	-	-	-	-	-	-	(120.7)	(120.7)	-
Valuation reserves	48.5	162.5	211.0	-	-	(2.5)	-	-	-	-	-	-	-	(146.8)	61.7	60.5	1.2
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	(313.7)	-	-	-	-	-	-	-	(313.7)	(313.7)	-
Net profit (loss)	(3,231.4)	-	(3,231.4)	3,231.5	(0.1)	-	-	-	-	-	-	-	-	(3,000.7)	(3,000.7)	(3,000.7)	-
Total equity	6,460.3	-	6,460.3	-	(0.1)	(379.4)	8,013.4	-	-	-	-	-	-	(3,147.5)	10,946.7	10,944.5	2.2
Group equity	6,425.4	-	6,425.4	-	-	(346.8)	8,013.4	-	-	-	-	-	-	(3,147.5)	10,944.5	10,944.5	X
Non-controlling interests	34.9	-	34.9	-	(0.1)	(32.5)	-	-	-	-	-	-	-	-	2.2	X	2.2

As at 30 September 2017 the net equity, including non-controlling interests and the result for the period, amounts to EUR 10,946.7 mln, as compared to EUR 6,460.3 mln as at 31 December 2016, with a total increase of EUR 4,486.4 mln.

Please note that the column "Changes in opening balances" includes the impact deriving from the early application of IFRS 9, limited to the treatment of the creditworthiness of fair value option financial liabilities (for additional information, please refer to the "Accounting policies" section).

The most significant phenomena impacting the net equity, in addition to the EUR 3,000.7 mln loss for the period, were:

1. The part of the loss for the year 2016 attributable to the Parent Company, equal to EUR 3,231.4 mln, was covered by using EUR 1,398.7 mln from the reserve for the coverage of losses formed in 2016 through a share capital reduction in the corresponding amount, and by carrying forward the remaining EUR 1,832.8 mln;
2. The "Changes in reserve" column includes on line:
    a. "Share capital - a) ordinary shares": conventionally includes the decrease of EUR 12.4 mln in non-controlling interests due to the loss of control during the period over the company CO.E.M. Costruzioni Ecologiche Moderne S.p.a., which became an associated company;
    b. "Reserves - a) from profits" primarily: i) the decrease of EUR 360.2 mln as the difference between the fair value of the ordinary shares assigned to holders of AT1 and T2 financial instruments subject to conversion, in compliance with the provisions of art. 23, paragraph 3 of Decree 237, as well as art. 2 of the Burden Sharing Decree, and the value of conversion into share capital; ii) the increase of EUR 49.7 mln deriving from the closure of the fair value option liability creditworthiness reserves; iii) the decrease of EUR 35.6 mln due to taxation previously recognised on negative components of shareholders' equity (primarily the partial reabsorption of the creditworthiness reserve and share capital increase expenses incurred in previous years for the share deductible in 2017), which translated into a tax loss with unrecognisable DTAs; iv) conventionally the decrease in non-controlling interests, in the amount of EUR 20.1 mln, due to the loss of control during the period over CO.E.M. Costruzioni Ecologiche Moderne S.p.a., which became an associated company;
    c. "Reserves - b) other": the decline due to costs of the share capital increase, net of tax effects, of roughly EUR 1.4 mln.
3. In August, the Burden Sharing transaction and Precautionary Recapitalisation were completed, leading to an increase in the item "Share capital" by EUR 4,473 mln and EUR 3,854 mln, respectively, in addition to the recognition of EUR 314 mln in the item "Treasury shares", the latter relating to the conversion of the AT1 and T2 bonds present in the assets of the individual financial statements of the Parent Company and of the subsidiary MPS Capital Services.
4. "Valuation reserves" show overall a negative change amounting to EUR 146.8 mln, the details of which are available in the Consolidated statement of comprehensive income;
5. Non-controlling interests is down by EUR 32.7 mln, as a result of what was discussed at point 2.

Consolidated Statement of changes in equity – 30 September 2016

	Balance as at 31 12 2015	Changes in opening balances	Balance as at 01 01 2016	Allocation of profit from prior year		Change during the period									Total Equity as at 30 09 2016	Group equity as at 30 09 2016	Non-controlling interest as at 30 09 2016
							Shareolder's equity transactions										
				Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Purchase of treasury share	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Change in equity investments	Total Comprehensive income for 30 09 2016			
Share capital	9,015.2	-	9,015.2	-	-	-	-	-	-	-	-	-	-	-	9,015.2	9,001.8	13.4
a) ordinary shares	9,015.2	-	9,015.2	-	-	-	-	-	-	-	-	-	-	-	9,015.2	9,001.8	13.4
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	6.5	-	6.5	(6.3)	-	-	-	-	-	-	-	-	-	-	0.2	-	0.2
Reserves:	231.7	-	231.7	396.1	-	(0.3)	-	-	-	-	-	-	(0.1)	-	627.5	617.2	10.3
a) from profits	440.1	-	440.1	307.3	-	-	-	-	-	-	-	-	(0.1)	-	747.4	737.1	10.3
b) other	(208.4)	-	(208.4)	88.8	-	(0.3)	-	-	-	-	-	-	-	-	(119.9)	(119.9)	-
Valuation reserves	(20.6)	-	(20.6)	-	-	-	-	-	-	-	-	-	-	(2.8)	(23.4)	(24.7)	1.2
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	389.9	-	389.9	(389.8)	(0.1)	-	-	-	-	-	-	-	-	(847.3)	(847.3)	(848.7)	1.4
Total equity	9,622.7	-	9,622.7	-	(0.1)	(0.3)	-	-	-	-	-	-	(0.1)	(850.1)	8,772.1	8,745.6	26.5
Group equity	9,596.4	-	9,596.4	-	-	(0.3)	-	-	-	-	-	-	1.0	(851.5)	8,745.6	8,745.6	X
Non-controlling interests	26.3	-	26.3	-	(0.1)	-	-	-	-	-	-	-	(1.1)	1.4	26.5	X	26.5

As at 30 September 2016 the net equity, including non-controlling interests and the result for the period, amounts to EUR 8,772.1 mln, as compared to EUR 9,622.7 mln as at 31 December 2015, with a total decrease of EUR 850.6 mln.

The most significant phenomena impacting the net equity, in addition to the EUR 847.3 mln loss for the period, were:

1. the profit of 2015, amounting to EUR 389.9 mln, for the portion attributed to the Parent Company was used to cover negative reserves, in compliance with the resolution issued by the Shareholders' Meeting on 14 April 2016;
2. the column "Changes in equity investments" includes the decrease in non-controlling interests referring to the upward change of the investment held by the Parent Company in the subsidiary MPS Capital Services S.p.A., in execution of its share capital increase finalised in February 2016;
3. the column "Changes in reserves" corresponding to the row "Reserves - Other" includes primarily the decrease in a shareholding investment in a subsidiary;
4. "Valuation reserves" show overall a negative change amounting to EUR 2.8 mln, the details of which are available in the Consolidated statement of comprehensive income;
5. non-controlling interests is up by EUR 0.2 mln, largely as a result of the combination of what was discussed at point 2 and the comprehensive income for the period.

Consolidated cash flow statement - indirect method

A. OPERATING ACTIVITIES	30 09 2017	30 09 2016
1. Cash flow from operations	**1,415.3**	**906.5**
profit (loss) (+/-)	(3,000.7)	(847.3)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	107.3	(356.3)
net profit (loss) from hedging	4.5	1.7
net impairment losses/reversals	4,642.0	1,829.3
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	211.9	177.9
net provisions for risks and charges and other costs/revenues (+/-)	77.2	14.6
tax espense (recovery) on income from continuing operations	(599.7)	73.7
other adjustments	(27.2)	12.9
2. Cash flow from (used in) financial assets	**3,013.2**	**7,149.9**
financial assets held for trading	(1,004.1)	(515.8)
financial assets available for sale	1,139.4	420.5
loans to banks: on demand	(3,949.7)	545.1
loans to customers	6,291.2	4,911.1
other assets	536.4	1,789.0
3. Cash flow from (used in) financial liabilities	**(8,645.5)**	**(8,282.6)**
deposits from banks: on demand	(9,903.0)	7,789.3
deposits from customers	1,271.6	(8,741.1)
debt securities issued	1,863.5	(4,655.4)
financial liabilities held for trading	(748.4)	(2,095.0)
financial liabilities designated at fair value	(290.4)	(379.5)
other liabilities	(838.8)	(200.9)
Net cash flow from (used in) operating activities	**(4,217.0)**	**(226.2)**

follow: Consolidated cash flow statement - indirect method

B. INVESTMENT ACTIVITIES	30 09 2017	30 09 2016
1. Cash flow from	**564.2**	**70.8**
sales of equity investments	-	13.4
dividends collected on equity investments	20.1	56.4
ales/repayment of financial assets held to maturity	-	-
sales of property, plant and equipment	8.0	0.6
sales of intangible assets	-	0.4
sales of subsidiaries and undertakings	536.1	-
2. Cash flow used in	**(102.4)**	**(91.9)**
purchase of property, plant and equipment	(35.6)	(38.8)
purchase of intangible assets	(66.8)	(53.1)
Net cash flow from (used in) investment activities	**461.8**	**(21.1)**

C. FUNDING ACTIVITIES	-	-
distribution of dividend and other purposes*	(360.2)	(0.1)
issue of new shares	3,852.8	-
Net cash flow from (used in) funding activities	**3,492.6**	**(0.1)**

NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE YEAR	**(262.6)**	**(247.4)**

Reconciliation

Accounts	30 09 2017	30 09 2016
Cash and cash equivalent at beginning of period	1,084.5	1,188.8
Net increase (decrease) in cash and cash equivalents	(262.6)	(247.4)
Cash and cash equivalents at end of period	821.9	941.4

** the item "distribution of dividends and other purposes" under Funding activities is the difference between the fair value of the ordinary shares assigned to holders of the AT1 and T2 financial instruments subject to conversion, in compliance with the provisions of art. 23, paragraph 3 of Decree 237, as well as art. 2 of the Burden Sharing Decree, and the value of conversion into share capital.*

EXPLANATORY NOTES

Accounting Policies

General accounting standards

Following the amendment of the Consolidated Law on Finance (art. 154-ter, Legislative Decree no. 58/1998) and the Issuers' Regulations (art. 82-ter, Consob Resolution no. 11971/1999) in implementation of the adoption of the Transparency II Directive (Directive 2013/50/EU), the obligation to publish interim reports on operations (as at 31 March and as at 30 September) was eliminated for listed issuers, referring to the issuers themselves the decision of whether to communicate periodic financial information in addition to the annual and half-yearly financial statements to the public on a voluntary basis.

As its policy on additional periodic financial disclosures, the Montepaschi Group has decided to publish this information on a voluntary basis with reference to 31 March and 30 September of each year, the informational elements of which consist of Interim Reports on Operations approved by the Board of Directors of the Parent Company, in substantial compliance and continuity with what has been done in the past.

Statement of compliance with international accounting principles

These interim consolidated financial statements of the Monte dei Paschi Group as at 30 September 2017 were drafted on the basis of the IAS/IFRS currently in force[1], with no exceptions applied.

In order to prepare these interim consolidated financial statements, the provisions of IAS 34 "Interim financial reporting" were adopted, to comply with the updating obligations laid out in the Registration Document prepared for the Public Offering for Exchange and Settlement described in the "Prospects and outlook on operations" section. The preparation of this Consolidated Interim Report does not modify the definition of interim financial reporting period which continues to be six months.

The IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and the relative interpretations of the IFRS Interpretations Committee (IFRS IC) adopted in this interim report on operations as at 30 September 2017, with reference to the classification, recognition, valuation and derecognition of the various asset, liability and equity entries, as well as the methods for recognising revenue and costs, are substantially the same as those used for the preparation of the 2016 Financial Statements, to which the reader is referred for more detail, with the exception of the partial early adoption by the Group, as of 1 January 2017, of IFRS 9, limited to the part regarding the accounting treatment of the profit/loss connected to own creditworthiness of fair value option liabilities.

Indeed, the IFRS 9 standard allows for the early application before 1 January 2018 of only the provisions on the presentation of profits and losses on fair value option financial liabilities attributable to changes in own creditworthiness, without applying the other parts of the standard early.

These provisions establish that the amount of the change in the fair value that is attributable to changes in the credit risk of the liability shall be presented directly in other comprehensive income, unless this creates or increases an accounting mismatch in the profit (loss) for the year, in which case the entire change in fair value of the liability must be presented within profit and loss.

[1] These standards, transposed into our legal system by Legislative Decree 38/2005 which exercised the option laid out by EC Regulation 1606/2002 on international accounting standards, are applied based on the occurrence of the events they govern as of their obligatory date of application, if not specified otherwise.

In this regard, the standard establishes that an accounting mismatch is created or expanded when the presentation of the effects of changes in the credit risk of the liability in other comprehensive income results in a more significant mismatch in profit and loss than that which would arise by recognising the entire change in the fair value of the liability in profit and loss.

The standard also establishes that the amount that is recognised in other comprehensive income is not transferred subsequently to P&L when the liability is settled or extinguished. At the moment of settlement or extinguishment, the cumulative profit (loss) may be reclassified to other components of shareholders' equity.

On the basis of the facts and circumstances existing at the date of initial application, the effects of changes in the credit risk of the liabilities of the Group are not offset in profit and loss by a change in the fair value of another financial instrument measured at fair value through profit and loss for the year; as a result, the presentation of changes in own creditworthiness in the Group's statement of comprehensive income does not create an accounting mismatch.

The Group also relied on the right not to restate comparative data.

The impacts connected to changes in own creditworthiness which were attributed to profit and loss at 30 September 2016 and at 31 December 2016 were positive and totalled EUR 102.3 mln and EUR 91 mln, respectively.

The early adoption of IFRS 9 as at 1 January 2017 with reference to the presentation of changes in own creditworthiness of the fair value option liabilities entails:

- in terms of determining the retrospective impacts, the formation as at 1 January 2017 of a positive valuation reserve in the amount of EUR 162.5 mln as a balancing entry to retained earnings, net of the relative tax effect;
- the attribution as at 30 September 2017 of a gross negative effect of EUR 75.3 mln to shareholders' equity rather than to profit and loss.

With reference to the transition from IAS 39 to IFRS 9 (Financial Instruments), endorsed by the European Commission on 22 September 2016 with Regulation no. 2016/2067 and which must be applied as of 1 January 2018, in 2015 the Bank launched a dedicated project and provided detailed information in the 2016 financial statements, to which reference is made, concerning the expected new elements and the relative areas of greatest impact.

Please note that in 2016 the IASB published several amendments to some international accounting standards, which must be applied as of 2017. The amendments, which are still awaiting approval from the European Commission, are not relevant for the Group.

The preparation of these interim consolidated financial statements requires recourse to estimates and assumptions in the determination of certain cost and revenue elements and for the assessment of assets and liabilities. Please refer to the 2016 Financial Statements for a description. In addition, certain valuation processes, in particular those which are more complex such as the determination of any impairment of assets, are generally carried out in full when the yearly financial statements are prepared, except in cases in which there are relevant indicators of impairment which require immediate impairment testing.

The tables in the interim consolidated financial statements, presented in millions of euros, show, in addition to the amounts pertaining to the relevant period, also the corresponding comparison data as at 30 September 2016 for the Income Statement and 31 December 2016 for the Balance Sheet.

The layouts used and the rules for preparing the financial statements are consistent with the provisions of Circular no. 262 issued by the Bank of Italy by measure of 22 December 2005 as amended.

In addition, the Interim Report on Operations incorporates non-financial company information providing the details on the activities, capital, risks and relations that are significant to the Group's current and future performance. This document highlights the key developments with respect to the contents of the 2016 Financial Statements, to which the reader is referred for a more complete overview of the topics.

The "Reconciliation between the reclassified income statement and balance sheet and the related statutory accounts" statements are also annexed.

The interim report as at 30 September 2017 is accompanied by the Declaration of the Financial Reporting Officer pursuant to paragraph 2 of art. 154 bis of the Consolidated Law on Finance, and is subject to a limited audit.

Going concern

The interim consolidated financial statements were prepared based on a going concern assumption.

With regard to the indications contained in Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and IVASS, and subsequent amendments, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the interim consolidated financial statements based on the going concern assumption.

For this purpose, the following are particularly relevant:

- the approval of the Restructuring Plan by the European Commission on 4 July 2017;
- the finalisation on 11 August 2017 of the conversion of AT1 and T2 financial instruments into ordinary shares of the Parent Company in compliance with what is set forth in art. 23, paragraph 3 of Decree 237, as well as art. 2 of the Burden Sharing Decree, and of the share capital increase of the Parent Company servicing the subscription by the MEF, for EUR 4,473 million and EUR 3,854 million, respectively;
- the restoration of the capital ratios above the SREP thresholds currently in force: at the date of 30 September 2017, the CET1 ratio is 15.2% while the TC Ratio is 15.4%, also considerably higher than those established for 2018 with the SREP decision of 19 June 2017 (which establishes the thresholds of 9.4% for the CET 1 ratio and 12.9% for the TC ratio, excluding only the P2 Guidance component).

As regards the liquidity position, after the significant deterioration incurred in 2016, Banca MPS obtained the State guarantee on financial liabilities to be issued for a total of EUR 15 bn (for a maximum duration of three years). To date, the Parent Company has carried out three government backed securities issues for a total of EUR 11 bn, which were used in full in sales transactions in the market and as collateral to back funding transactions. As a result of these transactions, the recovery of commercial funding and the financial contribution connected to the share capital increase subscribed by the MEF, liquidity indicators returned to ordinary levels.

Therefore, in light of what is noted above, as it is deemed reasonable that the Bank will continue operating in the foreseeable future, the interim consolidated financial statements have been prepared on a going concern basis.

It should, however, be noted that due to the loss for the period, as well as the previous losses carried forward and the other adjustments made directly to shareholders' equity in application of accounting rules, the Parent Company falls within the conditions provided for by article 2446 of the Italian Civil Code, since BMPS's share capital, amounting to EUR 15,692,799,350.97, as at 30 September 2017, had decreased by more than one third.

Other matters

The Restructuring Plan approved by the European Commission on 4 July 2017 includes a doubtful loan disposal transaction which envisages the transfer of a portfolio of doubtful loans with a gross book value as at 31 December 2016 of roughly EUR 26.1 bn through a securitisation transaction. The transaction contemplates the intervention of the Atlante II Fund (managed by Quaestio Capital Management SGR S.p.A.), with which, on 26 June 2017, a binding agreement was signed for the acquisition of 95% of the junior and mezzanine notes.

The doubtful loans included in the transferred portfolio were therefore classified in Asset item 150 "Non-current assets held for sale and discontinued operations" as the transfer transaction satisfies the requirements laid out in IFRS 5 (non-current assets which are highly likely to be sold within the 12 subsequent months). Furthermore, the impairment losses on the scope of transferred positions were adjusted so that the net book value of such doubtful loans would reflect the conditions set forth in the term sheet signed with Quaestio. Indeed, the Plan commitments and the agreement with Quaestio feature an amendment of the management strategy for such assets, the recovery of which depends no longer on ordinary activities (enforcement of guarantees, participation in bankruptcy proceedings, etc.) but rather on disposal to third parties. The net book value of the doubtful loans was therefore reduced to reflect the cash flows expected from this transaction, as set forth in par. 63 of IAS 39. The resulting additional adjustments, equal to roughly EUR 4 bn, were included in the profit and loss statement under Item 130 a) "Net impairment losses/reversals on loans" in the first half of 2017.

The binding agreement also envisages that the Bank will need to bear some additional charges; among these, the profit and loss statement item 130 d) "Net impairment losses/reversals on other financial transactions" includes EUR 65 mln connected to the commitment undertaken to cover the vehicle hedging costs to be substained by the transferor.

This accounting representation also takes into account the assessment of the overall set of conditions set forth in the agreement with Quaestio.

On 1 August 2017, in compliance with what is set forth in art. 23, paragraph 3 of Decree 237, as well as art. 2 of the Burden Sharing Decree issued on 28 July 2017, the AT1 and T2 financial instruments specified in them were converted into ordinary shares of the Parent Company newly issued at the unit price of EUR 8.65. As a result, 517,099,404 shares were issued for a total value of EUR 4,473 mln, of which 36,280,748 recognised as treasury shares (for a value of EUR 314 mln), as they arose from the conversion of the securities held by Group Companies.

Pursuant to the joint provisions of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" and IAS 39, the difference between the carrying amount of the converted bonds and the fair value of the shares assigned to bondholders was recognised in profit and loss. In particular:

- the subordinated liabilities were derecognised for a carrying amount of EUR 4,353 mln, net of the amounts repurchased over time;
- the share capital increase was recognised for EUR 4,473 mln and treasury shares totalling EUR 314 mln were recognised as a deduction from shareholders' equity;
- the negative difference of EUR 360 mln between the fair value of the shares assigned to bondholders and the carrying amount recognised in the share capital net of treasury shares was debited to the item "Reserves";
- a total positive effect of EUR 554 mln was recognised in profit and loss (+ EUR 51 mln in interest expenses, +EUR 505 mln in gains from the repurchase of financial liabilities and EUR -2 mln from the profit (loss) from financial liabilities measured at fair value).

Please also note that on 7 June 2017 the Bank received the final results of the on-site inspection conducted by the supervisory authority from May 2016 to February 2017. The inspection concerned the classification of loans, the levels of coverage and the valuation of collateral for non-performing loans, as at the date of 31 December 2015. The Bank, also as a result of the discussions with the inspection team, made assessments and analyses in 2016 which led to changes in the methodologies and parameters used for the valuation of non-performing loans, in accordance with the rationale and

with the impacts described in Part A - Information about changes in accounting estimates in the 2016 financial statements.
Following the assessments conducted, in the 2016 financial statements the Group recognised higher impairment losses on some positions subject to analytical assessment by the ECB inspectors (credit file review) on the basis of the position deterioration events that took place in 2016 and in compliance with the Group's accounting policies.

The ECB recognised that the additional valuation differences, also caused by the use of statistical methods for the projection of the results obtained, overlap in large part with the impairment losses recognised by the Bank in the past year, as well as with the losses deriving from the disposal of the doubtful loan portfolio, with the estimated effects of the transition to IFRS 9 and with the operations for the reduction of non-performing loans set forth in the Restructuring Plan.

Although the supervisory authority, taking into account what was accounted for at the end of the first quarter of 2017, acknowledged this overlap, it expects the residual difference from the credit file review, equal to EUR 250 mln, net, that is, of the above-mentioned overlaps, to be reflected in the accounting by the end of 2017 and the residual difference deriving from the use of statistical projections, equal to EUR 185 mln, again net of the above-mentioned overlaps, to be adequately evaluated.

The Group classified and evaluated the loans in accordance with the reference accounting regulations and therefore the above-mentioned provisioning differences were and will be reflected in the accounting to the extent that they are confirmed by credit events that will entail the reduction of expected cash flows for the exposures and/or portfolios subject to the inspection.

Risks and uncertainties relating to the use of estimates and significant accounting choices

In accordance with the IFRSs, management is required to formulate assessments, estimates and forecasts which may have an influence on the application of the accounting principles as well as on the amounts of assets/liabilities and costs/revenues recognised in the financial statements. Estimates and related forecasts are based on past experience or other factors deemed reasonable in the specific circumstances and were made to estimate the carrying value of assets and liabilities that cannot be easily inferred from other sources. In particular, estimates were used in support of the carrying amounts for the most significant items posted in the Consolidated Interim Report as at 30 September 2017, in accordance with the aforementioned accounting principles and regulatory provisions. Production of these estimates involves the use of available information and adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

For details about risks and uncertainties related to the use of estimates, see the 2016 Financial Statements.

Scope and methods of consolidation

Investments in subsidiaries

	Name	Headquarters	Registered Office	Type of relationship (*)	Ownership Relationship Held by	ShareHolding %	Available votes % (**)
A	**Companies**						
A.0	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena	Siena				
	A.1 Companies consolidated on a line-by-line basis						
A.1	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	Florence	1.00	A.0	99.979	
A.2	MPS LEASING E FACTORING BANCA PER I SERVIZI	Siena	Siena	1.00	A.0	100.000	
A.3	MONTE PASCHI FIDUCIARIA S.p.a.	Siena	Siena	1.00	A.0	100.000	
A.4	WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1.00	A.0	100.000	
A.5	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Castelnuovo Berardenga (SI)	Castelnuovo Berardenga (SI)	1.00	A.0	100.000	
A.6	G.IMM ASTOR S.r.l.	Lecce	Lecce	1.00	A.0	52.000	
A.7	AIACE REOCO S.r.l.	Siena	Siena	1.00	A.0	100.000	
A.8	ENEA REOCO S.r.l.	Siena	Siena	1.00	A.0	100.000	
A.9	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	Siena	1.00	A.0	99.790	
					A.1	0.060	
					A.2	0.030	
					A.4	0.030	
						99,910	
A.10	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Siena	Siena	1.00	A.0	98.914	98.716
					A.1	0.120	0.142
					A.2	0.049	0.057
					A.3	0.012	0.014
					A.9	0.905	1.072
						100.000	
A.11	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Manuta	Manuta	1.00	A.0	100.000	
A.12	BANCA MONTE PASCHI BELGIO S.A.	Brussels	Brussels	1.00	A.0	99.900	
					A.1	0.100	
						100.000	
A.13	MPS PREFERRED CAPITAL I LLC	New York	Delaware	1.00	A.0	100.000	
A.14	MPS PREFERRED CAPITAL II LLC	New York	Delaware	1.00	A.0	100.000	
A.15	MPS CAPITAL TRUST I	New York	Delaware	4.00			
A.16	MPS CAPITAL TRUST II	New York	Delaware	4.00			
A.17	MONTE PASCHI BANQUE S.A.	Pasis	Pasis	1.00	A.0	100.000	
17.1	MONTE PASCHI CONSEIL FRANCE	Paris	Paris			100.000	
17.2	IMMOBILIERE VICTOR HUGO S.C.I.	Pasis	Pasis			100.000	
A.18	MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	Luxembourg	1.00	A.0	99.200	
						0.800	
						100.000	
A.19	ANTONVENETA CAPITAL L.L.C. I	New York	Delaware	1.00	A.0	100.00	
A.20	ANTONVENETA CAPITAL L.L.C. II	New York	Delaware	1.00	A.0	100.000	
A.21	ANTONVENETA CAPITAL TRUST I	New York	Delaware	1.00	A.0	100.000	
A.22	ANTONVENETA CAPITAL TRUST II	New York	Delaware	1.00	A.0	100.000	
A.23	MPS COVERED BOND S.r.l.	Conegliano	Conegliano	1.00	A.0	90.000	
A.24	MPS COVERED BOND 2 S.r.l.	Conegliano	Conegliano	1.00	A.0	90.000	
A.25	CIRENE FINANCE S.r.l.	Conegliano	Conegliano	1.00	A.0	60.000	
A.26	CONSUM.IT SECURITISATION S.r.l.	Conegliano	Conegliano	1.00	A.0	100.000	
A.27	SIENA MORTGAGES 07-5 S.p.a.	Conegliano	Conegliano	4.00	A.0	7.000	
A.28	SIENA MORTGAGES 09-6 S.r.l.	Conegliano	Conegliano	4.00	A.0	7.000	
A.29	SIENA MORTGAGES 10-7 S.r.l.	Conegliano	Conegliano	4.00	A.0	7.000	
A.30	SIENA CONSUMER S.r.l.	Conegliano	Conegliano	4.00	A.0	10.000	
A.31	SIENA CONSUMER 2015 S.r.l.	Conegliano	Conegliano	4.00	A.0	10.000	
A.32	SIENA PMI 2015 S.r.l.	Milan	Milan	4.00	A.0	10.000	
A.33	SIENA LEASE 2016 2 S.r.l.	Conegliano	Conegliano	4.00	A.0	10.000	
A.34	SIENA PMI 2016 S.r.l.	Conegliano	Conegliano	4.00	A.0	10.000	
A.35	CASAFORTE S.r.l.	Rome	Rome	4.00	A.0	-	

(*) Type of relationship:

1. = majority of voting rights at ordinary shareholders' meetings
2. = dominant influence at ordinary shareholders' meetings
3. = agreements with other shareholders
4. = other forms of control
5. = unified management under art. 26 paragraph 1 of Leg. Decree 87/92
6. = unified management under art. 26.2. of Leg. Decree 87/92

(**) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential

The interim report on operations includes the balance sheet and income statement data of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of their being going concerns or wound-up companies, or of whether the equity investment consists of a merchant banking transaction. The scope of consolidation includes all types of entities, regardless of nature, for which the concept of control introduced by IFRS 10 applies. Structured entities are also consolidated when the requirement of actual control recurs, even if there is no stake in the entity.
For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2016 Consolidated Financial Statements, Part A "Accounting Policies".

With respect to the situation as at 31 December 2016, please note that there was a change in the status of the investee Costruzioni Ecologiche Moderne S.p.A. as a result of the loss of control and the simultaneous assumption of the status of associated company.

Income statement and balance sheet reclassification principles

<u>Reclassified income statement</u>

a) The item "**Net interest income**" was cleared of the negative contribution (equal to EUR -10 mln) of the Purchase Price Allocation (PPA), which was included in its own specific item.

b) The item "**Dividends, similar income and gains (losses) on equity investments**" incorporates the item 70 "Dividends and similar income" and a portion of item 240 "Gains (losses) on investments" (value of EUR 60 mln, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity). Dividends earned on securities other than equity investments have also been eliminated from the aggregate (EUR 4 mln).

c) The item "**Net profit (loss) from trading and financial assets/liabilities**" includes item 80 "Net profit (loss) from trading", item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and item 110 "Net profit (loss) from financial assets and liabilities measured at fair value". The item incorporates dividends earned on securities other than equity investments (EUR 4 mln).

d) The item "**Other operating income (expenses)**" includes the balance of financial statements item 220 "Other operating expenses (income)" net of the recovery of stamp duty and customer expenses, which are stated under the reclassified item "Other administrative expenses" (EUR 258 mln).

e) The income statement item "**Personnel expenses**" was reduced by EUR 280 mln for restructuring charges, related to allocations for early retirement incentives/provisions, as per the trade union agreement of 3 August 2017. The amount was reclassified under "Restructuring costs/One-off charges".

f) The item "**Other administrative expenses**" includes the balance of item 180b of the financial statements "Other administrative expenses", reduced by the following cost items:

  - expenses, amounting to EUR 94 mln, resulting from EU DGSD and BRRD directives for the resolution of bank crises (posted under the reclassified item "Risks and charges associated with SRF, DGS and similar schemes");
  - DTA fee, convertible into tax credit, for an amount of EUR 53 mln (posted to the reclassified item "DTA fee");
  - restructuring charges (EUR 16 mln), allocated against the branch closures set forth in the restructuring plan.

  This item includes also the portion of stamp duty and client expenses recovery (EUR 258 mln) posted under item 220 "Other operating expenses/income".

g) The item "**Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets**" was cleared of the negative contribution (equal to EUR -20 mln) of the Purchase Price Allocation (PPA), which was included in its own specific item.

h) The item "**Net impairment losses (reversals) on financial assets and other transactions**" includes items 130b "Financial assets available for sale" and 130d "Other financial transactions".

i) "**Restructuring costs/One-off costs**" includes the restructuring costs allocated against early retirement incentives/provisions (EUR 280 mln) and the branch closures set forth in the restructuring plan (EUR 16 mln).

j) The item "**Risks and charges related with SRF, DGS and similar schemes**" includes the expenses deriving from the EU directives DGSD for deposit guarantee and BRRD for the resolution of bank crises, posted in the financial statements under item 180b "Other administrative expenses". As at 30 September 2017, there were charges recognised associated with the SRF (EUR

63 mln accounted for in the first quarter) and with DGS (EUR 31 mln accounted for in the third quarter).

k) The item "**DTA fee**" includes the expenses related to the fees paid on DTA that can be converted into tax credit as set forth in art. 11 of Law Decree no. 59 of 3 May 2017, converted into Law no. 119 of 30 June 2017, recognised in the Financial Statements item 180b "Other administrative expenses".

l) The item "**Gains (losses) on disposal of investments**" includes the balance of item 240 "Gains (losses) on investments" after deducting the portion of profit for the period contributed by investments in AXA, consolidated at equity and posted under the reclassified item "Dividends, similar income and gains (losses) on investments" (EUR 60 mln).

m) The item "**Tax expense (recovery) on income from continuing operations**" was cleared of the theoretical tax component relating to the Purchase Price Allocation (PPA), included in a specific item in the amount of around EUR 10 mln.

n) The overall negative effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular "**Net Interest income**" for EUR -10 mln and "**Net adjustments to (recoveries on) property, plant and equipment/Net adjustment to (recoveries on) intangible assets**" for EUR -20 mln, net of a theoretical tax burden of EUR +10 mln which integrates the item).

Reclassified balance sheet

o) The item "**Tradable financial assets**", under Assets, includes the financial statements item 20 "Financial assets held for trading" and item 40 "Financial assets available for sale".

p) The item "**Other assets**", under Assets, includes the financial statements item 80 "Hedging derivatives", item 90 "Change in value of macro-hedged financial assets", item 140 "Tax assets", item 150 "Non-current assets and groups of assets available for sale and discontinued operations" and item 160 "Other assets".

q) The item "**Deposits from customers and debt securities issued**" under Liabilities, includes the financial statements item 20 "Deposits from customers", item 30 "Debt securities issued" and item 50 "Financial liabilities designated at fair value".

r) The item "**Other liabilities**", under Liabilities, includes the financial statements item 60 "Hedging derivatives", item 70 "Change in value of macro-hedged financial liabilities", item 80 "Tax liabilities", item 90 "Liabilities associated with non-current assets available for sale and discontinued operations" and item 100 "Other liabilities".

Reclassified consolidated income statement

Reclassified Consolidated Income Statement				
	30/09/17	30/09/16	Change	
Montepaschi Group			Abs.	%
Net interest income	1,373.7	1,518.7	(145.0)	-9.5%
Net fee and commission income	1,213.2	1,402.4	(189.2)	-13.5%
Income from banking activities	**2,586.9**	**2,921.1**	**(334.2)**	**-11.4%**
Dividends, similar income and gains (losses) on equity investments	68.7	66.5	2.2	3.3%
Net profit (loss) from trading and financial assets/liabilities	571.4	419.7	151.7	36.1%
Net profit (loss) from hedging	(4.5)	(1.7)	(2.8)	n.s.
Other operating income (expenses)	0.7	11.9	(11.2)	-94.1%
Total Revenues	**3,223.2**	**3,417.5**	**(194.3)**	**-5.7%**
Administrative expenses:	(1,700.2)	(1,771.9)	71.7	-4.0%
a) personnel expenses	(1,188.3)	(1,239.4)	51.1	-4.1%
b) other administrative expenses	(511.9)	(532.5)	20.6	-3.9%
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(192.3)	(157.2)	(35.1)	22.3%
Operating expenses	**(1,892.5)**	**(1,929.1)**	**36.6**	**-1.9%**
Pre Provision Profit	**1,330.7**	**1,488.4**	**(157.7)**	**-10.6%**
Net impairment losses (reversals) on:	**(4,902.4)**	**(2,018.8)**	**(2,883.6)**	**n.s.**
a) loans	(4,772.0)	(2,021.6)	(2,750.4)	n.s.
b) financial assets	(130.4)	2.8	(133.2)	n.s.
Net operating income	**(3,571.7)**	**(530.4)**	**(3,041.3)**	**n.s.**
Net provisions for risks and charges	(66.8)	(3.6)	(63.2)	n.s.
Gains (losses) on investments	(22.9)	9.3	(32.2)	n.s.
Restructuring costs / One-off costs	(295.7)	-	(295.7)	
Risks and charges related to the SRF, DGS and similar schemes	(94.2)	(102.0)	7.8	-7.6%
DTA Fee	(53.2)	(124.3)	71.1	-57.2%
Gains (losses) on disposal of investments	533.5	12.8	520.7	n.s.
Profit (loss) before tax from continuing operations	**(3,571.0)**	**(738.2)**	**(2,832.8)**	**n.s.**
Tax expense (recovery) on income from continuing operations	589.9	(85.4)	675.3	n.s.
Profit (loss) after tax from continuing operations	**(2,981.1)**	**(823.6)**	**(2,157.5)**	**n.s.**
Net profit (loss) for the period including non-controlling interests	**(2,981.1)**	**(823.6)**	**(2,157.5)**	**n.s.**
Net profit (loss) attributable to non-controlling interests	-	1.4	(1.4)	-100.0%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(2,981.1)**	**(825.0)**	**(2,156.1)**	**n.s.**
PPA (Purchase Price Allocation)	(19.6)	(23.7)	4.1	-17.2%
Net profit (loss) for the period	**(3,000.7)**	**(848.7)**	**(2,152.0)**	**n.s.**

Quarterly trend in reclassified consolidated income statement							
	2017			2016			
Montepaschi Group	3°Q 2017	2°Q 2017	1°Q 2017	4°Q 2016	3°Q 2016	2°Q 2016	1°Q 2016
Net interest income	470.4	445.9	457.4	502.6	483.5	486.9	548.3
Net fee and commission income	355.7	431.2	426.3	437.0	461.7	483.8	456.9
Income from banking activities	**826.1**	**877.1**	**883.7**	**939.6**	**945.2**	**970.7**	**1,005.2**
Dividends, similar income and gains (losses) on equity investments	22.4	25.7	20.5	11.3	23.3	23.9	19.3
Net profit (loss) from trading and financial assets/liabilities	528.5	18.3	24.5	21.5	102.7	151.3	165.7
Net profit (loss) from hedging	(2.7)	(2.0)	0.2	(80.3)	(0.4)	(1.4)	0.1
Other operating income (expenses)	(3.9)	0.3	4.3	(27.6)	2.2	14.7	(5.0)
Total Revenues	**1,370.5**	**919.5**	**933.2**	**864.5**	**1,073.0**	**1,159.1**	**1,185.4**
Administrative expenses:	(561.1)	(568.2)	(570.9)	(630.6)	(595.1)	(582.1)	(594.7)
a) personnel expenses	(388.8)	(395.1)	(404.4)	(371.1)	(418.4)	(403.4)	(417.6)
b) other administrative expenses	(172.3)	(173.1)	(166.5)	(259.5)	(176.7)	(178.7)	(177.1)
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(64.7)	(70.9)	(56.6)	(61.6)	(55.2)	(51.7)	(50.3)
Operating expenses	**(625.8)**	**(639.1)**	**(627.5)**	**(692.2)**	**(650.3)**	**(633.8)**	**(645.0)**
Pre Provision Profit	**744.7**	**280.4**	**305.6**	**172.3**	**422.7**	**525.4**	**540.3**
Net impairment losses (reversals) on:	**(224.5)**	**(4,374.8)**	**(303.1)**	**(2,482.1)**	**(1,301.6)**	**(368.0)**	**(349.2)**
a) loans	(175.0)	(4,288.8)	(308.2)	(2,445.4)	(1,303.3)	(372.4)	(345.9)
b) financial assets	(49.5)	(86.0)	5.1	(36.7)	1.7	4.4	(3.3)
Net operating income	**520.2**	**(4,094.4)**	**2.5**	**(2,309.8)**	**(878.9)**	**157.4**	**191.1**
Net provisions for risks and charges	(7.8)	(13.4)	(45.6)	48.0	(27.5)	29.2	(5.3)
Gains (losses) on investments	(19.1)	0.2	(4.0)	2.5	1.6	0.2	7.5
Restructuring costs / One-off costs	(278.0)	(17.7)	-	(117.0)	-	-	-
Risks and charges related to the SRF, DGS and similar schemes	(31.2)	0.4	(63.4)	(139.1)	(31.2)	0.3	(71.1)
DTA Fee	(17.7)	(17.5)	(18.0)	53.9	(15.5)	(108.8)	-
Gains (losses) on disposal of investments	1.8	532.0	(0.3)	20.4	12.8	-	-
Profit (loss) before tax from continuing operations	**168.2**	**(3,610.6)**	**(128.6)**	**(2,441.1)**	**(938.7)**	**78.3**	**122.2**
Tax expense (recovery) on income from continuing operations	79.9	543.5	(33.5)	64.7	(203.9)	139.2	(20.7)
Profit (loss) after tax from continuing operations	**248.1**	**(3,067.1)**	**(162.1)**	**(2,376.4)**	**(1,142.6)**	**217.5**	**101.5**
Net profit (loss) for the period including non-controlling interests	**248.1**	**(3,067.1)**	**(162.1)**	**(2,376.4)**	**(1,142.6)**	**217.5**	**101.5**
Net profit (loss) attributable to non-controlling interests	0.1	(0.1)	-	(8.3)	0.6	0.3	0.5
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**248.0**	**(3,067.0)**	**(162.1)**	**(2,384.7)**	**(1,143.2)**	**217.2**	**101.0**
PPA (Purchase Price Allocation)	(6.1)	(6.4)	(7.1)	(7.7)	(7.5)	(8.3)	(7.9)
Net profit (loss) for the period	**241.9**	**(3,073.4)**	**(169.2)**	**(2,392.4)**	**(1,150.7)**	**208.9**	**93.1**

Trends in revenues

In the first nine months of 2017 the Group recorded total **Revenues** of **EUR 3,223 mln**, down by 5.7% compared to the same period of the previous year, due to the downturn in Net interest income and Net fee and commission income, only partially offset by the increase in the Net profit (loss) from trading and financial assets/liabilities (impacted by the positive effects of burden sharing). In 3Q17, Revenues, totalling EUR 1,370 mln, rose by EUR 451 mln compared to the previous quarter, primarily ascribable to the effects of the burden sharing transaction represented in the item Net profit (loss) from trading and financial assets/liabilities and Net interest income.

In the first nine months of 2017, **Net interest income** amounted to **EUR 1,374 mln**, down by 9.5% compared to the same period of 2016 due mainly to the negative trend of interest-bearing assets, in particular lending to businesses and the securities portfolio (reduction in average volumes and decline in the related returns). This trend is partially attenuated by the decrease in interest expenses following the reduction in the cost of commercial funding, the maturity of bonds issued with more costly conditions and the effects of burden sharing. The result for 3Q17 equal to EUR 470 mln was up over the previous quarter by EUR 24 mln (+5.5% Q/Q), which was positively impacted by the reversal of interest expenses accrued until the date of the conversion, which took place in August, of the subordinated loans subject to burden sharing (EUR +51 mln) and the decline in the cost of bonds, partially offset by the reduction of the contribution of commercial assets (in terms of volumes as well as returns).

Items	30 09 2017	30 09 2016	Chg. Y/Y		3°Q 2017	2°Q 2017	Chg. Q/Q	
			Abs.	%			Abs.	%
Relations with customers	1,629.3	2,015.7	(386.4)	-19.2%	489.4	551.4	(62.0)	-11.2%
of which interest income on non-performing assets	*356.8*	*496.1*	*(139.3)*	*-28.1%*	*104.8*	*124.8*	*(20.0)*	*-16.0%*
Securities issued	(322.6)	(607.8)	285.2	-46.9%	(44.1)	(126.2)	82.1	-65.1%
Net Differentials on hedging derivatives	(8.3)	(24.2)	15.9	-65.7%	(0.5)	(3.4)	2.9	-85.3%
Relations with banks	(28.7)	(39.1)	10.4	-26.6%	(9.1)	(9.8)	0.7	-7.1%
Trading portfolios	38.8	56.4	(17.6)	-31.2%	10.4	16.2	(5.8)	-35.8%
Portfolios designated at fair value	(51.8)	(32.3)	(19.5)	60.4%	(12.3)	(21.7)	9.4	-43.3%
Financial assets available for sale	116.5	146.9	(30.4)	-20.7%	36.0	39.1	(3.1)	-7.9%
Other net interest income	0.5	3.1	(2.6)	-83.9%	0.6	0.3	0.3	100.0%
Net interest income	**1,373.7**	**1,518.7**	**(145.0)**	**-9.5%**	**470.4**	**445.9**	**24.5**	**5.5%**

Net fee and commission income totalled **EUR 1,213 mln**, declining by 13.5% compared to the same period of 2016, primarily as a result of the recognition of the cost of the guarantee on government issues in the first quarter and lower income from the credit segment (against lower volumes than last year), as well as lower income on payment services following the disposal of the merchant acquiring business as at 30 June 2017. The trend with respect to the previous quarter was a downturn of 17.5% due to the "seasonal" slowdown in placement activities, lower fee and commission income on loans (which was impacted by non-recurring positive components in 2Q17) and a decline in payment services following the above-mentioned disposal of the acquiring business.

Services / Values	30 09 2017	30 09 2016	Chg. Y/Y		3°Q 2017	2°Q 2017	Chg. Q/Q	
			Abs.	%			Abs.	%
Guarantees given / received	(35.0)	32.2	(67.2)	n.s.	(15.5)	(14.1)	(1.4)	9.9%
Collection and payment services	77.8	138.7	(60.9)	-43.9%	25.4	32.2	(6.8)	-21.1%
Current account keeping	362.8	391.2	(28.4)	-7.3%	118.3	121.5	(3.2)	-2.6%
Credit and debit cards	140.8	174.3	(33.5)	-19.2%	32.1	54.0	(21.9)	-40.6%
Commercial banking activities	**546.4**	**736.4**	**(190.0)**	**-25.8%**	**160.3**	**193.6**	**(33.3)**	**-17.2%**
Receipts and trasmission of orders	21.0	32.0	(11.0)	-34.4%	5.6	7.1	(1.5)	-21.1%
Trading activities on financial instruments and currencies	9.6	24.5	(14.9)	-60.8%	3.1	1.4	1.7	n.s.
Distribution of third party services	375.1	360.8	14.3	4.0%	107.5	147.4	(39.9)	-27.1%
Insurance services	141.5	129.8	11.7	9.0%	46.1	49.9	(3.8)	-7.6%
Placement/ offering of financial instruments and services	(30.7)	(20.9)	(9.8)	46.9%	(10.5)	(14.2)	3.7	-26.1%
Asset management	38.8	45.7	(6.9)	-15.1%	12.2	13.0	(0.8)	-6.2%
Management, brokerage and advisory services	**555.3**	**571.9**	**(16.6)**	**-2.9%**	**164.0**	**204.6**	**(40.6)**	**-19.8%**
Other advisory services	**111.5**	**94.1**	**17.4**	**18.5%**	**31.4**	**33.0**	**(1.6)**	**-4.8%**
Net fee and commission income	**1,213.2**	**1,402.4**	**(189.2)**	**-13.5%**	**355.7**	**431.2**	**(75.5)**	**-17.5%**

Dividends, similar income and gains (losses) on equity investments amounted to **EUR 69 mln** (compared to EUR 67 mln in the first nine months of 2016) and relate primarily to the contribution of AXA-MPS (consolidated using the equity method). 3Q17 was down compared to the previous quarter, which benefitted from the recognition of the dividend from the equity investment held in the Bank of Italy (EUR 9 mln).

Net profit (loss) from trading and financial assets/liabilities in the first nine months of 2017 stood at **EUR 571 mln**, including the effects relating to the burden sharing transaction (for a total of EUR 503 mln, represented in the details noted below), up over the same period of the previous year (equal to EUR 420 mln). Net of the effects of the burden sharing transaction, the aggregate would be down considerably compared to 30 September 2016, which was characterised by higher net profit from trading, disposals/repurchases of securities and capital gains on liabilities issued and measured at fair value. An analysis of the main aggregates shows the following:

- **Trading profit of around EUR 21 mln**, a decline compared to the profit earned as at 30 September 2016 on which affects the decrease in the contribution made by the subsidiary MPS Capital Services. There was also a downturn on the previous quarter (EUR -15 mln);
- The **negative FVO results totalling EUR 1 mln** due nearly entirely to the burden sharing transaction, net of which the aggregate would be basically null due to the early adoption permitted by IFRS 9 of the method of accounting for profit/losses connected to own creditworthiness of fair value option liabilities (as at 30 September 2016, determined in accordance with IAS 39, the FVO Result was positive at EUR 107 mln);
- **Gains on disposal/repurchase totalled EUR 552 mln**, essentially relating to the effects of the burden sharing transaction for EUR +505 mln, net of which the aggregate would be down compared to the same period of the previous year (-70.3% Y/Y), which benefitted from the higher AFS capital gains and other extraordinary income (disposal of the equity investment held by the Parent Company in VISA Europe and repurchase of financial liabilities). Compared to 2Q17, the aggregate "normalised" of the effects of the burden sharing transaction is up by EUR 21 mln due to the increase in disposals of AFS securities with capital gains and equity investments.

Items	30 09 2017	30 09 2016	Chg. Y/Y		3°Q 2017	2°Q 2017	Chg. Q/Q	
			Abs.	%			Abs.	%
Financial assets held for trading	(45.8)	(27.7)	(18.1)	65.4%	(0.2)	(11.6)	11.4	-98.6%
Financial trading liabilities	51.0	21.5	29.5	n.s.	3.2	16.2	(13.0)	-80.2%
Exchange rate effects	7.0	12.5	(5.5)	-44.0%	2.1	0.4	1.7	n.s.
Derivatives	8.8	148.9	(140.1)	-94.1%	(8.8)	6.8	(15.6)	n.s.
Trading results	**21.0**	**155.2**	**(134.2)**	**-86.5%**	**(3.7)**	**11.8**	**(15.5)**	**n.s.**
FVO Results	(1.4)	107.2	(108.6)	n.s.	(0.8)	(0.1)	(0.7)	n.s.
Disposal / repurchase	551.8	157.3	394.5	n.s.	533.0	6.6	526.4	n.s.
Net profit (loss) from trading	**571.4**	**419.7**	**151.7**	**36.1%**	**528.5**	**18.3**	**510.2**	**n.s.**

The following items also make up Revenues:

- **Net profit (loss) from hedging amounting to EUR -5 mln** (negative by EUR 2 mln as at 30 September 2016);
- **Other operating income (expenses)** which was basically null (EUR +12 mln in the first nine months of 2016, which benefitted from the contribution connected to the settlement with Carta Si relating to the Visa Europe transaction), with a negative 3Q17 contribution of EUR 4 mln.

Operating expenses

In the first nine months of 2017, **Operating expenses** totalled **EUR 1,893 mln**, down 1.9% on the same period of last year. 3Q17 recorded EUR 626 mln, with a 2.1% reduction compared to 2Q17 in part due to trends in Personnel expenses and Net adjustments to (recoveries on) property, plant and equipment and intangible assets. A closer look at the individual aggregates reveals the following:

- **Administrative expenses** stood at **EUR 1,700 mln** (-4.0% YoY), with an impact of EUR 561 mln pertaining to 3Q17, down 1.2% compared to the previous quarter. A breakdown of the aggregate shows:
  - **Personnel expenses**, which totalled **EUR 1,188 mln**, declined year on year by 4.1% (EUR -51 mln) as a result of workforce downsizing (thanks to the Solidarity Fund initiative of 1 May 2017), as well as lower provisions on the variable component. There was a decline compared to 2Q17 (-1.6% Q/Q) thanks to the cost reduction linked to exits due to the personnel Fund initiative (roughly 600 resources).
  - **Other administrative expenses** stood at **EUR 512 mln**, down by 3.9% from the first nine months of 2016, mainly attributable to structural cost control measures which involved, in particular, the management of the real estate segment, ICT and legal expenses connected to the debt collection. The expenses posted in 3Q17 amounted to EUR 172 mln, slightly lower than those of the previous quarter (-0.4%).
- **Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets**, amounting to EUR 192 mln in the first nine months of 2017, were higher than the values from the corresponding period of the previous year due to higher write-downs in the first nine months on property, plant and equipment (impairment on land and buildings of EUR 12 mln) and intangible assets (write-down of the residual value of a software licence agreement by EUR 15 mln). On the other hand, with respect to the previous quarter they were down (-8.8%) due to lower write-downs on intangible assets.

As at 30 September 2017, a monitoring exercise was conducted on the main qualitative and quantitative impairment indicators, based on both internal and external factors, in order to check for any signs of goodwill impairment. The test, which took account of developments in the macro-economic scenario, discount rates, measures contained in the Business Plan as well as financial projections, did not reveal any signs of potential losses in the value of goodwill recognised as at 30 September 2017.

Type of transaction	30 09 2017	30 09 2016	Chg Y/Y		3°Q 2017	2°Q 2017	Chg Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(856.9)	(888.1)	31.2	-3.5%	(280.2)	(285.2)	5.0	-1.8%
Social-welfare charges	(232.4)	(245.1)	12.7	-5.2%	(76.3)	(76.5)	0.2	-0.3%
Other personnel expenses	(99.0)	(106.2)	7.2	-6.8%	(32.3)	(33.4)	1.1	-3.4%
Personnel expenses	**(1,188.3)**	**(1,239.4)**	**51.1**	**-4.1%**	**(388.8)**	**(395.1)**	**6.3**	**-1.6%**
Taxes	(213.5)	(224.3)	10.8	-4.8%	(70.0)	(73.4)	3.4	-4.6%
Furnishing, real estate and security expenses	(132.4)	(143.2)	10.8	-7.5%	(44.9)	(41.7)	(3.2)	7.7%
General operating expenses	(149.7)	(149.1)	(0.6)	0.4%	(49.9)	(46.2)	(3.7)	8.0%
Information technology expenses	(124.9)	(132.9)	8.0	-6.0%	(40.2)	(41.4)	1.2	-2.9%
Legal and professional expenses	(100.8)	(105.6)	4.8	-4.5%	(37.0)	(37.4)	0.4	-1.1%
Indirect personnel costs	(7.5)	(9.0)	1.5	-16.7%	(1.9)	(3.1)	1.2	-38.7%
Insurance	(21.7)	(24.0)	2.3	-9.6%	(7.2)	(7.1)	(0.1)	1.4%
Advertising, sponsorship and promotions	(6.0)	(9.6)	3.6	-37.5%	(2.0)	(2.1)	0.1	-4.8%
Other	(13.0)	(15.6)	2.6	-16.4%	(4.0)	(4.9)	0.8	-17.0%
Expenses recovery	257.6	280.8	(23.2)	-8.3%	84.8	84.2	0.6	0.8%
Other administrative expenses	**(511.9)**	**(532.5)**	**20.6**	**-3.9%**	**(172.3)**	**(173.1)**	**0.8**	**-0.4%**
Tangible assets	(95.6)	(81.2)	(14.4)	17.7%	(32.5)	(32.3)	(0.2)	0.6%
Intangible assets	(96.7)	(76.0)	(20.7)	27.2%	(32.2)	(38.6)	6.4	-16.6%
Amortization and impairment losses	**(192.3)**	**(157.2)**	**(35.1)**	**22.3%**	**(64.7)**	**(70.9)**	**6.2**	**-8.8%**
Operating costs	**(1,892.5)**	**(1,929.1)**	**36.6**	**-1.9%**	**(625.8)**	**(639.1)**	**13.3**	**-2.1%**

As a result of these factors, the Group's **Gross Operating Income** totalled **EUR 1,331 mln** (EUR 1,488 mln in the first nine months of 2016), with EUR 745 mln attributable to 3Q17, up on the previous quarter inclusive of the effects relating to burden sharing.

Net impairment losses (reversals) on loans and financial assets

In the first nine months of 2017, the Group booked **Net impairment (losses) reversals on loans and financial assets** amounting to **EUR 4,902 mln**, up by EUR 2,884 mln from those recorded in the same period of the previous year, primarily as a result of i) net impairment losses since the start of the year on the scope subject to transfer following the adjustment to their recoverable value and the recognition of other additional charges set forth in the agreement with Quaestio (overall, roughly EUR -4 bn, already recognised as at 30 June 2017); ii) write-downs on equity investments in Atlante (EUR -30 mln, already recognised in the first half of the year) and in Banca Popolare di Spoleto (EUR -8 mln, in 3Q17); iii) the write-off of the share held in the Voluntary Scheme as well as the partial write-down of irrevocable commitments made by the Group to the Voluntary Scheme - Caricesena/Carim/Carismi (for a total amount of EUR -46 mln recognised in 3Q17). Net of the quarterly effects noted above, the trend in this aggregate was a significant downturn thanks to lower default flows and a reduction in positions slipping towards doubtful status.

The ratio of Net impairment losses on loans in the first nine months of 2017 (annualised) to Loans to Customers reflects a **Provisioning Rate of 526 bps**, and 119 bps net of the effects of the transferred doubtful loans.

Reversals	30 09 2017	30 09 2016	Chg. Y/Y		3°Q 2017	2°Q 2017	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to banks	(1.3)	(0.3)	(1.0)	n.s.	5.1	(4.8)	9.9	n.s.
- Loans	(1.8)	(0.4)	(1.4)	n.s.	4.9	(4.8)	9.7	n.s.
- Debt securities	0.5	0.1	0.4	n.s.	0.2	-	0.2	
Loans to customers	(4,770.7)	(2,021.3)	(2,749.4)	n.s.	(180.1)	(4,284.0)	4,103.9	-95.8%
- Loans	(4,770.8)	(2,021.2)	(2,749.6)	n.s.	(180.2)	(4,284.0)	4,103.8	-95.8%
- Debt securities	0.1	(0.1)	0.2	n.s.	0.1	-	0.1	
Impairment losses on loans	**(4,772.0)**	**(2,021.6)**	**(2,750.4)**	**n.s.**	**(175.0)**	**(4,288.8)**	**4,113.8**	**-95.9%**
Financial assets available for sale	(63.2)	(18.4)	(44.8)	n.s.	(29.7)	(32.6)	2.9	-8.9%
Guarantees and commitments	(67.2)	21.2	(88.4)	n.s.	(19.8)	(53.4)	33.6	-62.9%
Total financial activities and other operations	**(130.4)**	**2.8**	**(133.2)**	**n.s.**	**(49.5)**	**(86.0)**	**36.5**	**-42.4%**
Total	**(4,902.4)**	**(2,018.8)**	**(2,883.6)**	**n.s.**	**(224.5)**	**(4,374.8)**	**4,150.3**	**-94.9%**

Consequently, the Group's **Net operating income** in the first nine months of 2017 totalled **EUR -3,572 mln**, compared to EUR -530 mln in the same period of the previous year.

Non-operating income, tax and net profit for the period

The **Result for the period** included the following items:

- **Net provisions for risks and charges** amounting to **EUR -67 mln**, penalised by provisions for reasons relating to the previous share capital increases as well as the risk of a possible sanction following the procedure initiated by the Italian Antitrust Authority relating to the transfer to the new SEDA service (formerly RID). As at 30 September 2016 there was a negative balance of EUR 4 mln, which also benefitted from the release of provisions recognised against tax and legal risks which did not emerge or were attenuated.
- **Losses on investments** of **EUR -23 mln** due to write-downs recognised in 1Q17 on the associates Trixia and Interporto Toscano and in 3Q17 on Fidi Toscana, against a positive EUR 9 mln recorded as at 30 September 2016, which benefitted from the capital gain realised for the disposal of Fabrica Immobiliare SGR in 1Q16.
- **Restructuring costs/One-off costs**, amounting to **EUR -296 mln**, includes the restructuring costs allocated against the early retirement incentives/provision for personnel (**EUR -280 mln**) relating to the agreement of 3 August 2017 for the exits of November (1,200 resources) and expenses relating to branch closures set forth in the restructuring plan (**EUR -16 mln**).
- **Risks and charges related with SRF, DGS and similar schemes**, standing at **EUR -94 mln**, concerning the entire contribution due from the Group to the Single Resolution Fund, recognised in the first quarter (EUR 63 mln), and for the remainder (EUR 31 mln) referring to the share to be recognised to the IDPF (DGS) accounted for in 3Q17.
- **DTA Fee**, amounting to **EUR -53 mln**. This amount, determined according to the criteria set forth in Law Decree 59/2017, converted into Law no. 119 of 30 June 2017, represents the fee on DTA (Deferred Tax Assets) that can be converted into a tax credit, attributable to 30 September 2017.
- **Gains (losses) on disposal of investments** for an amount of **EUR 534 mln** compared to a result of EUR 13 mln relating to the same period of the previous year. They were down compared

to the previous quarter, when there was a capital gain from the disposal of the merchant acquiring business to CartaSi and the disposal of a property of MPS Belgio.

Due to the changes discussed above, the Group's **Loss before tax from continuing operations** stood at **EUR -3,571 mln**, down with respect to 2016 levels, which recorded a loss of EUR -738 mln.

Tax expense (recovery) on income from continuing operations amounted to income of **EUR 590 mln**. This result can essentially be attributed to the partial reassessment - equal to EUR 551 mln - of DTAs from tax losses accrued but not recognised in previous years, induced primarily by the regulatory measure which ordered the reduction in the ACE benefit (cf. article 7 of Law Decree no. 50 of 24 April 2017). The item also includes the ACE accrued for EUR 39 mln. Indeed, on a forward-looking basis, the lower ACE deductions planned as of 2017 and thereafter will reduce, with respect to what was expected with the regulations previously in force, the absorption of future taxable income, which therefore may be allocated to a greater extent to offsetting previous tax losses.

Considering the net effects of the PPA (EUR -20 mln), **the Group consolidated loss for the first nine months of 2017 amounted to EUR -3,001 mln**, compared to a loss of EUR 849 mln in the same period of 2016.

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In compliance with Consob instructions, following is a statement of the reconciliation of the Shareholders' equity and Net profit and loss for the period of the Parent Company with the consolidated items:

Reconciliation between Parent Company and Consolidated Net Equity and Profit (Loss) for the period

	Shareholders' equity	Net profit (loss)
Balance as per Parent Company's Accounts	9,975.0	(2,506.0)
including Parent Company's valuation reserves	*(91.6)*	-
Impact of line-by-line consolidation of subsidiaries	(1,616.2)	(641.2)
Impact of associates	*213.7*	64.1
Reversal of dividends from subsidiaries	-	(20.9)
Effect of write off of depreciation/revaluation of equity investments	*2,538.3*	105.6
Other adjustments	(318.5)	(2.3)
Subsidiaries' valuation reserves	*152.2*	-
Consolidated balance	**10,944.5**	**(3,000.7)**
including valuation reserves	*60.5*	

Reclassified balance sheet

Reclassified Consolidated Balance Sheet				
ASSETS	30/09/17	31/12/16	Chg abs.	Chg %
Cash and cash equivalents	821.9	1,084.5	(262.6)	-24.2%
Receivables :				
a) Loans to customers	91,041.1	106,692.7	(15,651.6)	-14.7%
b) Loans to banks	12,897.0	8,936.2	3,960.8	44.3%
Marketable assets	25,403.0	25,929.3	(526.3)	-2.0%
Financial assets held to maturity	-	-	-	
Equity investments	1,001.2	1,031.7	(30.5)	-3.0%
Property, plant and equipment / Intangible assets	2,833.7	2,942.9	(109.2)	-3.7%
of which:				
a) goodwill	*7.9*	*7.9*	-	
Other assets	11,101.2	6,561.2	4,539.9	69.2%
Total assets	**145,099.1**	**153,178.5**	**(8,079.4)**	**-5.3%**

LIABILITIES	30/09/17	31/12/16	Chg abs.	Chg %
Payables				
a) Deposits from customers and securities issued	102,968.4	104,573.5	(1,605.1)	-1.5%
b) Deposits from banks	21,566.1	31,469.1	(9,903.0)	-31.5%
Financial liabilities held for trading	4,201.1	4,971.8	(770.7)	-15.5%
Provisions for specific use				
a) Provisions for staff severance indemnities	234.7	252.9	(18.2)	-7.2%
b) Pensions and other post retirement benefit obligations	45.9	53.6	(7.7)	-14.4%
c) Other provisions	959.8	1,054.5	(94.7)	-9.0%
Other liabilities	4,176.4	4,342.7	(166.3)	-3.8%
Group net equity	10,944.5	6,425.4	4,519.1	70.3%
a) Valuation reserves	60.5	47.3	13.2	27.9%
c) Equity instruments carried at equity	-	-	-	
d) Reserves	(1,494.4)	2,253.6	(3,748.0)	n.s.
e) Share premium	-	-	-	
f) Share capital	15,692.8	7,365.7	8,327.1	n.s.
g) Treasury shares (-)	(313.7)	-	(313.7)	
h) Net profit (loss) for the year	(3,000.7)	(3,241.1)	240.4	-7.4%
Non-controlling interests	2.2	34.9	(32.7)	-93.7%
Total Liabilities and Shareholders' Equity	**145,099.1**	**153,178.5**	**(8,079.4)**	**-5.3%**

Reclassified Consolidated Balance Sheet - Quarterly Trend

ASSETS	30/09/17	30/06/17	31/03/17	31/12/16	30/09/16	30/06/16	31/03/16
Cash and cash equivalents	821.9	843.1	879.1	1,084.5	941.4	794.6	913.4
Receivables :							
a) Loans to customers	91,041.1	89,713.1	102,406.9	106,692.7	104,612.4	107,547.8	113,544.3
b) Loans to banks	12,897.0	13,116.4	8,451.4	8,936.2	7,669.4	7,953.1	6,856.1
Marketable assets	25,403.0	24,089.8	26,511.8	25,929.3	35,748.3	36,022.6	39,999.9
Financial assets held to maturity	-	-	-	-	-	-	-
Equity investments	1,001.2	1,023.6	1,013.0	1,031.7	910.7	948.0	934.3
Property, plant and equipment / Intangible assets	2,833.7	2,844.7	2,894.2	2,942.9	3,016.9	3,059.8	3,112.4
of which:							
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Other assets	11,101.2	11,958.8	6,648.2	6,561.2	7,230.0	8,059.6	8,285.2
Total assets	**145,099.1**	**143,589.5**	**148,804.6**	**153,178.5**	**160,129.1**	**164,385.5**	**173,645.6**

LIABILITIES	43,008.0	30/06/17	31/03/17	31/12/16	30/09/16	30/06/16	31/03/16
Payables							
a) Deposits from customers and securities issued	102,968.4	106,543.9	109,390.0	104,573.5	105,461.4	112,045.2	119,507.9
b) Deposits from banks	21,566.1	22,802.8	22,837.5	31,469.1	25,282.4	19,465.8	17,524.7
Financial liabilities held for trading	4,201.1	4,449.9	4,412.4	4,971.8	13,802.7	15,854.7	20,051.0
Provisions for specific use							
a) Provisions for staff severance indemnities	234.7	233.7	252.5	252.9	251.3	249.9	247.7
b) Pensions and other post retirement benefit obligations	45.9	47.3	52.5	53.6	51.2	52.3	51.4
c) Other provisions	959.8	958.8	954.2	1,054.5	1,018.8	1,012.5	1,050.0
Other liabilities	4,176.4	5,503.2	4,861.2	4,342.7	5,489.2	5,750.4	5,511.9
Group net equity	10,944.5	3,047.7	6,041.9	6,425.4	8,745.6	9,928.7	9,675.3
a) Valuation reserves	60.5	102.0	7.4	47.3	(24.7)	7.7	(36.5)
c) Equity instruments carried at equity	-	-	-	-	-	-	-
d) Reserves	(1,494.4)	(1,177.4)	(1,162.0)	2,253.6	617.2	617.2	610.5
e) Share premium	-	-	-	-	-	-	6.3
f) Share capital	15,692.8	7,365.7	7,365.7	7,365.7	9,001.8	9,001.8	9,001.8
g) Treasury shares (-)	(313.7)	-	-	-	-	-	-
h) Net profit (loss) for the year	(3,000.7)	(3,242.6)	(169.2)	(3,241.1)	(848.7)	302.0	93.2
Non-controlling interests	2.2	2.2	2.4	34.9	26.5	26.0	25.7
Total Liabilities and Shareholders' Equity	**145,099.1**	**143,589.5**	**148,804.6**	**153,178.5**	**160,129.1**	**164,385.5**	**173,645.6**

Customer funding

The Group's **Total funding** as at 30 September 2017 amounted to **EUR 201.2 bn** (-0.7% versus 31 December 2016) with an overall decline in volumes of EUR 2.0 bn recorded in the third quarter. Specifically, while the volumes of indirect funding rose by EUR 1.6 bn compared to the previous quarter, direct funding declined by EUR 3.6 bn, justified in part by the conversion of AT1 and T2 financial instruments issued by the Group subject to burden sharing (EUR 4.3 bn) into ordinary shares of the Parent Company.

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Background

In the first seven months of the year, direct funding continued on its modest decline (in July: roughly -1.1% per year), reflecting the positive trend in deposits from resident consumer clients, up by 2.6% in July (net of repo transactions with central counterparties and deposits connected with loan transfers) and the significant drop in bonds (-17.6% in July). Customers therefore continue to show high preference for liquid, risk-free instruments, also as a result of the low opportunity cost of holding such instruments. Bank bonds are instead penalised by the higher cost for the issuer with respect to the liquidity offered by the ECB and low demand resulting especially from the content of the regulation on banking crises ("bail-in").

In July 2017, the average interest rate on deposits of non-financial companies and households was around 0.40%, a slight decline compared to the end of 2016, while the downturn in the bond rate continues to a more considerable extent (at 2.67%, -7 bps compared to December 2016). The weighted average cost of direct funding remains well below 1%.

New flows of assets under management recorded significant progress. In the first seven months of the year, the net funding from mutual funds already exceeded that recorded in the entire year in 2016 (roughly EUR 50,000 mln compared to EUR 34,400 mln), around half of which referring, as in 2016, to bond products. In January-July 2017, funding on retail individual portfolio management, of EUR 4,303 mln, was positive, after net flows which basically broke even in 2016. Assets under management from open-end funds were up by roughly 7.6% in July compared to last December, while the stock relating to individual portfolio management grew by just over 1%.

Customer Funding

					Chg Q/Q		Chg 31/12		Chg Y/Y	
	30/09/17	30/06/17	31/12/16	30/09/16	Abs.	%	Abs.	%	Abs.	%
Direct funding	102,968.4	106,543.9	104,573.5	105,461.4	-3,575.5	-3.4%	-1,605.1	-1.5%	-2,493.0	-2.4%
Indirect funding	98,242.9	96,629.4	98,151.8	98,440.6	1,613.5	1.7%	91.1	0.1%	-197.7	-0.2%
Total funding	**201,211.3**	**203,173.3**	**202,725.3**	**203,902.0**	**-1,962.0**	**-1.0%**	**-1,514.0**	**-0.7%**	**-2,690.7**	**-1.3%**

Volumes of **Direct Funding**, which as at 30 September 2017 stood at **EUR 103.0 bn**, recorded a decrease of EUR 1.6 bn compared to the end of December 2016 primarily due to the drop in the bond component (impacted by the effects of burden sharing for EUR 4.3 bn), and repurchase agreements only partially offset by the growth in current accounts, in deposits and other forms of funding. With respect to 30 June 2017, the aggregate was down by EUR 3.6 bn primarily in the component of bonds (EUR -5.2 bn, mainly due to the above-mentioned effects of burden sharing and to a lesser extent maturities during the quarter) and repo transactions with institutional counterparties (EUR -2.0 bn), whereas Current Accounts and Time Deposits were up significantly, substantially as a result of activities with business customers (for a total of EUR +1.6 bn) and other forms of funding.

The Group's market share[2] on Direct Funding was 3.96% (figure updated in July 2017), up by 41 bps compared to the end of 2016.

[2] *Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident consumer clients and bonds net of repurchases placed with resident consumer clients as first-instance borrowers.*

Direct funding										
					Change Q/Q		Change 31.12		Change Y/Y	
Type of transaction	30/09/17	30/06/17	31/12/16	30/09/16	Abs.	%	Abs.	%	Abs.	%
Current accounts	50,561.2	49,605.8	40,972.6	47,621.3	955.4	1.9%	9,588.6	23.4%	2,939.9	6.2%
Time deposits	11,556.9	10,889.3	10,133.5	11,786.5	667.6	6.1%	1,423.4	14.0%	(229.6)	-1.9%
Reverse repurchase agreements	12,874.7	14,847.9	25,295.8	13,719.4	(1,973.2)	-13.3%	(12,421.1)	-49.1%	(844.7)	-6.2%
Bonds	18,468.6	23,676.5	23,676.3	26,197.6	(5,207.9)	-22.0%	(5,207.7)	-22.0%	(7,729.0)	-29.5%
Other types of direct funding	9,507.0	7,524.4	4,495.3	6,136.6	1,982.6	26.3%	5,011.7	n.s.	3,370.4	54.9%
Total	**102,968.4**	**106,543.9**	**104,573.5**	**105,461.4**	**(3,575.5)**	**-3.4%**	**(1,605.1)**	**-1.5%**	**(2,493.0)**	**-2.4%**

Indirect Funding totalled **EUR 98.2 bn** at the end of September, substantially in line with 31 December 2016 due to the offsetting between the decline in assets under custody (EUR -0.5 bn) and the growth in assets under management (EUR +0.6 bn). The comparison with 30 June 2017 shows indirect funding up by EUR +1.6 bn, primarily as a result of the increase in assets under custody (EUR +1.4 bn) which was impacted by the burden sharing transaction (shares from the conversion of the T2 2008-2018 bond).

As regards **Assets under management**, standing at **EUR 57.8 bn**, this aggregate was up compared to December 2016 as well as 30 June 2017. This growth was seen across all segments with the exception of Wealth Management.

Indirect Funding										
					Change Q/Q		Change 31/12		Change Y/Y	
	30/09/17	30/06/17	31/12/16	30/09/16	Abs.	%	Abs.	%	Abs.	%
Assets under management	57,812.7	57,603.0	57,180.9	56,890.5	209.7	0.4%	631.8	1.1%	922.2	1.6%
Mutual Funds/Sicav	*27,891.6*	*27,650.0*	*27,020.5*	*26,553.7*	241.6	*0.9%*	871.1	*3.2%*	1,337.9	*5.0%*
Individual Portfolio under Management	*6,149.0*	*6,285.3*	*6,619.7*	*6,744.2*	-136.3	*-2.2%*	-470.7	*-7.1%*	-595.2	*-8.8%*
Insurance Products	*23,772.1*	*23,667.7*	*23,540.6*	*23,592.6*	104.4	*0.4%*	231.4	*1.0%*	179.5	*0.8%*
Assets under custody	40,430.2	39,026.4	40,971.0	41,550.1	1,403.8	3.6%	-540.8	-1.3%	-1,119.9	-2.7%
Total funding	**98,242.9**	**96,629.4**	**98,151.8**	**98,440.6**	**1,613.5**	**1.7%**	**91.1**	**0.1%**	**-197.7**	**-0.2%**

Loans to customers

As at 30 September 2017, the Group's **Loans to Customers** amounted to **EUR 91.0 bn**, down by EUR 15.7 bn as compared to the end of December 2016, but up by EUR 1.3 bn over 30 June 2017. The trend in this aggregate recorded during the quarter is represented by growth concentrated in the segment of repurchase agreements with institutional counterparties (EUR +2.9 bn), partially offset by a decline in lending to businesses.

The Group's market share[3] stood at 6.59% (last available figure from July 2017), stable compared to the end of 2016.

Background

In 2017, the growth in bank loans continued, although at a moderate pace; higher credit demand and the improvement in supply conditions are contributing to the recovery. The annual increase in the aggregate reached 1.5% in July, compared with a growth rate just under that (roughly 1%) in December 2016. The gap between the trend in lending to households (up by 2.7% on an annual basis in July) and non-financial companies (which shows a change of 0.5%) is consolidating. The former were impacted by the weak signs of a recovery in disposable income and the real estate market, while loans to non-financial companies remain weak despite the recovery in GDP growth, the renewal of tax measures supporting investments in operating assets and digital technologies, as well as the legislative initiatives supporting company capitalisation.

In July, the interest rate on the overall stock of loans was down by 7 basis points compared to 2.85% in December 2016. On new transactions, the rate referring to lending to households for home acquisitions is close to 2.1%, while the rate for non-financial companies remains around 1.6%. In particular, rates on new loans of less than EUR 1 mln to non-financial companies (2.14% in July) were down 13 basis points compared to December 2016.

The stock of doubtful loans was down in the first seven months of the year under way and 12.4% lower than in July 2016. Loan transfers had an impact of EUR 27,631 mln, of which roughly EUR 23,500 mln in May-July (in 2016 transfers reached EUR 18,000 mln for the entire year). Net of these transactions, the annual change in June 2017 was positive and just under 10.3%. Net of allowances for impairment, doubtful loans represented 3.6% of bank loans, down compared to the average of 4.50% in the second half of 2016.

Loans to customers

					Change Q/Q		Change 31.12		Change Y/Y	
Type of transaction	30/09/17	30/06/17	31/12/16	30/09/16	Abs.	%	Abs.	%	Abs.	%
Current accounts	6,032.6	6,684.3	6,313.2	7,192.4	(651.7)	-9.7%	(280.6)	-4.4%	(1,159.8)	-16.1%
Mortgages	47,682.2	47,867.3	49,532.6	50,476.1	(185.1)	-0.4%	(1,850.4)	-3.7%	(2,793.9)	-5.5%
Other forms of lendin	18,906.8	19,411.5	20,542.0	22,042.2	(504.7)	-2.6%	(1,635.2)	-8.0%	(3,135.4)	-14.2%
Repurchase agreement	7,064.1	4,145.0	8,854.6	1,248.7	2,919.1	70.4%	(1,790.5)	-20.2%	5,815.4	n.s.
Securities lending	1,072.3	1,130.1	1,130.3	1,143.6	(57.8)	-5.1%	(58.0)	-5.1%	(71.3)	-6.2%
Non performing loans	10,283.1	10,474.8	20,320.0	22,509.4	(191.7)	-1.8%	(10,036.9)	-49.4%	(12,226.3)	-54.3%
Total	**91,041.1**	**89,713.1**	**106,692.7**	**104,612.4**	**1,328.0**	**1.5%**	**(15,651.6)**	**-14.7%**	**(13,571.3)**	**-13.0%**

The aggregate for the medium/long-term component recorded new disbursements of EUR 4.1 bn in the first nine months of 2017, for both households and businesses, down by 29.7% Y/Y.

Please note that, also considering the transferred portfolio of doubtful loans, non-performing loans stood at EUR 15.1 bn as at 30 September 2017.

[3] *Loans to resident consumer clients, including NPLs and net of repo transactions with central counterparties.*

Non-performing loans[4]

As at 30 September 2017, the Group's **exposure to gross non-performing loans** totalled **EUR 45.0 bn**, down compared to the end of December 2016 (EUR -0.8 bn) as well as compared to 30 June 2017 (EUR -0.5 bn). The quarterly trend was caused by the reduction in transfers from performing to default (-2.5%) and the reduction in exposures/write-offs of non-performing positions. As concerns the various aggregates of the gross non-performing segment, in 3Q17 there was a rise of EUR 0.6 bn in Doubtful loans and a reduction in Unlikely to Pay (EUR -1.1 bn), with stability in Non-performing past-due exposures. Net of Gross non-performing loans "held for sale", the gross exposure would decline from EUR 45.0 bn to EUR 19.6 bn.

As at 30 September 2017, the Group's **net exposure to non-performing loans** stood at EUR 15.1 bn recording a EUR 5.2 bn decrease since the beginning of the year, mainly attributable to net adjustments on the scope subject to the transfer following the adjustment to their recoverable value and EUR -0.4 bn compared to 30 June 2017. This net exposure includes EUR 4.9 bn relating to the non-performing loans held for sale, net of which the value would be EUR 10.3 bn, marking a significant improvement in the ratio between net non-performing loans and net loans to customers (falling from 15.8% to 11.3%). Within the aggregate, in the third quarter of 2017, the percentage of net doubtful loans and past-due exposures remained substantially stable, while Unlikely to pay exposures declined (from 8.4% in June to 7.6% in September).

[4] *Also includes the component of non-performing loans included in item 70 "Loans to Customers", and also part of item 150 "Assets held for sale" for the portion relating to the transferred doubtful loans.*

Loans to customers		Doubtful loans	Unlikely to pay	Non performing Past due	**Non-performing exposures**	Perfoming exposures	**Total**	*- of which forbone impaired*	*- of which forborne not impaired*
30 09 17	Gross exposure	31,851.7	12,378.7	783.4	**45,013.8**	81,313.9	**126,327.7**	*9,553.5*	*2,590.7*
	Provisions	24,579.9	5,097.6	194.5	**29,872.0**	555.9	**30,427.9**	*4,250.5*	*92.6*
	Net exposure	7,271.8	7,281.1	588.9	**15,141.8**	80,758.0	**95,899.8**	*5,303.0*	*2,498.1*
	Coverage ratio	*77.2%*	*41.2%*	*24.8%*	***66.4%***	*0.7%*	***24.1%***	*44.5%*	*3.6%*
	% on Loans to customers	*7.6%*	*7.6%*	*0.6%*	***15.8%***	*84.2%*	***100.0%***		
30 06 17	Gross exposure	31,237.9	13,472.3	761.9	**45,472.1**	79,835.9	**125,308.0**	*9,941.4*	*2,669.7*
	Provisions	24,208.8	5,492.9	189.3	**29,891.0**	596.0	**30,487.0**	*4,380.5*	*112.9*
	Net exposure	7,029.1	7,979.4	572.6	**15,581.1**	79,239.9	**94,821.0**	*5,560.9*	*2,556.8*
	Coverage ratio	*77.5%*	*40.8%*	*24.8%*	***65.7%***	*0.7%*	***24.3%***	*44.1%*	*4.2%*
	% on Loans to customers	*7.4%*	*8.4%*	*0.6%*	***16.4%***	*83.6%*	***100.0%***		
31 12 16	Gross exposure	29,424.4	15,246.6	1,114.4	**45,785.4**	87,060.9	**132,846.3**	*9,907.6*	*2,747.5*
	Provisions	19,059.5	6,145.8	260.1	**25,465.4**	688.1	**26,153.5**	*3,784.3*	*122.5*
	Net exposure	10,364.9	9,100.8	854.3	**20,320.0**	86,372.8	**106,692.8**	*6,123.3*	*2,625.0*
	Coverage ratio	*64.8%*	*40.3%*	*23.3%*	***55.6%***	*0.8%*	***19.7%***	*38.2%*	*4.5%*
	% on Loans to customers	*9.7%*	*8.5%*	*0.8%*	***19.0%***	*81.0%*	***100.0%***		
30 09 16	Gross exposure	28,230.0	15,359.4	1,994.9	**45,584.3**	82,744.7	**128,329.0**	*9,702.0*	*2,890.9*
	Provisions	17,327.3	5,291.9	455.7	**23,074.9**	641.6	**23,716.5**	*2,854.6*	*118.6*
	Net exposure	10,902.7	10,067.5	1,539.2	**22,509.4**	82,103.1	**104,612.5**	*6,847.4*	*2,772.3*
	Coverage ratio	*61.4%*	*34.5%*	*22.8%*	***50.6%***	*0.8%*	***18.5%***	*29.4%*	*4.1%*
	% on Loans to customers	*10.4%*	*9.6%*	*1.5%*	***21.5%***	*78.5%*	***100.0%***		

As at 30 September 2017, the non-performing loan **coverage ratio** was 66.4%, up by roughly 63 bps compared to 30 June 2017.

Change in gross exposures

	abs/%	Doubtufl loans	Unlikely to pay	Non performing past due	**Non performing exposures**	Performing exposures	**Total**	*- of which forbone impaired*	*- of which forborne not impaired*
Q/Q	abs.	613.8	(1,093.6)	21.5	**(458.3)**	1,478.0	**1,019.7**	*(387.9)*	*(79.0)*
	%	2.0%	-8.1%	2.8%	**-1.0%**	1.9%	**0.8%**	*-3.9%*	*-3.0%*
31.12	abs.	2,427.3	(2,867.9)	(331.0)	**(771.6)**	(5,747.0)	**(6,518.6)**	*(354.1)*	*(156.8)*
	%	8.2%	-18.8%	-29.7%	**-1.7%**	-6.6%	**-4.9%**	*-3.6%*	*-5.7%*
Y/Y	abs.	3,621.7	(2,980.7)	(1,211.5)	**(570.5)**	(1,430.8)	**(2,001.3)**	*(148.5)*	*(300.2)*
	%	12.8%	-19.4%	-60.7%	**-1.3%**	-1.7%	**-1.6%**	*-1.5%*	*-10.4%*

Changes in coverage ratios

	Doubtful loans	Ulikely to pay	Non performing past due	**Non performing exposures**	Performing exposures	**Total**
Q/Q	*-0.33%*	*0.41%*	*-0.02%*	***0.63%***	*-0.06%*	***-0.24%***
31.12	*12.40%*	*0.87%*	*1.49%*	***10.74%***	*-0.11%*	***4.40%***
Y/Y	*15.79%*	*6.73%*	*1.98%*	***15.74%***	*-0.09%*	***5.61%***

	30 09 2017		3°Q 2017		2°Q 2017		30 09 2016		Chg. Q/Q Non-performing exposures		Chg. Y/Y Non performing exposures	
	Non-performing exposures	*of which Doubtful loans*	Non-performing exposures	*of which Doubtful loans*	Non-performing exposures	*of which Doubtful loans*	Non-performing exposures	*of which Doubtful loans*	Abs.	%	Abs.	%
Gross exposure, opening balance	**45,785.4**	***29,424.4***	**45,472.1**	***31,237.9***	**45,983.4**	***30,490.0***	**47,238.3**	***27,732.6***	**(511.3)**	**-1.1%**	**(1,452.9)**	**-3.1%**
Increases from performing loans	1,443.0	*237.0*	378.0	*91.5*	387.8	*75.0*	1,885.3	*213.3*	(9.8)	-2.5%	(442.3)	-23.5%
Transfers to performing loans	(530.3)	*(6.9)*	(84.9)	*(3.3)*	(197.4)	*(1.3)*	(675.1)	*(1.5)*	112.5	-57.0%	144.8	-21.4%
Collections	(1,793.3)	*(660.4)*	(637.8)	*(163.3)*	(595.2)	*(307.0)*	(1,555.6)	*(500.3)*	(42.6)	7.2%	(237.7)	15.3%
Write-offs and loss on disposal	(782.4)	*(350.1)*	(351.9)	*(142.7)*	(341.0)	*(157.5)*	(2,088.9)	*(1,673.7)*	(10.9)	3.2%	1,306.5	-62.5%
+/- Other changes	891.4	*3,207.7*	238.3	*831.6*	234.5	*1,138.7*	780.3	*2,459.6*	3.8	1.6%	111.1	14.2%
Gross exposure, closing balance	**45,013.8**	***31,851.7***	**45,013.8**	***31,851.7***	**45,472.1**	***31,237.9***	**45,584.3**	***28,230.0***	**(458.3)**	**-1.0%**	**(570.5)**	**-1.3%**
Opening balance of overall adjustments	**(25,465.4)**	***(19,059.5)***	**(29,891.0)**	***(24,208.8)***	**(25,810.1)**	***(19,688.6)***	**(22,707.9)**	***(16,894.2)***	**(4,080.9)**	**15.8%**	**(2,757.5)**	**12.1%**
Adjustments / write-backs*	(4,810.9)	*(4,441.1)*	(202.1)	*(98.4)*	(4,306.3)	*(4,179.1)*	(2,071.0)	*(1,068.6)*	4,104.2	-95.3%	(2,739.9)	n.s.
+/- Other changes	404.3	*(1,079.3)*	221.1	*(272.7)*	225.4	*(341.1)*	1,704.0	*635.5*	(4.3)	-1.9%	(1,299.7)	-76.3%
Closing balance of overall adjustments	**(29,872.0)**	***(24,579.9)***	**(29,872.0)**	***(24,579.9)***	**(29,891.0)**	***(24,208.8)***	**(23,074.9)**	***(17,327.3)***	**19.0**	**-0.1%**	**(6,797.1)**	**29.5%**
Net exposure closing balance	**15,141.8**	***7,271.8***	**15,141.8**	***7,271.8***	**15,581.1**	***7,029.1***	**22,509.4**	***10,902.7***	**(439.3)**	**-2.8%**	**(7,367.6)**	**-32.7%**

Financial assets/liabilities

As at 30 September 2017, the Group's tradeable financial assets totalled EUR 25.4 bn, down by 2% compared to the end of the year but up compared to 30 June 2017 (EUR +1.3 bn), due to the growth in financial assets available for sale, impacted by acquisitions of government bonds, as well as due to the trading component relating to the subsidiary MPS Capital Services (which grew during the quarter, in particular on Italian government debt securities, for which the company acts as primary dealer). Financial liabilities held for trading declined compared to the end of 2016 by EUR 0.8 bn and by EUR 0.2 bn compared to 30 June 2017.

Items	30 09 2017	30 06 2017	31 12 2016	30 09 2016	Chg. Q/Q		Chg. 31.12		Chg. Y/Y	
					Abs.	%	Abs.	%	Abs.	%
Tradable financial assets	25,403.0	24,089.8	25,929.3	35,748.3	1,313.2	5.5%	(526.3)	-2.0%	(10,345.3)	-28.9%
Financial assets held for trading	*10,101.7*	*9,711.2*	*9,266.2*	*18,746.3*	*390.5*	*4.0%*	*835.5*	*9.0%*	*(8,644.6)*	*-46.1%*
Financial assets available for sale	*15,301.3*	*14,378.6*	*16,663.1*	*17,002.0*	*922.7*	*6.4%*	*(1,361.8)*	*-8.2%*	*(1,700.7)*	*-10.0%*
Financial liabilities held for trading	4,201.1	4,449.9	4,971.8	13,802.7	(248.8)	-5.6%	(770.7)	-15.5%	(9,601.6)	-69.6%

Items	30 09 2017		30 06 2017		31 12 2016		30 09 2016	
	Tradable financial assets	Financial liabilities held for tradig	Tradable financial assets	Financial liabilities held for tradig	Tradable financial assets	Financial liabilities held for tradig	Tradable financial assets	Financial liabilities held for tradig
Debt securities	21,510.5	-	20,018.1	-	20,979.4	-	21,411.9	-
Equity instruments and Units of UCITS	476.8	-	514.2	-	527.7	-	580.7	-
Loans	-	2,506.4	-	2,625.6	265.2	2,665.6	9,286.4	11,314.7
Derivatives	3,415.7	1,694.7	3,557.5	1,824.3	4,157.0	2,306.2	4,469.3	2,488.0
Total	25,403.0	4,201.1	24,089.8	4,449.9	25,929.3	4,971.8	35,748.3	13,802.7

Information on portfolio transfers

Type of financial instrument	Portfolio prior to transfer	Portfolio after transfer	Book value as at 30 09 2017	Fair value as at 30 09 2017	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Value-relevance	Other	Value-relevance	Other
UCITS	Financial assets held for trading	Financial assets available for sale	-	-	-	(0.4)	-	(0.2)
Debt securities	Financial assets held for trading	Loans to bank	42.1	40.5	(1.0)	0.9	-	1.0
Debt securities	Financial assets held for trading	Loans to customers	108.0	86.3	(42.2)	2.7	(0.3)	2.2
Debt securities	Financial assets available for sale	Loans to bank	643.5	526.2	(0.2)	(30.6)	(0.2)	(30.3)
Debt securities	Financial assets available for sale	Loans to customers	197.2	175.6	(2.4)	4.3	(0.3)	4.1
Total			**990.8**	**828.6**	**(45.8)**	**(23.1)**	**(0.8)**	**(23.2)**

In the course of 2008, the Group applied the amendment "Reclassification of financial assets", which was issued by the IASB to amend IAS 39 and IFRS 7 in October 2008 introducing the possibility of reclassifying portfolios in unusual circumstances such as the crisis that emerged in the markets in the second half of 2008. This table refers exclusively to financial instruments reclassified in 2008 on the basis of the above-mentioned amendment.

Interbank position

At the end of September 2017, the **net interbank position** of the Group stood at **EUR 8.7 bn** in funding, down by EUR 13.9 bn compared to the balance as at 31 December 2016. This trend can be attributed to the improvement in commercial liquidity (increase in direct funding and simultaneous reduction in loans) and government backed issues carried out in the first quarter of 2017, which made it possible to reduce exposure to the ECB. Please also note that, compared to 30 June 2017, deposits from banks were down, specifically in the repo segment.

Interbank balances

					Change Q/Q		Change 31.12		Change Y/Y	
	30/09/17	30/06/17	31/12/16	30/09/16	Abs.	%	Abs.	%	Abs.	%
Loans to banks	12,897.0	13,116.4	8,936.2	7,669.4	(219.4)	-1.7%	3,960.8	44.3%	5,227.6	68.2%
Deposits from banks	21,566.1	22,802.8	31,469.1	25,282.4	(1,236.7)	-5.4%	(9,903.0)	-31.5%	(3,716.3)	-14.7%
Net position	**(8,669.1)**	**(9,686.4)**	**(22,532.9)**	**(17,613.0)**	**1,017.3**	**-10.5%**	**13,863.8**	**-61.5%**	**8,943.9**	**-50.8%**

As at 30 September 2017 the operational liquidity position showed an **unencumbered Counterbalancing Capacity of roughly EUR 21.1 bn**, up significantly by EUR 14.2 bn and EUR 1.3 bn, compared with the same figures as at 31 December 2016 and as at 30 June 2017, essentially due to the phenomena described above in addition to the increase in cash deriving from the share capital increase only partially offset by the maturity/decrease of eligible assets.

Information on fair value

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Asset and liabilities measured at fair value	30 09 2017				31 12 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	6,269.2	3,830.4	2.1	10,101.7	4,525.2	4,741.0	-	9,266.2
Financial assets available for sale	14,656.8	349.3	295.2	15,301.3	15,981.6	359.5	322.0	16,663.1
Hedging derivative	-	160.4	-	160.4	-	327.3	-	327.3
Total assets	**20,926.0**	**4,340.1**	**297.3**	**25,563.4**	**20,506.8**	**5,427.8**	**322.0**	**26,256.6**
Financial liabilities held for trading	2,506.6	1,694.5	-	4,201.1	2,573.6	2,398.2	-	4,971.8
Financial liabilities designated at fair value	-	1,039.5	-	1,039.5	-	1,368.7	154.5	1,523.2
Hedging derivative	-	610.1	-	610.1	-	1,018.3	-	1,018.3
Total liabilities	**2,506.6**	**3,344.1**	**-**	**5,850.7**	**2,573.6**	**4,785.2**	**154.5**	**7,513.3**

The financial instruments measured at fair value and classified in level 3 of the hierarchy consist of instruments not listed in active markets, valued using the mark-to-model approach, for which input data include, inter alia, non-observable market data significant for measurement purposes or observable market data that require significant adjustment based on non-observable data, or that require internal assumptions and estimations of future cash flows.

During the first nine months of 2017, some bonds in the trading book registered a shift from fair value level 1 to fair value level 2 due to the deterioration in the liquidity conditions (measured in terms of the bid-ask spread of the listed price), in the total amount of approx. EUR 15.9 mln. The changed liquidity conditions allowed this level transfer in accordance with the Group's policy on the valuation of financial instruments.

With respect to the financial instruments that improved from fair value level 2 to level 1, this trend involved several bonds in the trading book for a total of approx. EUR 78.4 mln. The improvement in the liquidity conditions (measured in terms of bid-ask spread of the listed price) was such so as to allow for this level transfer in accordance with the Group's policy on the valuation of financial instruments.

As for OTC derivatives, in compliance with IFRS 13 the MPS Group calculates adjustments to values, obtained through valuation models using risk-free interest rates, to take account of the creditworthiness of the individual counterparties. This adjustment, known as Credit Value Adjustment (CVA), is estimated for all positions in OTC derivatives with non-collateralized institutional and commercial counterparties and with counterparties having a Credit Support Annex (CSA) not in line with market standards.

The methodology is based on the calculation of expected operational loss linked to counterparty rating and estimated on a position's duration. The exposure includes future credit variations represented by add-ons.

Market-consistent probability measurements are employed in the calculation of CVAs in order to gauge market expectations resulting from CDS, also taking into consideration the historical information available within the Group. As at 30 September 2017 the CVA had a negative balance of approx. EUR 53.7 mln.

The Group calculates the value adjustment of OTC derivatives in a mirror image fashion and on the same perimeter to take into account its creditworthiness, Debit Value Adjustment (DVA). As at 30 September 2017 the DVA is positive and amounts to a total of EUR 6.6 mln.

Changes of financial assets designated at fair value on a recurring basis (level 3)

30 09 2017

	Financial assets held for trading	Financial assets available for sale
1. Opening balance	**-**	**322.0**
2. Increases	**2.1**	**47.0**
2.1 Purchase	-	33.1
2.2 Profit posted to:	-	0.7
2.2.1 Profit and Loss	-	-
- of which capital gains	-	-
2.2.2 Equity	X	0.7
2.3 Transfers from other levels	2.1	2.1
2.4 Other increases	-	11.1
3. Decreases	**-**	**73.8**
3.1 Sales	-	1.0
3.2 Redemptions	-	0.4
3.3 Losses posted to:	-	43.5
3.3.1 Profit and Loss	-	41.2
- of which capital losses	-	40.8
3.3.2 Equity	X	2.3
3.4 Transfers to other levels	-	-
3.5 Other decreases	-	28.9
4. Closing balance	**2.1**	**295.2**

During the first nine months of the year, the item "Transfers from other levels" also includes a reclassification of approx. EUR 1.1 mln in Equity Securities and EUR 3.1 mln in Debt Securities from level 2 to level 3, which were valued using valuation techniques that are not market oriented, but are based on other non-market values, according to what is set forth on the matter in the internal policy.

Changes in financial liabilities designated at fair value on a recurring basis (level 3)

30 09 2017

	Financial liabilities designated at fair value
1. Opening balance	**154.5**
2.Increases	**-**
2.1 Issues	-
2.2 Losses posted to	-
2.2.1 Profit and Loss	-
- of which capital losses	-
2.2.2 Equity	-
2.3 Transfers from other levels	-
2.4 Other increases	-
3. Decreases	**154.5**
3.1 Redemptions	154.5
3.2 Repurchases	-
3.3 Profit posted to:	-
3.3.1 Profit and Loss	-
- of which capital gains	-
3.3.2 Equity	-
3.4 Transfers from other levels	-
3.5 Other decreases	-
4. Closing balance	**-**

The balance of sub-item “3.1 - Redemptions” refers to the conversion of AT1 financial instruments as part of the burden sharing transaction.

The Group did not generate day one profit/loss from financial instruments pursuant to paragraph 28 of IFRS 7 and other related IAS/IFRS paragraphs.

Fair value level 2: measurement techniques and inputs used

Items	Fair value 30 09 2016						Type	Valuation technique(s)	Inputs used
	Financial assets held for trading	Financial assets available for sale	Hedging deivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging deivatives			
Debt securities	512.1	207.3	X	-	1,039.5	X	Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
							Structured bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves + inputs necessary to measure optional component
							Bonds	Market price	Market price*
Equity instruments	-	10.7	X	X	X	X	Share/Equity Instruments	Market price	Market price, recent transactions, appraisals, manager reports
							Equity Instruments	Discount cash flow	Share price, beta sector, free risk rate
							Equity Instruments	Net asset adjusted	Carring Amount Asset/Liabilities
Units of UCITS	-	131.3	X	X	X	X	Funds/ PE	Market price*	Market price*; recent transactions, appraisals, manager reports
Deposits	X	X	X	4.9	-	X	Uncovered short positions	Market price, Inerest rate curve, CDS curve	Market price, Comparable approach
Financial Derivatives	3,303.3	-	160.4	1,655.4	X	610.1	IR/Asset/Currency Swaps	Discounted Cash Flow	Interest rate curve, CDS Curve, Basi(yield), Inflation Curve, Foreign exchange rates and correlation
							Equity swaps	Discounted Cash Flow	Share price, Interest rate curve, Foreign exchange rates
							Forex Singlename Plain	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility
							Forex Singlename Exotic	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility (Surface)
							Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, Foreing exchange rates, Equity volatility
							Equity Singlename Exotic	Option Pricing Model	Interest rate curve, Share price, Foreing exchange rates, Equity volatility (surface), Model inputs
							Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto Correlation, Equity/Equity Correlation
							Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs, Quanto Correlation, Equity/Equity Correlation
							Plain Rate	Option Pricing Model	Interest rate curve, inflation curves, bond prices ,foreign exchange rates, Rate volatility, Rate correlations
							Spot-Forward	Market price*	Market price*, Swap Point
Credit Derivatives							Default swaps	Discounted Cash Flow	CDS curves, Interest rate curve
Total assets	3,830.3	349.3	160.4	X	X	X			
Total liabilities	X	X	X	1,694.5	1,039.5	610.1			

*prices for identical financial instruments listed in non-active markets (IFRS 13 par. 82 lett. b)

Fair value level 3: measurement techniques and inputs used

Items	Fair value 30 09 2017		Type	Valuation techinque(s)	Unobservable inputs	Range (weighted average)
	Financial assets held for trading	Financial assets available for sale				
Debt securities	2.1	-	Bonds	Discounted Cash Flow	Yield	7%-14%
	-	9.3	Financial Instrument	Credit Model	Future cash flows	8.5 €/mln
Equity instruments	-	269.3	Investments	Discounted Cash Flow	Liquidity base/ Equity Risk Premium/Beta	20%/8%/0.4
			Investments	Cost/Net equity	Fair value asst	0-12.3 €/mln
			Convertible bonds	Credit Model	Fair value asset	22.1 €/mln
Units of UCITS	-	16.6	Side Pocket	External Pricing	NAV	0-5.3 €/mln
			Closed-end Fund	Cost	Fair value asset	3.9-4.9 €/mln
Total Assets	2.1	295.2				
Total liabilities	X	X				

A description of Level 3 instruments that show significant sensitivity to changes in unobservable inputs is provided below.

Within "Financial assets available for sale", the category "Debt securities" includes equity instruments distributed to creditors as part of loan restructuring operations. In the valuation of securities, assumptions were made regarding the future cash flows generated by the issuer; this parameter was considered not observable and has an impact on the sensitivity of EUR 8.5 mln.

The category of Bonds measured with the Discounted Cash Flow method, placed in the amount of EUR 0.9 mln in "Financial assets available for sale" and EUR 0.25 mln in "Financial assets held for trading", the unobservable parameter is the overall return on the security. For each percentage point of return, the change in value can be estimated at EUR 0.03 mln.

The category of Bonds measured with the Discounted Cash Flow method within "*Financial assets held for trading*", in addition to the position described above, also includes other securities (totalling EUR 1.7 mln) for which the overall return cannot be measured using market references. For these securities, for each percentage point of return the change in value can be estimated at EUR 0.1 mln.

Equity securities valued according to the Credit Model method include essentially the convertible bond issued by Sorgenia S.p.A. following the restructuring of its original debit position toward the Group. The bond is valued according to the credit models and the value obtained is not verifiable through market results and for this reason the sensitivity of this position is considered to be equal to the entire book value (EUR 22 mln).

Equity securities measured using the Discounted Cash Flow model mainly include the Bank of Italy shareholding (EUR 187.5 mln). The shareholding was measured with the methodology identified by the Committee of Experts in the document "Revaluation of shareholdings in the Bank of Italy". This document not only details the valuation techniques adopted to reach the end result, but identified in the market beta, in the equity risk premium and in the cash flow base to be used for cash flow discounting, the parameters on which to make entity specific assumptions. During valuation, the intervals of the possible values that can be assigned to these parameters cause the following changes in value: EUR -25 mln for every 100 bps increase in the equity risk premium, EUR -40 mln for every 10 percentage point increase in the market beta and EUR -27 mln for every 10 percentage point increase in the cash flow base.

The same category also includes the position in the Cassa di Risparmio di Cesena "Voluntary Scheme", although it has a carrying amount of zero, due to the full write-off of the asset.

Equity securities valued at cost/net equity include all investments designated at fair value that could not be measured according to a market-based model. These positions amount to EUR 60 mln.

The units of UCITS measured with External Pricing are Hedge Fund side pockets, whose price quotes by the asset management companies are deemed non-verifiable. For this reason, the sensitivity of these positions is considered to be equal to their entire book value (EUR 8 mln). This category also includes the shares held in the Atlante Fund for a net book value of EUR 3.9 mln, the valuation of which reflects what was disclosed by Quaestio Capital Management on 20 July, and is inclusive of the effects connected to the write-off of the two main equity investments in the fund's assets (BPVI and Veneto Banca).

The same category continues to include a position of EUR 5 mln in the "Rainbow" reserved closed-end real estate investment fund by way of "datio in solutum" as part of a loan restructuring operation.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

Financial asset/liabilities not measured at fair value or measured at fair value on a non - recurring basis	30 09 2017		31 12 2016	
	Book value	Total Fair value	Book value	Total Fair value
Loans to banks	12,897.0	12,780.8	8,936.2	8,809.9
Loans to customers	91,041.1	94,740.1	106,692.7	110,424.3
Property, plant and equipment held for investment	331.9	366.6	327.7	362.2
Non-current assets and groups of assets held for sale	4,892.3	4,859.3	60.7	19.0
Total	**109,162.3**	**112,746.8**	**116,017.3**	**119,615.4**
Deposits from banks	21,566.1	21,566.1	31,469.1	31,469.1
Deposits from customers	81,974.4	81,974.4	80,702.8	80,707.0
Debt securities issued	19,954.5	20,227.9	22,347.5	21,184.2
Liabilities associated to disposal groups held for sale	-	-	10.4	-
Total	**123,495.0**	**123,768.4**	**134,529.8**	**133,360.3**

For non-performing exposures classified in fair value hierarchy level 3, it is assumed that the book value represents a reasonable approximation of fair value. This assumption is based on the circumstance that the fair value calculation is significantly influenced by recovery expectations, as subjectively assessed by the manager; the discounting rate applied is that set forth in the contract, as the low liquidity and competition of the non-performing loans market does not make it possible to survey observable market premiums.

Likewise, the fair value of non-performing receivables, also mostly classified in level 3, is based on models that use predominantly non-observable inputs (e.g., internal risk parameters).

Therefore, and also due to the absence of a secondary market, the fair value recognised in the financial statements for disclosure purposes only could vary significantly from sale prices, without prejudice to the case in which such sales were already defined at the reporting date.

With reference to para. 93 lett. (i) of IFRS 13, the Group does not hold any non-financial assets designated at fair value on a recurring and non-recurring basis.

With reference to para. 96 of IFRS 13, the Group does not apply the portfolio exception provided for in para. 48 of IFRS 13.

Shareholders' equity

As at 30 September 2017, the **Group shareholders' equity and non-controlling interests** amounts to around **EUR 10.9 bn**, an improvement of approx. EUR 4.5 bn compared to the end of December 2016 and approx. EUR 7.9 bn compared to 30 June 2017. The quarterly trend is essentially linked to the effects of the precautionary recapitalisation and burden sharing. For more details, please refer to what is described at the end of the "Consolidated Statement of changes in equity – 30 September 2017".

Reclassified Consolidated Balance Sheet

	30/09/17	30/06/17	31/12/16	30/09/16	Chg Q/Q		Chg 31/12		Chg Y/Y	
Equity					**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**
Group net equity	10,944.5	3,047.7	6,425.4	8,745.6	7,896.8	n.s.	4,519.1	70.3%	2,198.9	25.1%
a) Valuation reserves	60.5	102.0	47.3	(24.7)	(41.5)	-40.7%	13.2	27.9%	85.2	n.s.
c) Equity instruments carried at equity	-	-	-	-	-		-		-	
d) Reserves	(1,494.4)	(1,177.4)	2,253.6	617.2	(317.0)	26.9%	(3,748.0)	-166.3%	(2,111.6)	n.s.
e) Share premium	-	-	-	-	-		-		-	
f) Share capital	15,692.8	7,365.7	7,365.7	9,001.8	8,327.1	n.s.	8,327.1	113.1%	6,691.0	74.3%
g) Treasury shares (-)	(313.7)	-	-	-	(313.7)		(313.7)		(313.7)	
h) Net profit (loss) for the period	(3,000.7)	(3,242.6)	(3,241.1)	(848.7)	241.9	-7.5%	240.4	-7.4%	(2,152.0)	n.s.
Non-controlling interests	2.2	2.2	34.9	26.5	-		(32.7)	-93.7%	(24.3)	-91.7%
Total Group Shareholder's Equity and Non-controlling interests	**10,946.7**	**3,049.9**	**6,460.3**	**8,772.1**	**7,896.8**	**n.s.**	**4,486.4**	**69.4%**	**2,174.6**	**24.8%**

Capital adequacy

Regulatory capital and requirements

On **19 June 2017** the ECB informed the Parent Company of the results of the Supervisory Review and Evaluation Process (SREP). In this document, the ECB ordered the Bank to maintain a Total SREP Capital Requirement ratio of 11% at consolidated level as of **1 January 2018**, which includes:

- a minimum Pillar 1 requirement of 8% and
- an additional Pillar 2 requirement of 3% (P2R), entirely in terms of Common Equity Tier 1 capital.

As a result, BMPS must meet the following requirements at consolidated level as of **1 January 2018**:

- CET1 Ratio of 9.44% on a transitional basis,
- Total Capital Ratio of 12.94% on a transitional basis including, aside from the P2R, 1.875% for the Capital Conservation Buffer and 0.0625% for the O-SII Buffer (Other Systemically Important Institutions Buffer).

The Capital Conservation Buffer and the O-SII Buffer will be fully implemented in 2019 with 2.5% and in 2021 with 0.25%.

Until **31 December 2017**, the CET1 threshold to be observed remains 10.75%, announced on 25 November 2015 with the previous SREP letter.

As at **30 September 2017** the Group's level of capital on a transitional basis was as shown in the following table:

Categories / Values	Values (mln of eur; %)		Chg. 31 12 2016	
	30 09 2017	31 12 2016	Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	9,599.4	5,353.4	4,246.0	79.31%
Tier 1 (T1)	9,599.4	5,353.4	4,246.0	79.31%
Tier 2 (T2)	129.2	1,463.9	(1,334.7)	-91.17%
Total capital (TC)	**9,728.6**	**6,817.3**	**2,911.3**	**42.71%**
RISK ASSETS				
Credit and Counterparty Risk	50,024.5	53,520.8	(3,496.3)	-6.53%
Credit valuation adjustment risk	351.1	479.5	(128.5)	-26.79%
Market risks	3,593.7	3,045.6	548.1	18.00%
Operational risk	9,320.5	8,475.8	844.7	9.97%
Risk-weighted assets	**63,289.7**	**65,521.7**	**(2,232.0)**	**-3.41%**
CAPITAL RATIOS				
CET1 capital ratio	**15.17%**	**8.17%**	**7.00%**	
Tier1 capital ratio	**15.17%**	**8.17%**	**7.00%**	
Total capital ratio	**15.37%**	**10.40%**	**4.97%**	

Compared to **31 December 2016**, the CET1 rose by a total of EUR 4,246 mln, due to:

- the positive effects linked to the finalisation of the burden sharing transaction and the precautionary recapitalisation by the MEF;
- the loss for the period inclusive of impairment losses on loans in the NPL portfolio being transferred;

- the increase in the phasing-in percentages and the effects connected to changes in DTAs.

The Total Capital reflects growth of EUR 2,911 mln, lower than CET1 and T1, as the subordinated AT1 and T2 securities were converted into ordinary shares, thus eliminating their regulatory contribution to capital.

There was an overall reduction in RWAs (roughly EUR -2,232 mln) mainly as a result of the decline in “credit and counterparty risk” due to the performance of the customer loan portfolio and the transformation of transformable DTAs into tax credits; these impacts are partially offset by the greater contribution of RWAs from capital due to the increase in CET1 exemptions and the increase in operational and market risks.

Therefore, the regulatory ratios are up.

As at 30 September 2017, the prudential treatment of FRESH 2008 was not amended. However, two communications were sent: i) one to JP Morgan with regard to the implementation of Decree 237, moreover specifying that both the usufruct agreement and the company swap agreement were deemed terminated and ii) the other to JP Morgan and Mitsubishi with reference to the capital deficiency event, reported in the financial report as at 30 June 2017 in which the Group’s capital ratios were lower than the minimum levels set forth in art. 92 of the CRR. In addition, discussions began with the Supervisory Authorities with respect to the relevant and ensuing regulatory aspects.

Moreover, the Bank may record an increase in RWAs - if the EBA guidelines relating to estimating PD and LGD and the treatment of exposures in default for which the EBA initiated the consultation period on 14 November 2016 are approved in accordance with the same terms set forth during the consultation. Indeed, in this case, the Bank could record an increase in RWAs relating to non-performing exposures as non-performing loans included within the AIRB scope do not currently contribute to the calculation of RWAs.

Disclosure on risks

Risk Governance

Risk governance strategies are defined in line with the Group business model, medium-term Restructuring Plan objectives and external regulatory and legal requirements.

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the Board of Directors of the Parent Company. Specifically, the Board of Directors periodically defines and approves strategic risk management guidelines and quantitatively expresses the Group's overall risk appetite, in line with the annual budget and multi-year projections.

For the year 2017, the Board of Directors of Banca Monte Paschi di Siena S.p.A. approved the "Group Risk Appetite Statement 2017" (RAS 2017) for the Montepaschi Group and its breakdown by Legal Entity/Business Unit. The Risk Control Department is specifically assigned the task of conducting the quarterly monitoring of indicators, drawing up a periodic report for the Board of Directors and implementing the escalation/authorisation processes in the event of overdrawn amounts.

The Risk Appetite Process is structured so as to ensure consistency with the ICAAP and ILAAP as well as with Planning, Budget and Recovery processes, in terms of governance, roles, responsibilities, metrics, stress testing methods and monitoring of key risk indicators.

During the period, internal initiatives continued to guarantee compliance with national and international regulatory provisions. The reference internal regulations were updated for the management of Banking Book Interest Rate Risk, Credit Risk, Market Risk, the ICAAP and for Internal Validation.

In addition, the ICAAP and ILAAP packages were sent to the Regulator in accordance with the ECB's regulatory prescriptions regarding the "Technical implementation of the EBA Guidelines on ICAAP/ILAAP information for SREP Purposes".

The Montepaschi Group is one of the Italian banks subject to the ECB's Single Supervisory Mechanism. In the first nine months of 2017, the Group has continued to actively support interaction with the ECB-Bank of Italy Joint Supervisory Team (JST).

For additional information, see the Consolidated Report on Operations as at 31 December 2016, available in the Investors & Research section at www.mps.it.

Internal Capital

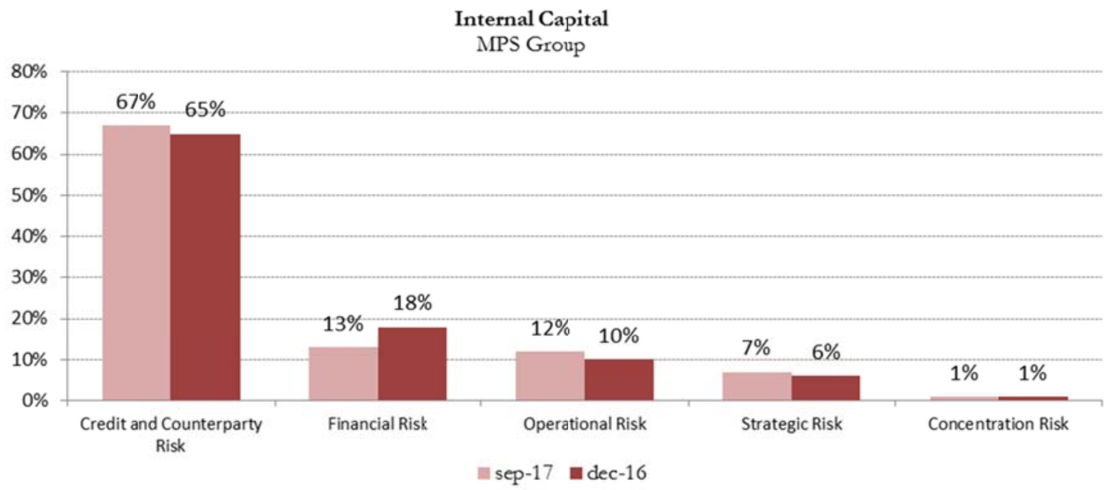
Risk assessment models

The Internal Capital is the minimum amount of capital resources required to cover economic losses resulting from unforeseen events caused by exposure to different types of risk.

With regard to the methods used to estimate Internal Capital, with respect to what was highlighted in the Notes to the 2016 Consolidated Financial Statements, there are some methodological changes in the internal models used to estimate Internal Capital with regard to Interest Rate Risk of the Banking Book and Operational Risk, described below. The approach used to quantify risks-to-capital with regard to which the Group is exposed is known in the literature as Pillar 1 Plus. This approach envisages that the Pillar 1 requirements for Credit and Counterparty Risk, which already include those relating to Issuer Risk on the Banking Book, Equity Investment Risk, Real Estate Risk and Operational Risk, be increased by the requirements from internal models relating to Market Risks, both Trading Book and Banking Book, Banking Book Interest Rate Risk (Financial Risks), Concentration Risk and Business/Strategic Risk.

Overall Internal Capital is calculated without considering inter-risk diversification, therefore by directly adding together the internal capital contributions of the individual risks (Building Block). This approach aims to incorporate the indications in the SREP (Supervisory Review and Evaluation Process) Guidelines published by the EBA in December 2014.

Risk exposure



The Group also manages and quantifies liquidity risk on an ongoing basis (risk-to-liquidity, as defined in the SREP Guidelines) through internal organisational methodologies and policies.

Credit risks

Risk assessment model

With regard to the Credit Risk measurement method, there are no significant methodological changes to report compared to what was already outlined in the 2016 Notes to the Consolidated Financial Statements. Credit risk is analysed in-house for management purposes using the Credit Portfolio Model, which was developed internally by the Parent Company and produces detailed outputs in the form of traditional risk measures such as Expected Loss, Unexpected Loss, both management (intra-risk diversified with a representative period of one year and a confidence interval calibrated to the target rating assigned to the Group) and regulatory. Several inputs are considered: probability of default (PD), obtained through validated and non-validated models, LGD rates (management and regulatory), number and types of guarantees supporting the individual credit facilities, regulatory and management CCF on the basis of which the regulatory and management EAD are estimated respectively.

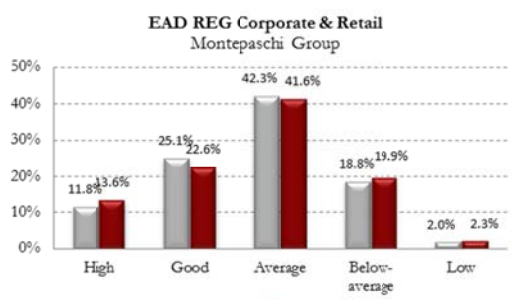
The Group is currently authorised to use the Advanced Internal Rating Based (AIRB) models to determine capital requirements against credit risk on the portfolios of "exposures to businesses" and "retail exposures" of Banca Monte dei Paschi di Siena, MPS Capital Services and MPS Leasing & Factoring, and is awaiting validation of the EAD parameter and roll-out of the domestic NBFI portfolio for these counterparties.

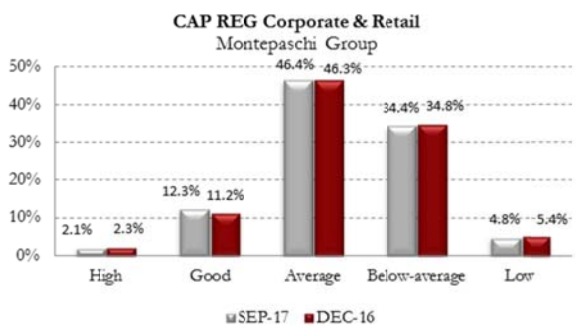
The Group has used PD, LGD and EAD parameters, estimated for regulatory purposes to calculate Risk Weighted Assets, also for other operational and internal management purposes. These provide the basis of calculation for different systems of measurement and monitoring, and specifically for the:

- measurement of economic and regulatory capital for credit risk;
- calculation of risk-adjusted performance and measurement of value creation;
- risk-adjusted pricing processes;
- credit direction processes;
- across all credit processes (disbursement, review, management and follow-up) which are fully "engineered" in the Electronic Loan File application (it. Pratica Elettronica di Fido or PEF), under which the borrower's rating is the result of a process which evaluates - in a transparent, structured and consistent manner - all the economic-financial, behavioural and qualitative information regarding customers with whom the bank has credit risk exposures.

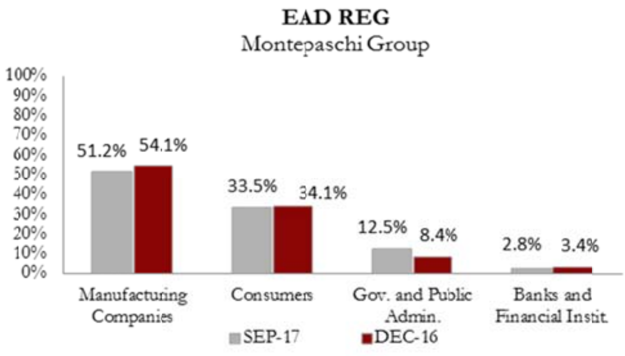
Risk exposure

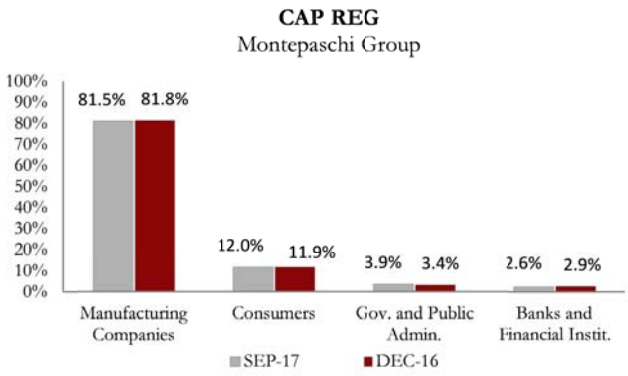
The charts below provide a credit quality breakdown of the Montepaschi Group's portfolio (BMPS, MPS Capital Services, MPS L&F and Widiba) as at 30 September 2017 compared to the end of 2016 for Regulatory Exposure at Default (REG EAD) and Regulatory Capital (REG CAP) of the performing Corporate and Retail portfolios.





The charts below show the distribution of the Montepaschi Group's REG EAD and REG CAP by type of client as at 30 September 2017 compared to the end of 2016.





Counterparty risk

Risk assessment model

With regard to the Counterparty Risk measurement methods, there are no significant changes to report compared to 2016.

- As envisaged by the regulatory provisions, in measuring exposure to counterparty risk the MPS Group used the regulatory market value approach to determine Exposure at Default (EAD) for derivative transactions and LST (Long Settlement Transactions), and the equity approach to determine the EAD for SFTs (Securities Financing Transactions).
- The counterparty risk measurement perimeter comprises all Group banks and subsidiaries, with regard to positions held in the Banking Book and Trading Book.
- The capital requirement for Credit Value Adjustment (CVA) along with the insolvency requirement covers unforeseen losses recorded in the OTC Derivatives segment following a change in counterparty creditworthiness, excluding central counterparties and non-financial counterparties below the EMIR clearing threshold. The MPS Group calculates the CVA requirement using the standardised method envisaged by the Basel/CRD IV regulatory framework.

Exposure to sovereign debt risk

Below are the sovereign credit risk exposures in government bonds, loans and credit derivatives held by the Group as at 30 September 2017 pursuant to the criteria of the *European Securities and Markets Authority (ESMA).*

The exposures are broken down by accounting categories. For securities classified as 'Loans and Receivables (L&R)' and "Loans", the book value (amortised cost) is also reported.

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets held for trading		Financial assets available for sale		L&R	L&R	Financial assets HFT
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentine	0.9	0.8	-	-	-	-	-
Austria	0.1	0.1	-	-	-	-	-
Belgium	0.1	0.1	47.3	49.4	-	-	-
Brazil	0.1	0.2	-	-	-	-	-
Canada	0.3	0.3	-	-	-	-	-
Croatia	0.2	0.2	-	-	-	-	-
Philippines	0.1	0.1	-	-	-	-	-
France	0.3	0.3	409.5	418.8	-	-	18.0
Germany	(4.8)	(3.3)	-	-	-	-	-
Hong kong	-	-	27.1	27.1	-	-	-
Italy	3,343.8	3,307.5	12,923.8	13,440.7	504.5	2,551.8	1,753.1
Lithuania	0.2	0.2	9.0	9.4	-	-	-
Holland	0.2	0.3	-	-	-	-	-
Poland	0.7	0.8	-	-	-	-	-
Portugal	0.3	0.3	16.0	18.5	-	-	-
United Kingdom	0.2	0.2	-	-	-	-	-
Romania	0.8	0.9	-	-	-	-	-
Spain	1.7	1.9	42.0	48.0	-	-	(3.2)
United States	1.5	1.5	-	-	-	-	-
Hungary	0.8	1.0	-	-	-	-	-
Total 30 09 2017	**3,347.5**	**3,313.4**	**13,474.7**	**14,011.9**	**504.5**	**2,551.8**	**1,767.9**
Total 31 12 2016	**1,672.3**	**1,553.8**	**14,020.9**	**15,416.0**	**534.0**	**2,747.1**	**2,063.0**

Market risks

Risk assessment model

With regard to the Market Risk measurement method for the Regulatory Trading Book, there are no significant changes in method to report compared to what was outlined in the Notes to the 2016 Consolidated Financial Statements. The analysis is performed using an internally developed management model, which has the following key characteristics:

- Model type: Value-at-Risk (VaR) Historical Simulation with full revaluation of all basic positions;
- Confidence level: 99%;
- Holding period: 1 business day;
- Historical series: window of 500 days with daily scrolling;
- Scope: Parent Company, MPS Capital Services;
- Risk measures: Diversified VaR, Conditional/Marginal VaR on individual risk factors, Mark-to-Market and Sensitivity Analysis, Stress Test & Scenario Analysis, and Theoretical and Actual Backtesting.

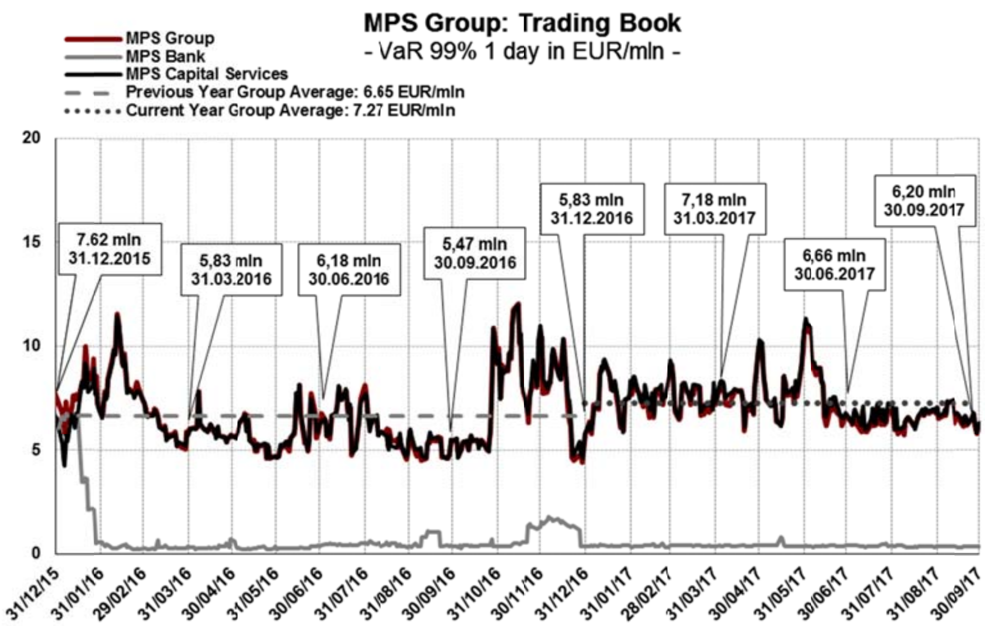
Internal Capital for Market Risk is also measured with regard to the Regulatory Trading Book and the Banking Book (positions classified as AFS and relative coverage through FVH, appropriately adjusted and streamlined in the risk integration phase).

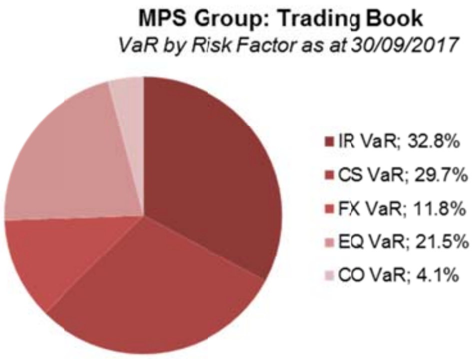
For Supervisory purposes, the Group uses the standard methodology.

Risk exposure

At the end of the third quarter of 2017, the market risks of the Group's Regulatory Trading Book, measured as VaR, trended slightly downward compared to the end of June 2017, amounting to EUR 6.20 mln.

In the third quarter of the year, the market risks of the Group's Regulatory Trading Book showed, in terms of VaR, performance influenced mainly by the changes recorded in the market parameters and the trading activities of the subsidiary MPS Capital Services (primarily in the IR segment, Long Futures and Interest Rate Future Options, and to a less significant extent in the EQ segment, Equity Futures and Equity Options).



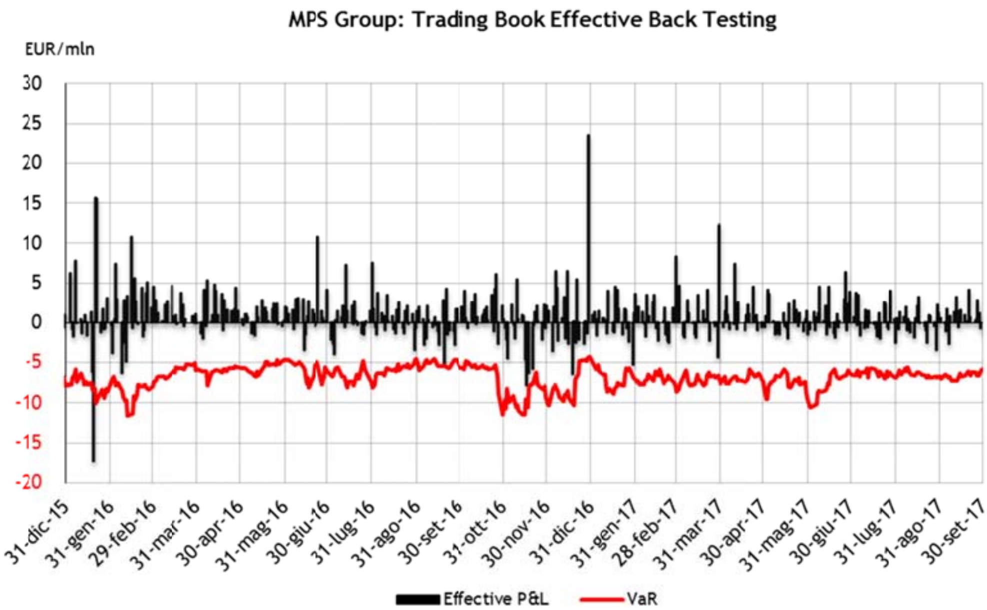


MPS Group: Trading Book
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	6.20	30/09/2017
Min	5.76	08/08/2017
Max	11.06	01/06/2017
Average	7.27	

VaR model backtesting

The chart below shows the Actual Backtesting results of the internal Market Risks model in relation to the Group's Regulatory Trading Book for 2016 and for the first nine months of 2017:



The backtesting shows no exceptions in the third quarter of 2017.

Credit structured products

As at 30 September 2017, the securities positions on structured credit products of the Montepaschi Group amounted to a nominal amount of EUR 171.2 mln (compared to a nominal EUR 97.6 mln as at 31 December 2016).

Interest rate risk in the Banking Book

Risk assessment model

With respect to the methodologies for measuring Interest Rate Risk, with respect to what was already highlighted in the Notes to the 2016 Consolidated Financial Statements, the Group extended the assessment of the risk profile also considering rate scenarios and negative interest rate levels so as to incorporate non-linear aspects deriving from the implicit options present in the banking book.

The main features of the model are summarised below:

- Model type: Internal management model based on the Economic Value approach and the Net interest income.
- Risk measures: Economic Value of Equity Sensitivity, NII sensitivity, NII Stress Test.
- Behavioural models: handling of prepayment risk and modelling of demand items.
- Scope: Parent Company, MPS Capital Services, MPS L&F, Widiba, and MP Belgio.

Risk exposure

The Group's positioning at the end of September 2017 in terms of exposure to interest rate risk of the banking book is of the asset sensitive type with respect to the Economic Value as well as the Net interest income. Indeed, at the end of September 2017, the Group's sensitivity features a profile of risk exposure due to a rate reduction; the amount of economic value at risk in the event of a -100 bp parallel shift of the rate curve came to EUR -190.68 mln at the end of September 2017 (vs. EUR 222.15 mln for a shift of +100 bps), different than the liability sensitive positioning at the end of 2016 (EUR -216.44 mln for a shift of +100 bps). However, if benchmarked against Own Funds, these values are below the level considered as the attention threshold by the regulatory provisions.

Strategic risk

Risk assessment model

With regard to the internal model used to estimate the business/strategic risk, defined as the current and/or prospective risk of incurring unforeseen losses generated by high business volatility (business risk), incorrect strategic decisions and/or low response to changes in the competitive environment (strategic risk), the MPS Group has introduced a Value-at-Risk type of measurement method for the internal capital requirement that combines an "earnings volatility" approach with an "expert-layer" assessment. The requirement is calculated on a current as well as prospective basis and in normal business conditions as well as stressed conditions.

This approach considers historic business margin volatility (earnings volatility approach), calculated for the Group and for the main legal entities, considering the following profit and loss items: net interest income, net fee and commission income, other administrative expenses, personnel expenses.

The Value-at-Risk approach used envisages the following methodological assumptions:

- normal distribution of business margin percentage variations;
- confidence interval of 99.9%;
- holding period: 1 year.

To estimate the internal capital requirement even under stressed conditions, the Group verifies the adequacy of the measurement obtained with the Value-at-Risk approach, measuring the profit and loss impacts of any failure of specific assumptions included in the Business Plan.

Risk exposure

As at 30 September 2017, the internal capital requirement for the MPS Group with regard to business/strategic risk was essentially unchanged compared to the same figure recorded as at 31 December 2016.

Concentration risk

Risk assessment model

The Group, in accordance with Article 81 of Directive 2013/36/EU (CRD IV), defines Concentration Risk as the risk of incurring significant losses from exposure to counterparties, groups of related counterparties and counterparties of the same business sector or conducting the same business or belonging to the same geographical area.

Concentration Risk may therefore arise in relation to two different components:

- concentration by individual borrower or groups of connected borrowers (single name concentration),
- geo-sectoral concentration (sector concentration).

As a method to calculate the internal capital requirement against single name concentration risk, the simplified algorithm recommended by the applicable Italian regulation is used (Bank of Italy circular no. 285/2013).

With regard to the geo-sectoral risk estimate, reference is made to the method proposed by the ABI Concentration Risk Laboratory.

Risk exposure

As at 30 September 2017, the internal capital requirement for the MPS Group with regard to concentration risk was essentially unchanged compared to 31 December 2016.

Liquidity risk

Risk assessment model

With regard to the Liquidity Risk measurement method, there are no significant methodological changes to report compared to what was outlined in the 2016 Notes to the Consolidated Financial Statements. As part of the broader Internal Liquidity Adequacy Assessment Process (ILAAP), the Group has used a **Liquidity Risk Framework** for many years now, intended as the set of tools, methodologies, organisational and governance setups which ensures both compliance with national and international regulations and adequate liquidity risk governance in the short (Operating Liquidity) and medium/long (Structural Liquidity) term, under business as usual and stress conditions.

Management of the Group's **Operating Liquidity** is intended to ensure the Group is in a position to meet cash payment obligations in the short term. The essential condition for a normal course of business in banking is the maintenance of a sustainable imbalance between cash inflows and outflows in the short term. The benchmark metric in this respect is the difference between net cumulative cash flows and Counterbalancing Capacity, i.e. reserve of liquidity in response to stress conditions over a short time horizon. From the extremely short-term perspective, the Group adopts a system for the analysis and monitoring of intraday liquidity, with the goal of ensuring normal development during the day of the bank's treasury and its capacity to meet its intraday payment commitments.

Management of the Group's **Structural Liquidity** is intended to ensure the structural financial balance by maturity buckets over a time horizon of more than one year, both at Group and individual company level. Maintenance of an adequate dynamic ratio between medium/long term assets and liabilities is aimed at preventing current and prospective short-term funding sources from being under pressure. The benchmark metrics, mitigated by specific internal operating limits, are gap ratios which measure both the ratio of total funding to loans with maturities differentiated by time buckets and the ratio of commercial funding to loans regardless of their maturities. The Group also defined and formalised the asset encumbrance management and monitoring framework with the goal of analysing:

- the overall degree of encumbrance of total assets;
- the existence of a sufficient quantity of assets that may be encumbered but which are free, with respect to what is defined in the liquidity risk tolerance;
- the Group's capacity to transform bank assets into eligible assets (or in an equivalent manner, to encumber non-eligible assets in bilateral transactions).

Risk exposure

The Group's Liquidity Reserves at the end of September improved compared to the end of 2016, with the Liquidity Coverage Ratio (LCR) at 233.6%. The Group's structural equilibrium was adequate with a Net Stable Funding Ratio (NSFR) of 106.8%.

The ratio of 1-month balance to the Group's consolidated assets is 13.51%, up compared to the end of 2016 (4.36%).

Operational risks

Risk assessment model

The Group has an advanced internal system for operational risk management, which has the following key characteristics:

- Model type: Advanced Measurement Approach (AMA) in combined use AMA/BIA (Basic Indicator Approach). Mixed LDA/Scenario approach with Loss Distribution Approach (LDA) on internal and external historical series and Scenario Analyses (management evaluations of contextual and control factors and on the main operational criticalities);
- Confidence level: 99.90%;
- Holding period: 1 year;
- Scope: all Group companies;
- Risk measures: operating losses and capital absorption.

The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

As of 30 September 2017, the Advanced Measurement Model was changed to increase the historical depth of internal loss data from 5 to 10 years and to introduce the scaling of external data in order to discourage unexpected requirement fluctuations.

Risk exposure

As at 30 September 2017, operational losses recognised in the first nine months of the year remained basically stable as compared to December 2016, while operational risk events declined. The Regulatory Requirements as at 30 September 2017 rose slightly compared to December 2016 essentially due to evolutions in the model.

Main types of legal action

The risks associated with or connected to legal disputes – i.e. disputes brought before judicial authorities and arbitrators – are kept under specific and careful review by the Group.

In case of disputes for which the disbursement of financial resources to perform the underlying legal obligation is believed to be "likely" and the relevant amount can be reliably estimated, allocations are made to the Reserve for Risks and Charges using statistical or analytical criteria.

For the most significant disputes, see the disclosure in the 2016 Financial Statements for any cases not illustrated below.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of SNIA S.p.A.
The action, brought by the Extraordinary Administrators of SNIA S.p.A. against the former Directors, Statutory Auditors and (direct and indirect) Shareholders of the same company (including Parent Company Banca MPS), seeks the assessment of the defendants' liabilities for damages, originally not quantified, allegedly caused to the company. The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Bank and other appearing parties are concerned, pivot around the company's demerger in 2003. The relief sought against the Parent Company and other defendants, which originally could not be determined, was (partially) specified during the claim quantification stage and amounts to EUR 572.0 mln plus additional alleged damages, still undetermined.

The Ministry of the Environment and for Protection of the Land and Sea and the Ministry of Economy and Finance intervened in the dispute, to support the claims of the plaintiff (regarding the alleged environmental damage).

With regard to the claims for compensation against the Parent Company, jointly and severally – among others – the direct shareholder and the other "indirect shareholders" of SNIA, the defence focused, apart from the expired statute of limitations, on the groundlessness of the factual and legal elements that could warrant compensation for the alleged damages, with regard to the alleged damage from the so-called distractive demerger (quantified at "*Euro 572,000,000.00 or Euro 388,000,000.00, or other amount to be quantified during the dispute also on an equitable basis pursuant to Art. 1226 of the Italian civil code*") as well as to the alleged environmental damage (confirmed and reported by the Ministry of the Environment, against SNIA and its subsidiary Caffaro, for "*Euro 3,423,257,403.60*" and "*Euro 1,922,070.00*") regarding Caffaro's various production sites in Torviscosa (near the Grado and Marano lagoon), Brescia and Colleferro (within the Sacco River Valley).

With ruling no. 1795/2016 of 10 February 2016, the Court of Milan, having declared - among other things - the inadmissibility of the measures by the Ministries of the Environment and of the Economy, rejected the claims of the Extraordinary Administrators against the various parties, including the Parent Company, ordering the plaintiff to pay for the court costs.

With separate appeals, the Ministries on the one hand and the Extraordinary Administrators on the other filed an appeal against the first instance ruling, repeating the grounds for the appeal and the arguments already expressed before the Court.

During the hearing of 4 October 2016, the Court of Appeals of Milan ordered that the appeals be consolidated, reserving its decision on the petition to suspend execution of the judgment of first instance. On 21 October 2016, the Court lifted its reservation and suspended execution of the judgment appealed against. The proceedings were deferred to 20 June 2018 for the closing arguments.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of Antonio Merloni S.p.A.

The extraordinary administration procedure of Antonio Merloni S.p.A. brought an action against the Directors and Statutory Auditors of the company, together with the pool of lenders and the companies that audited the financial statements, claiming that they are jointly responsible for causing the company's financial difficulties and requesting compensation for alleged damages of EUR 322.8 mln.

The Parent Company's defence aims to demonstrate the total groundlessness of the claim, the extraordinary administrators' lack of interest and legitimacy to bring the action, and the fact that the cause of action is past the statute of limitations.

The proceeding is still in the initial stage.

As at the date of this interim financial report, a settlement agreement has been defined, envisaging, among other things, dismissal of the action by the Extraordinary Administrators. No economic impacts are expected. The formalisation of the relative procedural obligations is currently being completed.

Banca Monte dei Paschi di Siena S.p.a. vs. Fatrotek

The action was brought by the company Fatrotek against the Parent Company (and other credit institutions); the plaintiff asks the Court to recognise the alleged unlawfulness by the Parent Company and the other banks of reporting doubtful loans to the Central Credit Bureau, and claim monetary and non-monetary damages suffered by the company amounting to EUR 157.1 mln.
The plaintiff also asks that the defendant banks be found jointly liable, each proportionately to the seriousness of its behaviour. The Parent Company's defence was based on the fact that the company's extremely severe financial situation fully justified the Parent Company's initiatives.
The proceeding is under preliminary investigation and the Judge, after ordering the renewal of the court-appointed expert witness, also reserved the right to allow the parties to assess possible settlements.

Banca Monte dei Paschi di Siena S.p.A. vs. Fallimento Medeghini Spa in liquidation

In 2012, Fallimento Medeghini S.p.A. in liquidation served a complaint on Banca MPS charging it with an alleged unlawful behaviour, in contract and in tort, in relation to accounting movements between the company, which subsequently went bankrupt, and other companies (controlled by the Medeghini family), at the time of a capital increase by Medeghini S.p.A. The claim amounts to EUR 155.0 mln.
The Bank's defence was based on various considerations in fact and in law, and was aimed at demonstrating the absolute groundlessness of the claims brought by the bankruptcy procedure due to total lack of a causal link between management acts that led to the default and the Parent Company's conduct.
During the technical appraisal ordered by the Court, the opposite party's demands that a link of causality be recognised between the capital increase and the subsequent transactions that worsened the company's financial difficulties - in which the Bank acted as a mere executor - were repeatedly and effectively rebutted by the Parent Company's expert witness.
During the appraisal, the Court-appointed expert witness accepted almost entirely the arguments of the defendant Parent Company, and in any case the plaintiff's claim, as formulated, appears to be groundless in terms of damages to be awarded, as no damage has been suffered.
The case was officially deferred to 8 March 2018 for closing arguments.

Banca Monte dei Paschi di Siena S.p.A. vs. Riscossione Sicilia S.p.A.

On 15 July 2016, Riscossione Sicilia S.p.A. served a complaint on the Parent Company before the Court of Palermo, asking the Court to order it to pay a total amount of EUR 106.8 mln.

The claim of Riscossione Sicilia S.p.A. falls within the realm of the complex dealings between the Parent Company and the plaintiff, originated from the transfer to Riscossione Sicilia S.p.A. (pursuant to Law Decree 203/05, converted into Law 248/05) of the stake held by Banca MPS in Monte Paschi Serit S.p.A. (later Serit Sicilia S.p.A.).

Specifically, Riscossione Sicilia, in relation to the contractual provisions involved in said disposal, now asks the Parent Company be ordered to pay, under its contractual liability, for alleged contingent liabilities of Monte Paschi Serit S.p.A./Serit Sicilia S.p.A.

The Parent Company duly appeared before the court with a cross-action against Riscossione Sicilia S.p.A. The proceeding is under preliminary investigation. The next hearing is set for 12 February 2018 for the admission of preliminary evidence.

With an action filed on 30 November 2016, the Parent Company petitioned the Court of Palermo to order Riscossione Sicilia to immediately pay EUR 40.0 mln, plus interest and expenses, due to the non-repayment by the party subject to the order of several past-due instalments relating to two loan agreements. With a decree issued on 17 January 2017, the Court of Palermo ordered Riscossione Sicilia to pay the amount of EUR 40.7 mln to the plaintiff. The action was served on Riscossione Sicilia, along with the decree and the order for payment for the amount for which provisional enforceability had been granted, on 8 February 2017.

On 11 March 2017, Riscossione Sicilia objected to the above-mentioned order and requested that it be revoked and, by means of a cross-action, that the Parent Company be sentenced to pay an amount of approximately EUR 66 mln.

To justify its objection, Riscossione Sicilia alleged that the Parent Company owed it EUR 106.8 mln by virtue of certain representations and warranties set forth in two contracts for the sale of shares whereby the Parent Company had transferred the entire share capital of the company Serit – Sicilia S.p.A. to Riscossione Sicilia. Moreover, in the petition, Riscossione Sicilia acknowledged that its claims were already subject to other proceedings pending before the same Court.

The Parent Company duly appeared before the court requesting the dismissal of the opposing party's objection. The proceeding is in the initial stage and at the hearing on 9 October 2017 the Judge, having rejected the opposing party's request to join the proceedings with those lodged previously, reserved his decision with respect to the requests made by the parties during the hearing, i.e., to have the enforceability of the order declared, submitted by the Parent Company, and for the suspension of the proceedings, requested by the other party.

For the sake of comprehensiveness, please note that with a complaint dated 19 October 2017, Riscossione Sicilia challenged the measure of 6 October 2017 whereby the Court of Palermo rejected the urgent appeal pursuant to art. 700 of the Code of Civil Procedure lodged by Riscossione Sicilia against the suspension of loans disclosed by the Parent Company. The hearing for the discussion of the case is scheduled for 24 November 2017.

Former Banca Antoniana Popolare Veneta S.p.A. (BAV) vs Elipso Finance S.r.l.

The dispute was originated by 3 loan assignment transactions identifiable in bulk in accordance with Italian Law no. 130 of 30/4/1999, carried out or mediated by former BAV, following which since 2008 the assignee Elipso Finance s.r.l. has submitted complaints, invoking the guarantees given by the assignors, mainly concerning the lack of documentary evidence supporting the credit. The claim amounts to EUR 100.0 mln.
Specifically, the 3 assignments were carried out by former BAV, Antenore Finance S.p.A. and Theano Finance S.p.A. (both of which are 98% owned by former BAV, originator of the relevant loans, and subsequently merged into Banca MPS).
As a settlement could not be reached, in compliance with the arbitration clause contained in the contracts Elipso initiated the arbitration procedure at the Arbitration Chamber of Milan.
The Parent Company's defence aims to demonstrate that, in accordance with contractual provisions, even if the claim should be accepted, damages can only be awarded for positions for which Elipso can actually prove that damage has been suffered.
The Arbitration Board ordered an expert appraisal in order to verify compliance by Elipso with the contractual provisions with regard to guarantee activation methods and times, and the final defence briefs were subsequently filed.
On 17 January 2017, the partial award rejecting the counterparty's claims was issued. After the expert appraisal was completed on a sample of contested transactions and the correlated partial award was issued, the Board was asked for its opinion on the methods for continuing with the expert appraisal and, in the meantime, invited the parties to verify whether the prerequisites are met for a reconciliation.

Banca Monte dei Paschi di Siena S.p.A. vs. CHI.DEM S.r.l. and the other companies of the De Masi Group

The action was brought by the company CHI. DEM S.r.l. and by the other companies of the De Masi Group.

Co-defendants with Parent Company are two other credit institutions (which, in the meantime, settled their position in a settlement) and Bank of Italy. The plaintiff seeks relief for alleged damage suffered by the De Masi Group as a result of the aforesaid banks having exceeded threshold rates (with the joint liability of Bank of Italy for failure to supervise) following decision no. 46669/2011 by the Criminal Division of the Court of Cassation, which has ascertained that in certain periods the threshold rate was actually exceeded. The claim amounts to EUR 100.0 mln.

The Parent Company's defence is essentially based on lack of evidence of the monetary and non-monetary damages claimed by the plaintiff, as well as lack of any link of causality.

Beyond the above-mentioned elements of proof, an element in favour of the Parent Company is the dismissal of a first request for a Court order, which the plaintiffs applied for as a precautionary measure under article 700 of the Italian Code of Civil Procedure (the dismissal was confirmed during the claim proceeding), as well as the dismissal, on 9 July 2014, of a second request for Court order which the plaintiffs again submitted. The proceeding is under preliminary investigation with the next hearing scheduled for 30 November 2017, when a decision will be made on the petition to revoke the order for admission of the court-appointed expert.

Banca Monte dei Paschi di Siena S.p.A. vs. receivership estate of Antonio Amato & C. Molini e Pastifici in Salerno S.p.A. in liquidation

The receivership estate of 'Antonio Amato & C. Molini e Pastifici in Salerno S.p.A. in liquidation' brought an action against the Parent Company, with the former Directors of the Company in bonis and other Creditor Banks as co-defendants, before the Court of Naples, requesting that the Court ascertain and recognise the joint liability of the defendants for their unlawful conduct. According to the plaintiff, they formed a pool that granted a loan to the company, thus worsening its state of financial distress and causing severe damage to its business and its equity and financial integrity; they therefore asked the Court to order the defendants to pay damages to the receivership estate in the amount of EUR 90 mln, i.e. the presumable difference between the estate's liabilities and assets, or a different amount that the Court should deem suitable to award upon completion of the investigative phase; as a secondary claim, the receivership estate asks that each of the defendants be found liable for the part attributable to them for the damage suffered by the company, amounting to EUR 90 mln, equal to the presumable difference between the estate's liabilities and assets.
The Parent Company rose preliminary objections and filed a motion to dismiss the case for lack of venue jurisdiction and of active legitimation; in the merits, the Bank asked the Court to dismiss the plaintiff's claims as inadmissible and/or groundless or, as a secondary request, to reduce the amount of compensation awarded in consideration of the different degree of guilt in causing the damage, in accordance with art. 2055, paragraph 2 of the Italian Civil Code.

The proceeding is under preliminary investigation and the accounting expert appraisal was admitted.

Banca Monte dei Paschi di Siena S.p.A vs. Edilgarba s.r.l.

The company Edilgarba called the Parent Company before the Court of Milan, claiming the breach by the Parent Company of its obligations deriving from the mortgage loan agreement entered into on 13 September 2006 by Edilgarba and Banca Antonveneta (later Banca MPS). Edilgarba demanded compensation for the alleged damages suffered (quantified at roughly EUR 28.5 mln) as well as damages to its image and commercial reputation (quantified at no less than EUR 3 mln). The claim therefore amounts to EUR 31.5 mln.

The proceedings were deferred to 5 December 2017 for the closing arguments.

Banca Monte dei Paschi di Siena S.p.A. vs. Marangoni Arnaldo + 124 shareholders and investors

In July 2015, Arnaldo Marangoni sued the Parent Company before the Court of Milan, claiming to have purchased shares of Banca MPS between 2008 and 2013, during subscription of the capital increase in 2008 as well as on the Electronic Stock Market for approximately EUR 0.075 mln. As the basis for his claims, the plaintiff alleged that the Parent Company, during the time period 2008-2013, unlawfully provided a false representation of its capital, economic, financial, profit and management situation, with the effect of misleading the plaintiff.

On 29 March 2016, through voluntary intervention, another 124 individuals came forward. The interveners allege to have purchased shares of Banca MPS during the capital increases of 2008 and 2011, as well as on the Electronic Stock Market.

The case is aimed at obtaining compensation for all material and non-material damage, quantified at approximately EUR 97 mln (in the meantime reduced to roughly EUR 89 mln due to the waiver of one counterparty), claimed by the Interveners in relation to the investments made in Banca MPS shares based on allegedly incorrect information contained in the prospectuses, in the financial statements and in all price-sensitive communications issued by the Parent Company that resulted in misleading the interveners.

The proceedings were referred to the Board for a decision on the preliminary matters.

Banca Monte dei Paschi di Siena S.p.A. vs. Coop Centro Italia s.c.p.a

On 26 July 2016, Coop Centro Italia s.c.p.a. served a complaint on the Parent Company, together with Consob, before the Court of Florence, Section specialised in corporate matters, for the hearing of 20 January 2017.

The plaintiff, after describing its participation in the Bank's capital increases in 2008, 2011 and 2014, and the events of the Parent Company during the period 2008-2015, requests total damages of EUR 85.5 mln, essentially claiming the false nature of the prospectuses relating to the aforementioned capital increases. Specifically, the counterparty claims damages of EUR 20.3 mln for the capital increase of 2008 and EUR 9.2 mln for the capital increase of 2011, for contractual liability pursuant to art. 1218 of the Italian Civil Code, as well as art. 94, paragraph 8 of Legislative Decree no. 58/98 or art. 2049 of the Italian Civil Code in relation to the actions of its then representatives and employees, also pursuant to art. 1218 of the Italian Civil Code, as well as art. 94, paragraph 8 of Legislative Decree no. 58/98, for EUR 56.0 mln, jointly and severally - or alternatively each to the extent applicable - with Consob called upon to respond pursuant to articles 2043 and 2049 of the Italian Civil Code for the actions of the Authority and those of its commissioners and officials, with regard to the 2014 capital increase, regarding capital losses incurred as well as loss of profit to be determined during the course of the proceedings. The Parent Company duly appeared before the court with its defence pleadings.

The proceeding is under preliminary investigation. At the hearing on 12 October 2017, the Judge reserved his decision on the claims.

Banca Monte dei Paschi di Siena S.p.A. vs. Coofin s.r.l.

On 26 July 2016, Coofin s.r.l. served a complaint on the Parent Company, together with Consob, before the Court of Florence, Section specialised in corporate matters, for the hearing of 20 January 2017.

The plaintiff, after describing its participation in the Bank's capital increases in 2008, 2011 and 2014, and the events of the Parent Company during the period 2008-2015, requests total damages of EUR 51.6 mln, essentially claiming the false nature of the prospectuses relating to the aforementioned capital increases. Specifically, the counterparty claims damages of approximately EUR 11.5 mln for the capital increase of 2008 and EUR 6.1 mln for the capital increase of 2011, for contractual liability pursuant to art. 1218 of the Italian Civil Code, as well as art. 94, paragraph 8 of Legislative Decree no. 58/98 or art. 2049 of the Italian Civil Code in relation to the actions of its then representatives and employees, also pursuant to art. 1218 of the Italian Civil Code, as well as art. 94, paragraph 8 of Legislative Decree no. 58/98, for EUR 34.0 mln, jointly and severally - or alternatively each to the extent applicable - with Consob called upon to respond pursuant to articles 2043 and 2049 of the Italian Civil Code for the actions of the Authority and those of its commissioners and officials, with regard to the 2014 capital increase, regarding the capital losses incurred as well as loss of profit to be determined during the course of the proceedings. The Parent Company duly appeared before the court with its defence pleadings.

The next hearing is set for 13 March 2018 for the admission of preliminary evidence.

Other disputes: Banca Monte dei Paschi di Siena S.p.A vs. (former) Banca MPS Shareholders and Investors

This disclosure is provided in consideration of the fact that an additional 14 lawsuits are currently pending, brought forward by shareholders and/or former shareholders for a total claim of approximately EUR 46 mln, in which the plaintiffs claim to have purchased shares during the capital increases of 2008, 2011, 2014 and 2015 and/or on the electronic market based on allegedly incorrect information contained in the prospectuses and/or financial statements and/or in the price sensitive information issued by the Parent Company during the period 2008/2015.

These legal proceedings originate within an extraordinary and exceptional context also connected to the criminal investigations launched by the courts and the legal issues involving the Parent Company during the years 2012 and 2013, which mainly refer to the financial transactions to acquire resources to purchase Banca Antonveneta and to a number of financial transactions carried out by the Parent Company, including the transactions connected to the restructuring of the "Santorini" transaction and the "Alexandria" notes, to the prior capital increases carried out by the Parent Company in 2008 and 2011 and to the FRESH 2008 transaction.

The investors submitted claims for compensation against the Parent Company as part of the criminal proceedings 29634/14 r.g.n.r. (General Criminal Records Registry) (a total of 1,243) pending before the Court of Milan, in which the Parent Company is involved as a civilly liable party, as well as the other criminal proceedings no. 955/16 (there are a total of 304 civil parties) with reference to the financial statements, reports and other corporate communications of the Bank from 31 December 2012 to 31 December 2014 and with reference to the half-yearly report as at 30 June 2015, in which the Parent Company is a defendant pursuant to Italian Legislative Decree 231/01 as well as a civilly liable party.

Out-of-court claims for the repayment of sums and/or compensation for damages by Shareholders and Investors of Banca Monte dei Paschi di Siena S.p.A. in relation to the 2008 and/or 2011 share capital increases

For complete disclosure, note that, in relation to capital increases and the allegedly incorrect information contained in the prospectuses and/or in the financial statements and/or in the price sensitive information issued by the Parent Company since 2008, at the date of this interim report on operations the Parent Company has received 735 requests, for a total of approximately EUR 651 mln in quantified claims, aimed at obtaining reimbursement of the amounts invested and/or compensation for monetary and non-monetary damages following the alleged losses suffered. Of said claims, around 10% filed civil suits (the majority of which as part of the case filed by Marangoni Arnaldo + 124 as mentioned above).

These claims – brought individually or collectively, through professionals or consumer associations – although heterogeneous, are mostly justified by generic references to the Parent Company's alleged violation of the industry legislation governing disclosure, and were rejected in that they were considered generic, unfounded, not backed by suitable documentary evidence, and in some cases past the statute of limitations.

Banca Monte dei Paschi di Siena S.p.a. vs. Fruendo

Following the transfer of the back office business unit to Fruendo S.r.l. in January 2014, involving 1,064 resources, 634 workers (later reduced to 521 due to waivers/settlements and deaths) initiated legal proceedings before the Courts of Siena, Rome, Mantua and Lecce to demand, among other things, the continuation of the employment relationship with Banca MPS, upon the declaration of ineffectiveness of the transfer agreement entered into with Fruendo S.r.l.

At the reference date of this interim report on operations, for 5 plaintiffs proceedings are pending in the first instance with hearings scheduled on 09 November 2017 and 23 February 2018, while for the other 516 rulings in the first and/or second instance have already been handed down against the Parent Company, giving the workers concerned the right to be rehired.

Specifically, for 143 workers a ruling in the first instance was handed down (at the Courts of Lecce and Rome) against which the Parent Company has already appealed before the applicable Courts of Appeals with hearings currently scheduled from 26 February 2018 to 26 November 2019; on the other hand, for 373 workers, a ruling in the second instance was also handed down (at the Courts of Appeals of Florence, Rome and Brescia), against which the Parent Company has already submitted an appeal before the Court of Cassation and/or reserves the right to submit an appeal within the appropriate time limits.

For the sake of full disclosure, note that both before the courts of second instance and before the Supreme Court of Cassation, the Parent Company and Fruendo S.r.l. have filed a petition for submission to the European Court of Justice of preliminary matters that are essential for the purposes of a decision. In particular, an assessment was requested regarding the conformity with EC Directive 2001/23 of art. 2112 of the Italian Civil Code, as interpreted by the decisions of the Supreme Court of Cassation, with which the appealed judgments comply, and it also asked whether:

- the transfer of an economic entity, functionally autonomous though not pre-existing, as it was identified by the transferor and the transferee at the time of the transfer, would not allow for the automatic transfer of employment relationships pursuant to art. 2112 of the Italian Civil Code and therefore would require the consent of the workers concerned; and
- the automatic transfer of the employment relationships pursuant to art. 2112 of the Italian Civil Code would not be permitted and therefore if the consent of the workers concerned would be required if, in the case of the transfer of an economic entity carrying out bank back office activities, the transferring Bank maintained ownership of the applications and IT infrastructure, only granting them to the transferee for use for valuable consideration.

At the date of this interim report on operations, of the 516 parties entitled to be rehired by the Parent Company, 72 workers (later reduced to 32 following 28 waivers to be ratified in accordance with legal procedures and 12 settlements that took place in the mean time) submitted an order requesting to be re-entered in the Parent Company's Payroll Ledger and to restore their insurance and contribution position, which the Bank objected to by appealing before the Labour Section of the Court of Siena (the hearings for the discussion of the case will be held on 19 January 2018 and 14 February 2018).

Even if the Parent Company's objection does not bring about the desired effects, to date no economic impacts are expected for the Issuer from the integration of back pay to the workers rehired, as all plaintiffs maintained their wages enjoyed at Banca MPS at the time of transfer of the business unit and indeed, they did not suffer the wage decreases applied to the employees of Banca MPS, on the basis of the Union Agreements of 19 December 2012 and 24 December 2015.

Given the above, the Parent Company, jointly with Fruendo S.r.l., is analysing the matters arising from the unfavourable outcome of the labour dispute.

Lastly, please note that a number of workers (32) filed a lawsuit for the offence of wilful non-performance of a judge's ruling (art. 388 of the Criminal Code). As part of criminal proceedings no. 567/17 before the Court of Siena initiated following the above-mentioned lawsuit, the Public Prosecutor submitted a request for dismissal with respect to the parties under investigation Tononi Massimo, Viola Fabrizio, Falciai Alessandro and Morelli Marco, which the complainants objected to. At the hearing in chambers on 12 July 2017 to decide on the objection to the request for dismissal, the proceedings were deferred to 20 September 2017 due to lack of notification. At the hearing concerning the objection to the request for dismissal, the Judge withheld his decision, reporting that the decision would be made known within 5 days, when the measure would be communicated via certified email. The Siena Preliminary Investigations Judge, lifting the reservation placed at the hearing on 20 September 2017, issued an order to the Public Prosecutor for further investigations to be completed within 120 days. The measure was served upon the parties under investigation on 2 October 2017.

Please also note that in 2017 52 Fruendo S.r.l. workers (later reduced to 40 following waivers/settlement) called Banca MPS before the Court of Siena (in 6 separate proceedings) to request the continuation of the employment relationship with the Parent Company, upon declaration of the unlawful interposition of labour ("unlawful contract", which does not call for criminal consequences) as part of the services outsourced by the Parent Company to Fruendo S.r.l., with hearings currently scheduled for 8 November and 6 December 2017.

Also in this case, any unfavourable outcome of the proceedings would currently result in the re-establishment of the employment relationship of the parties concerned with the Parent Company with no expenses for previous remuneration differences, as the plaintiffs in question have continuously worked at Fruendo S.r.l., maintaining the remuneration received from Banca MPS when the business unit was transferred.

Banca Monte dei Paschi di Siena S.p.A./civil action and third-party action of the Bank as civilly liable party- criminal proceedings relating to the "Alexandria" case

After the early termination of the agreements in relation to the transaction known as "Alexandria", as agreed in the out-of-court settlement executed with Nomura on 23 September 2015 (see the annual report as of 31 December 2015), the damages caused to the Parent Company by the performance of these agreements are definitively fixed in time. In particular, the Parent Company reduced its claim for damages to an amount not lower than EUR 866.3 mln (compared to an initial civil claim of approx. EUR 1 billion).

With reference to the criminal proceedings in relation to "Alexandria", after the service of the order of closing of the preliminary investigations, the Office of the Public Prosecutor at the Court of Milan sought the committal for trial of the former Top Management of Banca MPS and two members of the Management of Nomura for false corporate disclosures and market manipulation.

As regards the offences allegedly committed by the above-mentioned individuals, the Public Prosecutor also sought the committal for trial of Banca MPS and Nomura for administrative offences pursuant to Legislative Decree 231/2001.

In March 2016 this proceeding was combined with the other legal action pending before the Court of Milan in relation to the investigations concerning the Santorini, FRESH 2008 and Chianti Classico transactions.

By an order of 13 May 2016, the Preliminary Hearing Judge (in Italian, the "GUP") authorized the lodging and admissibility of the claims for damages of the offended parties against the entities already involved in the proceedings as defendants pursuant to Legislative Decree 231/2001.

On 2 July 2016, with the approval of the Public Prosecutor, the Parent Company filed a request for plea bargain in the criminal proceedings, in relation to the objections made against the Bank in accordance with Legislative Decree 231/2001.

After the request for plea bargain, the Parent Company's position was closed. With the plea bargain, accepted by the Preliminary Hearing Judge on 14 October 2016, the Parent Company exits the proceedings as defendant in the administrative offence following crimes committed by its own former executives, limiting the consequences to an administrative financial penalty of EUR 600 thousand and a confiscation, for EUR 10 mln, without exposing itself to the risk of higher penalties.

Lastly, with regard to the above, on 1 October 2016 the Preliminary Hearing Judge ordered the committal for trial of the defendants other than the Parent Company. At the hearing on 15 December

2016, the civil parties, those already admitted in the previous "Alexandria" proceedings as well as the new civil parties, requested that Banca MPS, Nomura and Deutsche Bank be summoned as civilly liable parties in relation to the offences with which the former directors and executives committed for trial were charged.

Following an extensive closed session meeting, the Court summoned the banks as civilly liable parties, providing the notification deadline to the parties of 10 January 2017, allowing for the completion of notifications at the latest by 31 January 2017 and scheduling the hearing for 21 February 2017.

At the hearing on 21 February 2017, the Parent Company appeared before the court as a civilly liable party.

During the proceedings, by order of 06/04/2017 the Court of Milan decided on the requests for the exclusion of civil parties submitted by the defence teams of the defendants and the civilly liable parties, excluding several civil parties.

In addition, the claim of damages as a civil party by the Parent Company with respect to Giuseppe Mussari, Antonio Vigni, Daniele Pirondini and Gian Luca Baldassarri was also excluded on the assumption of its contributory liability with respect to the defendants.

At the reference date of this interim report on operations, a total of 1,243 civil parties have acted against the Parent Company.

As things stand within the above-mentioned proceedings, the witnesses are currently being heard.

On 12 May 2017 the committal for trial of the representatives Alessandro Profumo, Viola Fabrizio and Salvadori Paolo (the first two no longer in office) was requested within new criminal proceedings before the Court of Milan, in which they were charged with false corporate disclosures (art. 2622 of the Italian Civil Code) in relation to the accounting of the "Santorini" and "Alexandria" transactions with reference to the Parent Company's financial statements, reports and other corporate communications from 31 December 2012 to 31 December 2014 and with reference to the half-yearly report as at 30 June 2015, as well as market manipulation (art. 185 of the Consolidated Law on Finance) in relation to the disclosures to the public concerning the approval of the financial statements and the balance sheets specified above.

In relation to these proceedings, in which the Parent Company is identified as the injured party, the first hearing was held on 5 July 2017, during which several hundred natural persons and a number of trade associations asked to appear before the court as civil parties. The Preliminary Hearing Judge postponed the proceedings to 29 September 2017 for the deliberation of the requests as well as for consolidation with the proceedings pending against Banca MPS, as the defendant entity pursuant to Italian Legislative Decree 231/01 for the same actions with which Mr Profumo, Mr Viola and Mr Salvadori are currently charged. At the hearing on 29 September 2017, 304 of the 337 who requested were admitted as civil parties. The remaining parties were excluded due to lack of *legittimatio ad causam*. At the same hearing, the proceedings pending against the Parent Company, as the party liable under administrative law, were joined with those pending against the natural persons. Therefore, the Judge admitted the summons of the Parent Company as a civilly liable party and adjourned the proceedings to the hearings of 10 November 2017 and 24 November 2017 to allow for the service of the relative notifications.

Risks from tax disputes

Among the cases associated with tax disputes which regard the Group, those in which the risk of losing is considered likely are limited in number and adequate provisions have been made to the Reserve for risks and charges.

Please note that on 22 December 2016 the Revenue Agency, Tuscany Regional Directorate, sent a request to the Bank for clarifications with respect to the supplemental tax return relating to the 2012 tax period, which the Bank duly answered on 31 January 2017. Thereafter, at the initiative of the same Regional Directorate, on 13 September 2017 a meeting was held to discuss aspects regarding the proper fulfilment of legal withholding agent obligations connected to the FRESH (Floating Rate Equity Linked Subordinated Hybrid Preferred Securities) instrument issued as part of the complex recapitalisation transaction carried out in 2008, the income effects of which were represented in the above-mentioned supplemental return. After the meeting the relative joint discussion report was issued, which identified the need for further analyses on this matter. On 15 September 2017, the Regional Directorate sent an invitation requesting further clarifications as well as extending the investigations under way to the years from 2008 to 2014 inclusive. The Bank, with the support of its advisors, submitted a statement on 11 October 2017 highlighting why it deems its actions to be fair and justified. The audit is still ongoing and no allegations have been formally put forward.

Financial risks of investment services

The financial risks regarding investment services, for the Group, are a direct and indirect result of the risks incurred by customers in relation to the performance of services and investment activities. Consequently, governance of these risks is aimed at protecting customers and, simultaneously, preventing any potential negative impacts on the Group in terms of operational and reputational risk.

Risk assessment model

With regard to the Financial Risk measurement methods concerning Investment Services, there are no significant methodological changes to report compared to what was already outlined in the Notes to the 2016 Consolidated Financial Statements. "Wealth risk management" regards the overall set of operational and management processes as well as measurement and monitoring tools/methods used to ensure overall consistency between customers' risk profiles and the risk of investment products and portfolios offered to - or in any case held by - customers.

The investment products (of the Group and of third parties), whether or not included in the overall offering to the Group's customers, are mapped for risk on the basis of quantitative measurements of market and credit risk factors; liquidity and complexity assessments are also conducted on these products. Product mapping is one of the guiding criteria for carrying out investment adequacy checks as part of the consulting service offered.

The strategic choice of the Parent Company is to systematically combine the placement of financial products with advisory so as to ensure the highest level of protection for the investor and, at the same time, enhance the role played by relationship managers. Again, with a view to protecting customers, the obligation to verify appropriateness has also been extended to the trading activities on the secondary market of the certificates issued by the Group.

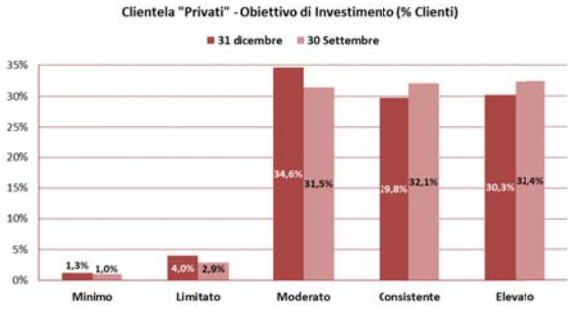
The advisory service is offered by the Parent Company on the basis of two different methods:

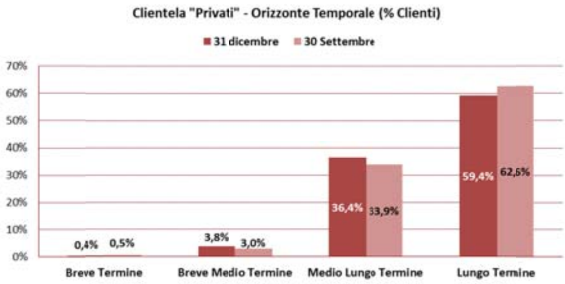
- ✓ "Basic" transactional advisory is aimed at verifying the suitability of the individual investments recommended in relation to the risk of the customer's investment portfolio as a whole, by adopting a multi-variable control approach to the individual risk factors.
- ✓ "Advanced" advisory is instead aimed at verifying the suitability of the overall set of transactions, advising on them based on their impact on a suggested investment portfolio of the customer in order to obtain optimum asset allocation and maximised prospective returns over a certain time horizon, given the customer's risk profile.

Wealth risk management activities cover the entire distribution perimeter of the network of Group branches, the investment services operated by Banca Widiba and by MPS Capital Services.

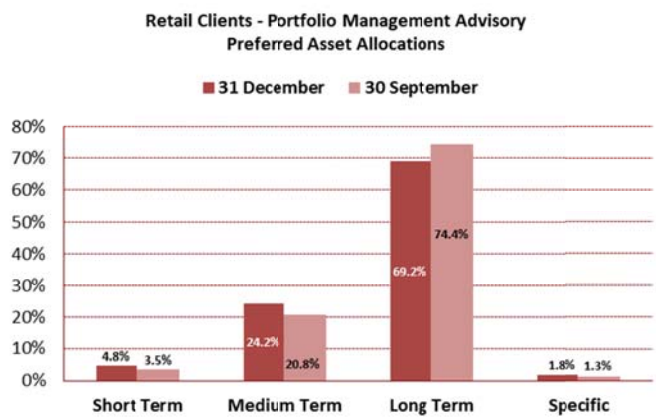
Risk exposure

The graphs below provide a percent comparison between December 2016 and September 2017 of the Indicators issued by customers in completing the MiFID questionnaire (Investment Objectives and Time Horizon).





At the end of September 2017, the portfolios held by Consumer/Retail customers on the basis of formalised "advanced" advisory proposals to obtain optimum asset allocation, were mainly distributed into the recommended Asset Allocation macro-classes, especially with regard to long-term investments.



Results by operating segment

Identification of operating segments

For the purpose of identifying the Operating Segments provided for by IFRS 8, the Group has adopted the business approach. Consolidated income statement and balance sheet data are broken down and re-aggregated based on criteria including: business area concerned, operating structure of reference, relevance and strategic importance of activities carried out, and customer clusters served.

The new Parent Company structure was outlined at the end of 2016 within the scope of the broader objectives of the Plan and was fully implemented at the start of 2017. It envisages the implementation of a specialised commercial organisational model with three Departments (Retail, Wealth Management and Corporate), each of which is responsible for the pertinent markets, segments and products. In particular, in terms of innovative elements, please note: the creation of the Wealth Management Department, focusing on monitoring and developing customers of high standing and Banca WIDIBA SpA, which has taken on relevance as an autonomous business segment.

Based on the Group's organisational structures in place as at 30 September 2017 and the reporting criteria at the highest decision-making level, the following operating segments were identified:

- **Retail Banking**, which includes the sales activities of Retail customers (Value, Premium and Small Business segments);
- **Corporate Banking**, which includes the sales activities of Corporate customers (SME, Entities and Top Corporate segments), Large Corporate Area, Foreign Branches and the subsidiaries MPS Capital Services, MPS Leasing & Factoring and the foreign banks MP Belgio and MP Banque;
- **Wealth Management**, which includes the sales activities of Private Banking customers (Private Banking and Family Office segments) and the subsidiary MPS Fiduciaria;
- **Banca Widiba SpA**, which includes the Network of financial advisors and the Self-service channel;
- **Corporate Centre**, which in addition to cancellations of intragroup entries, incorporates the results of the following business centres:
    - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Group Operating Consortium);
    - companies consolidated at equity and held for sale;
    - operating units, such as proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

The comparison periods were restated retrospectively to reflect the current segment reporting structure.

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Group's Operating Segments as at 30 September 2017:

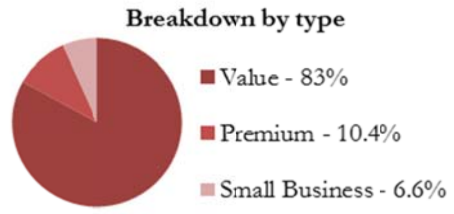
SEGMENT REPORTING	Business Segments											
Primary segment	Retail banking		Wealth Management		Corporate banking		Widiba		Corporate Center		Total MPS Group	
(EUR mln)	30/09/17	Chg % Y/Y	30/09/17	Chg % Y/Y	30/09/17	Chg % Y/Y	30/09/17	Chg % Y/Y	30/09/17	Chg % Y/Y	30/09/17	Chg % Y/Y
PROFIT AND LOSS AGGREGATES												
Total Income	1,937.0	-16.8%	123.8	-16.4%	836.9	-28.1%	35.1	9.7%	290.5	n.s.	3,223.3	-5.7%
Operating expenses	(1,352.7)	-2.5%	-50.1	-2.7%	-468.7	-1.3%	-44.6	0.9%	23.6	-17.7%	(1,892.5)	-1.9%
Pre Provision Profit	584.3	-38.0%	73.8	-23.6%	368.2	-46.5%	-9.6	-22.1%	314.1	n.s.	1,330.8	-10.6%
Net impairment losses (reversals) on loans and financial assets	(2,060.5)	n.s.	-3.9	-12.8%	-2,632.9	n.s.	-0.2	n.s.	(205.0)	n.s.	(4,902.4)	n.s.
Net Operating Income	(1,476.1)	n.s.	69.9	-24.2%	-2,264.7	n.s.	-9.7	3.3%	109.1	n.s.	(3,571.6)	n.s.
BALANCE SHEET AGGREGATES												
Interest-bearing loans to customers	89,303	-5.8%	20,332.3	-8.4%	33,131.2	12.6%	7,119.1	7.3%	51,326	0.9%	201,211	-1.3%
Deposits from customers and debt securities issued(*)	41,945	-12.8%	3,002.6	-17.3%	19,457.6	18.7%	1,820.8	10.3%	36,742	2.9%	102,968	-2.4%
Indirect funding	47,358	1.5%	17,329.7	-6.6%	13,673.6	5.0%	5,298.3	6.3%	14,584	-4.0%	98,243	-0.2%
Assets under management	*36,619*	*4.3%*	*11,862.9*	*-6.7%*	*1,663.5*	*3.4%*	*4,830.0*	*9.3%*	*2,838*	*-6.3%*	57,813	*1.6%*
Assets under custody	*10,739*	*-7.1%*	*5,466.8*	*-6.6%*	*12,010.1*	*5.2%*	*468.3*	*-17.0%*	*11,746*	*-3.4%*	40,430	*-2.7%*

(*) The values stated in the Sales & Distribution segments are gross interest-bearing loans and therefore do not include the allowance for impairment.

Retail Banking

<table>
<tr><th>Business areas</th><th>Customers</th></tr>
<tr><td rowspan="3">

Funding and provision of insurance products.
Lending.
Financial advisory services.
Electronic payment services.

</td><td>Retail customers number approximately 4.7 mln.</td></tr>
<tr><td>
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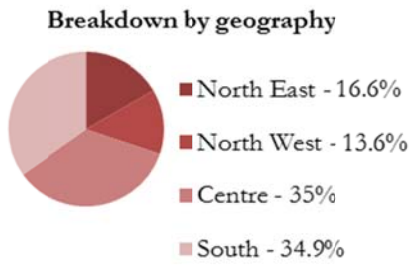
<tr><td>
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Income statement and balance sheet results

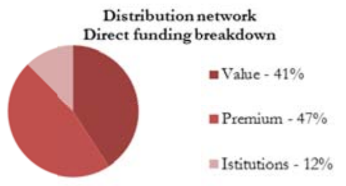
As at 30 September 2017, the **Total Funding** of Retail Banking totalled roughly **EUR 89.3 bn**, down by around EUR -0.4 bn compared to the end of 2016, but up with respect to the end of June 2017, with offsetting trends between the decrease in Direct Funding and the growth in Indirect Funding. More specifically:

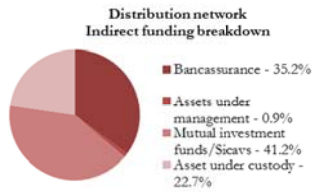
- **Direct Funding** came to **EUR 41.9 bn**, marking a decline of EUR -1.3 bn compared to the end of December, with a recovery in demand and short-term forms and a decline in medium/long-term forms, also influenced by bond maturities during the half and the conversion of the subordinated loan subject to burden sharing It was down slightly compared to 30 June (EUR -0.1 bn Q/Q), with respect to which there was a continuation of growth in the demand and short-term component and a drop in medium/long-term (EUR -1.7 bn).

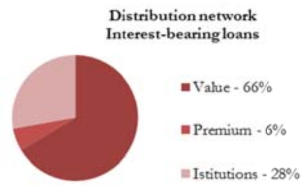
- **Indirect Funding**, amounting to approx. **EUR 47.4 bn**, increased compared to the end of December 2016 (EUR +0.9 bn), thanks to the upward trend in asset management (EUR +1.2 bn), in part offset by the decrease in assets under custody (EUR -0.3 bn), impacted by the effects of burden sharing. It was up by EUR 0.7 bn during the quarter, of which EUR +0.3 bn in the asset management segment and EUR +0.4 bn in the assets under custody segment (due to the above-mentioned conversion of the subordinated loan).

Interest-bearing loans to customers of Retail Banking decreased from approx. EUR 44.1 bn at the end of December to **EUR 41.0 bn** as at 30 September 2017; they were down EUR 1.1 bn for the quarter, primarily on demand and medium/long-term forms.

RETAIL BANKING - BALANCE SHEET AGGREGATES										
(Eur mln)	30/09/17	30/06/17	31/12/16	30/09/16	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt securities issued	**41,945**	**42,085**	**43,254**	**48,101**	**-140**	**-0.3%**	**-1,309**	**-3.0%**	**-6,155**	**-12.8%**
Assets under management	*36,619*	*36,310*	*35,385*	*35,123*	*309*	*0.9%*	*1,234*	*3.5%*	*1,495*	*4.3%*
Assets under custody	*10,739*	*10,378*	*11,043*	*11,556*	*361*	*3.5%*	*-304*	*-2.8%*	*-817*	*-7.1%*
Indirect Funding	**47,358**	**46,688**	**46,428**	**46,680**	**670**	**1.4%**	**930**	**2.0%**	**678**	**1.5%**
Total Funding	**89,303**	**88,773**	**89,682**	**94,780**	**530**	**0.6%**	**-379**	**-0.4%**	**-5,477**	**-5.8%**
Interest-Bearing Loans to Customers	**40,970**	**42,030**	**44,122**	**45,416**	**-1,060**	**-2.5%**	**-3,152**	**-7.1%**	**-4,446**	**-9.8%**







With regard to profit and loss, as at 30 September 2017 Retail Banking achieved total **Revenues** of approx. **EUR 1,937 mln**, down 16.8% compared to the same period of last year. A breakdown of the aggregate shows:

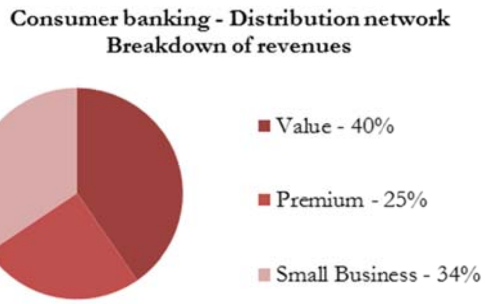
- Net Interest Income was approximately EUR 922 mln, down 25.9% annually due mainly to the decrease in returns on commercial assets (volumes and rates), and the reduction in the contribution of funding (essentially the effect of lower volumes of direct funding by EUR -6.2 bn).
- Net fee and commission income totalled roughly EUR 980 mln, down with respect to the previous year (-6.5%), within which there was growth in the component from products, while income from lending and to a lesser extent commissions from services declined.

Considering the impact of operating expenses, which decreased by 2.5% Y/Y, Retail Banking generated a **Gross Operating Income** of about **EUR 584 mln** in the first nine months of 2017 (-38.0% Y/Y). Net impairment losses (reversals) on loans and financial assets totalled **EUR -2.1 bn** (EUR -0.9 bn as at 30 September 2016), penalised by the adjustment of provisions on "transferred" doubtful loans to their recoverable value (EUR -1,707 mln).

Year to date, the **Net Operating Income** is **negative by approximately EUR 1.5 bn.**

The **cost-income ratio** of the Operating Segment is **69.8%** (59.6% at the end of September 2016).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/17	30/09/16	Abs.	%
Net interest income	*922.0*	*1,244.8*	*-322.7*	*-25.9%*
Net fee and commission income	*980.0*	*1,047.8*	*-67.8*	*-6.5%*
Other income	*30.5*	*30.8*	*-0.4*	*-1.2%*
Other operating expenses/income	*4.5*	*5.9*	*-1.4*	*n.s.*
Total Income	**1,937.0**	**2,329.3**	**-392.3**	**-16.8%**
Operating expenses	*(1,352.7)*	*(1,387.2)*	*34.5*	*-2.5%*
Pre Provision Profit	**584.3**	**942.1**	**-357.8**	**-38.0%**
Net impairment losses (reversals) on loans and financial assets	(2,060.5)	(855.3)	-1,205.1	n.s.
Net Operating Income	**(1,476.1)**	**86.7**	**-1,562.9**	**n.s.**



Wealth Management

Business areas

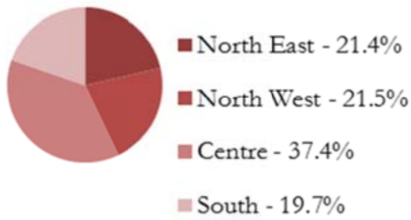
- Funding, lending, provision of insurance products, financial and non-financial services to private banking customers
- Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on non-strictly financial services (tax planning, real estate, art & legal advisory).
- Fiduciary and trust services (through the subsidiary MPS Fiduciaria).

Customers

There are around 37 thousand private customers.

Breakdown by type

Breakdown by geography



Income statement and balance sheet results

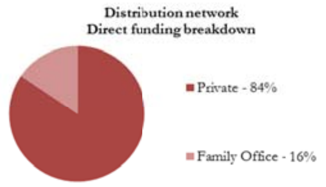
As at 30 September 2017, **Total Funding** for Wealth Management amounted to approximately **EUR 20.3 bn**, down by roughly EUR 0.7 bn from the end of December and slightly up compared to the levels recorded as at 30 June 2017 (EUR +0.1 bn). More specifically:

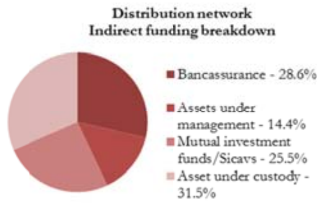
- **Direct Funding** as at 30 September was slightly higher than the levels at the end of 2016 and in June 2017, reaching **EUR 3.0 bn**, with a shift towards demand and short-term components, offsetting the downturn in medium/long-term components, which were impacted by the effects of burden sharing.
- **Indirect Funding**, amounting to about **EUR 17.3 bn**, was down by EUR 0.9 bn as compared to 31 December 2016 and stable compared to June 2017.

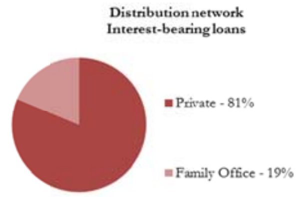
Interest-bearing loans to Wealth Management customers were basically stable with respect to 31 December 2016 and June 2017, reaching roughly **EUR 0.6 bn**.

WEALTH MANAGEMENT - BALANCE SHEET AGGREGATES

(EUR mln)	30/09/17	30/06/17	31/12/16	30/09/16	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt secu	**3,003**	**2,807**	**2,785**	**3,631**	**196**	**7.0%**	**217**	**7.8%**	**-628**	**-17.3%**
Assets under management	*11,863*	*12,032*	*12,634*	*12,710*	*-169*	*-1.4%*	*-771*	*-6.1%*	*-847*	*-6.7%*
Assets under custody	*5,467*	*5,355*	*5,609*	*5,853*	*111*	*2.1%*	*-142*	*-2.5%*	*-386*	*-6.6%*
Indirect Funding	**17,330**	**17,387**	**18,242**	**18,563**	**-57**	**-0.3%**	**-913**	**-5.0%**	**-1,233**	**-6.6%**
Total Funding	**20,332**	**20,194**	**21,028**	**22,194**	**138**	**0.7%**	**-695**	**-3.3%**	**-1,862**	**-8.4%**
Interest-Bearing Loans to Customers	**561**	**586**	**590**	**607**	**-25**	**-4.2%**	**-29**	**-4.9%**	**-47**	**-7.7%**







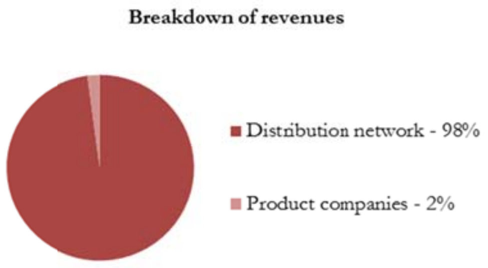
With regard to profit and loss, in the first nine months of 2017 Wealth Management achieved total **Income** of approx. **EUR 124 mln**, down 16.4% compared to the same period of last year. A breakdown of the aggregate shows:

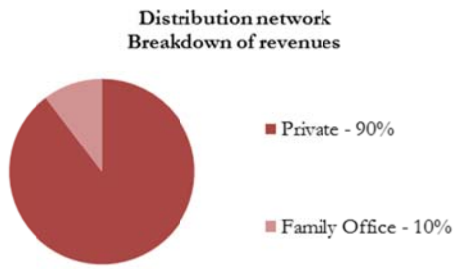
- As at 30 September 2017, Net Interest Income was approximately EUR 24 mln, down 24.3% annually, impacted to a large extent by the drop in the contribution of direct funding (primarily as a result of withdrawals, -17.3% Y/Y);
- in the first nine months of 2017, Net Fee and Commission income totalled approximately EUR 99 mln, also down compared to the levels of the previous year (-14.0%) as a result of the decline in the product segment, for the continuing operations and placement components.

Considering the impact of operating expenses, which decreased by 2.7% Y/Y, Wealth Management generated **Gross Operating Income** of about **EUR 74 mln** in the first half of 2017 (-23.6% Y/Y). Including net impairments losses (reversals) on loans and financial assets equal to EUR 4 million, penalised especially by the adjustment of provisions on "transferred" doubtful loans to their recoverable value, the **Net Operating Income** since the start of the year totalled roughly **EUR 70 mln**.

The **cost-income ratio** of the Operating Segment is **40.4%** (34.8% at the end of September 2016).

WEALTH MANAGEMENT - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/17	30/09/16	Abs.	%
Net interest income	*24.2*	*31.9*	*-7.8*	*-24.3%*
Net fee and commission income	*98.9*	*115.0*	*-16.1*	*-14.0%*
Other income	*0.6*	*0.9*	*-0.3*	*-35.2%*
Other operating expenses/income	*0.1*	*0.1*	*0.0*	*n.s.*
Total Income	**123.8**	**148.0**	**-24.2**	**-16.4%**
Operating expenses	*(50.1)*	*(51.4)*	*1.4*	*-2.7%*
Pre Provision Profit	**73.8**	**96.6**	**-22.8**	**-23.6%**
Net impairment losses (reversals) on loans and financial assets	(3.9)	(4.5)	0.6	-12.8%
Net Operating Income	**69.9**	**92.1**	**-22.3**	**-24.2%**

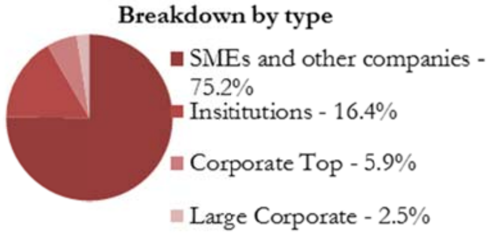
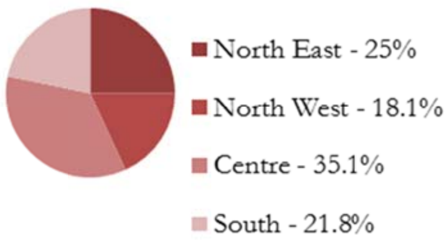




Results of the main subsidiaries

- **MPS Fiduciaria**: Profit for the period of approximately EUR 0.04 mln, down compared to the levels recorded as at September 2016 (-83.4% Y/Y).

Corporate Banking

Business areas	Customers
• Lending and offering financial products and services to businesses, including through strategic partnerships with trade associations and Confidi (credit guarantee consortia), with Guarantee Institutions (including public) and Institutional Entities, through which funding is acquired at favourable terms. • Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring). • Corporate finance - medium-long term credit facilities, corporate finance, capital markets and structured finance also through the subsidiary MPS Capital Services. • Products and services issued by the Parent Company's foreign branches to support business expansion and investments by Italian companies abroad. Activities abroad are also supported by the operations of foreign subsidiaries MP Banque and MP Belgium. • Custody and deposit services for dairy products on behalf of third parties (through the subsidiary Magazzini Generali Fiduciari di Mantova S.p.A., which is also authorised to issue documents of title to the merchandise, providing for easier access to bank lending).	About 52,400 Corporate and large group customers of the Parent Company, directly followed by Corporate Banking. **Breakdown by type**  **Breakdown by geography** 

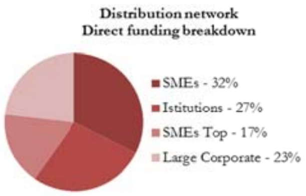
Income statement and balance sheet results

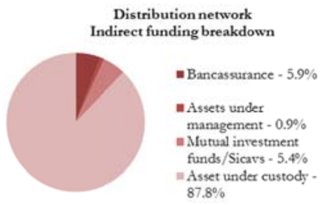
Volumes of Corporate Banking **Total Funding** recorded growth of approx. EUR 8.0 bn, from EUR 25.2 bn at the end of December to **EUR 33.1 bn** as at 30 September 2017. The quarterly trend in this aggregate (EUR +4.1 bn) was due to the increase in direct funding (EUR +3.7 bn Q/Q) on demand/short-term forms, while the medium/long-term component was basically stable.

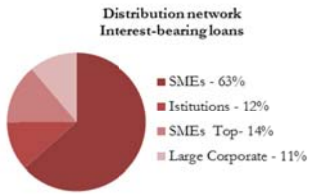
With regard to lending, as at 30 September 2017, Corporate Banking **interest-bearing loans to customers** stood at approximately **EUR 38.3 bn** (EUR -3.6 bn on 31 December 2016 and EUR -1.5 bn on 30 June 2017), mainly consisting of medium/long-term loans.

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	30/09/17	30/06/17	31/12/16	30/09/16	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt secu	**19,458**	**15,805**	**11,567**	**16,389**	**3,653**	**23.1%**	**7,891**	**68.2%**	**3,069**	**18.7%**
Assets under management	*1,664*	*1,666*	*1,617*	*1,608*	*-2*	*-0.1%*	*46*	*2.8%*	*55*	*3.4%*
Assets under custody	*12,010*	*11,533*	*11,973*	*11,417*	*477*	*4.1%*	*37*	*0.3%*	*593*	*5.2%*
Indirect Funding	**13,674**	**13,199**	**13,590**	**13,026**	**475**	**3.6%**	**83**	**0.6%**	**648**	**5.0%**
Total Funding	**33,131**	**29,004**	**25,157**	**29,415**	**4,128**	**14.2%**	**7,974**	**31.7%**	**3,717**	**12.6%**
Interest-Bearing Loans to Customers	**38,294**	**39,849**	**41,943**	**45,444**	**-1,554**	**-3.9%**	**-3,649**	**-8.7%**	**-7,150**	**-15.7%**







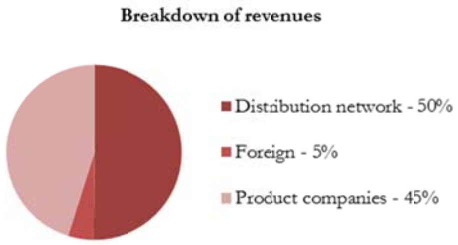
For profit and loss aggregates, in the third quarter of 2017 Corporate Banking **Revenues** came to approx. **EUR 837 mln** (-28.1% Y/Y). A breakdown of the aggregate shows:

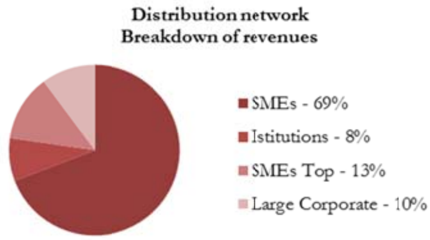
- Net Interest Income was approximately EUR 505 mln, down 31.8% annually due to the decrease in returns on commercial assets (volumes and rates, the latter down by roughly 15% Y/Y);
- Net fee and commission income decreased by 16.2% Y/Y, amounting to approximately EUR 263 mln, mainly penalised by the downward trend in proceeds from Credit/Foreign services, also impacted by the reduction in operating volumes;
- Other Revenue from banking and insurance business amounted to approximately EUR 70 mln (-42.9% Y/Y), with the drop attributable to the operations of the subsidiary MPS Capital Services.

Considering the impact of operating expenses, down by 1.3% compared to 31 December 2016, the Gross Operating Income came to about **EUR 368 mln** (-46.5% Y/Y). The **Net Operating Income** for this Segment was equal to **approx. EUR -2,265 mln** (the result as at 30 September 2016 was EUR -418 mln), as a result of the deterioration of impairment losses (reversals) on loans and financial assets (EUR -2,633 mln), penalised by the adjustment of provisions on "transferred" doubtful loans to their recoverable value (EUR -2,223 mln).

The Corporate Banking **cost-income ratio** stands at **56.0%** (40.8% as at 30 September 2016).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES				
			Chg. Y/Y	
(EUR mln)	30/09/17	30/09/16	Abs.	%
Net interest income	*505.3*	*740.4*	*-235.1*	*-31.8%*
Net fee and commission income	*262.9*	*313.8*	*-50.9*	*-16.2%*
Other income	*70.1*	*122.8*	*-52.7*	*-42.9%*
Other operating expenses/income	*(1.4)*	*(13.7)*	*12.3*	*n.s.*
Total Income	**836.9**	**1,163.4**	**-326.5**	**-28.1%**
Operating expenses	*(468.7)*	*(474.9)*	*6.2*	*-1.3%*
Pre Provision Profit	**368.2**	**688.5**	**-320.3**	**-46.5%**
Net impairment losses (reversals) on loans and financial assets	(2,632.9)	(1,106.8)	-1,526.1	n.s.
Net Operating Income	**(2,264.7)**	**(418.3)**	**-1,846.4**	**n.s.**





Results of the main subsidiaries

- **MPS Capital Services**: loss for the period of roughly EUR -609.0 mln, a significant difference from the result as at 30 September 2016 (profit of approx. EUR 1.6 mln) due to the contraction in all components, but in particular growth of net impairment losses (EUR -608 mln Y/Y) penalised by the adjustment of provisions on "transferred" doubtful loans to their recoverable value (EUR -715 mln).

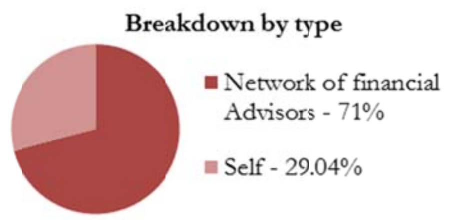
- **MPS Leasing & Factoring**: loss before taxes of EUR -58.7 mln (EUR -62.1 mln compared to 30 September 2016) due to net impairment losses (penalised by the adjustment of provisions on "transferred" doubtful loans to their recoverable value for EUR -20 mln). The net loss for the period came to EUR -63.8 mln, a deterioration of EUR 22.9 mln compared to the previous year.

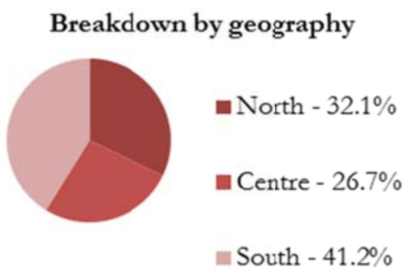
- **Foreign banks**[5]: in the first nine months of 2017, **MP Banque** recorded a profit of EUR 4.9 mln compared to a loss of EUR -0.4 mln recorded in the corresponding period last year; with regard to **MP Belgio**, the profit for the period amounted to roughly EUR 13.0 mln, compared to a profit of approx. EUR 4.0 mln as at 30 September 2016, up Y/Y thanks to the capital gain recorded from the sale of the office.

[5] The profit reported for foreign subsidiaries is local.

Banca Widiba

Business areas	Customers
- Banking products and services, deposit account, cards and advanced payment systems; customer self-service through the bank's digital channels or in assisted mode with the support of a Financial Advisor. - Fully customisable online platform that relies on a network of 614 Financial Advisors present throughout the country. - Funding and Global advisory services and financial planning through the advanced WISE platform and the skills of the Financial Advisor Network. - Mortgages, credit facilities and personal loans. - Innovative interaction through computers, smartphones, tablets, watches and TV.	There were roughly 182,000 customers as at 30 September 2017, of which around 129,100 in the Network of Financial Advisors channel and around 52,800 in the self-service channel. There were approx. 155,000 customers managed exclusively by Banca Widiba SpA.





Income statement and balance sheet results

As at 30 September 2017, Total Funding for Widiba amounted to approximately EUR 7.1 bn, up by roughly EUR 0.5 bn from the end of December 2016 and 30 September 2016. The trend in the first nine months of the year was marked by growth in the Direct component as well as the Asset Management component, with a net increase in the customer base since the start of the year of roughly 20,800. More specifically:

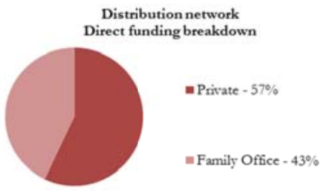
- **Direct Funding** of **EUR 1.8 bn**, after the difficult market environment in the final quarter of 2016 deriving from the negative outcome of the Parent Company's recapitalisation transaction, recorded a net recovery in volumes during the first nine months of the year (EUR +258 mln with respect to the end of December 2016, of which EUR +83 mln recorded in the third quarter, and EUR +171 mln compared to September 2016) for current accounts as well as restricted credit lines. The main commercial initiatives in the first nine months of the year were focused on the acquisition of new volumes from the market by acquiring new customers as well as increasing the share of wallet of existing customers. A particular focus was also placed on the stabilisation and retention of customers with "high value added" campaigns targeted at incentivising the direct deposit of wages or the closure of accounts held at other banks. The consolidation of assistance processes supporting the business and customers through the Widiba Media Centre structure made it possible to improve customer service levels while also continuing with the trend of achieving significant economies of scale;
- **Indirect Funding**, amounting to approx. EUR 5.3 bn, increased by EUR 0.2 bn compared to the end of December 2016 (and by approx. EUR +0.3 bn compared to September 2016),

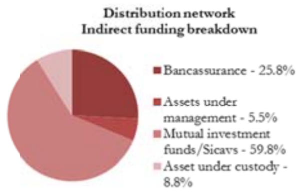
thanks to the positive commercial performance of the Network of Financial Advisors, which recorded a significant upswing in net flows as at 30 September. Please note in particular the extremely positive trend of Assets under management in the funds and UCITS component. Within the Network of Financial Advisors, training activities continue with an increasing focus on Advisory services based on the new WISE platform (the new global advisory model). As at 30 September, 29 new Financial Advisors were hired.

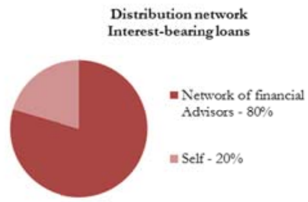
Interest-bearing loans to Widiba customers rose from roughly EUR 44 mln at the end of December 2016 to **EUR 154 mln** as at 30 September 2017. This growth refers primarily to the launch of the offer of Widiba mortgages with roughly EUR 111 mln in new loans since the start of the year. The Widiba mortgage (first 100% paperless mortgage in Italy) won two important national awards in the first quarter of 2017 (ABI Innovation Award and AIFIN Cerchio d'Oro Award).

WIDIBA BANK - BALANCE SHEET AGGREGATES

(EUR mln)	30/09/17	30/06/17	31/12/16	30/09/16	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt secu	**1,821**	**1,738**	**1,563**	**1,650**	**83**	**4.7%**	**258**	**16.5%**	**171**	**10.3%**
Assets under management	*4,830*	*4,735*	*4,557*	*4,421*	*95*	*2.0%*	*273*	*6.0%*	*409*	*9.3%*
Assets under custody	*468*	*513*	*538*	*564*	*-45*	*-8.7%*	*-70*	*-13.0%*	*-96*	*-17.0%*
Indirect Funding	**5,298**	**5,248**	**5,096**	**4,985**	**50**	**1.0%**	**203**	**4.0%**	**313**	**6.3%**
Total Funding	**7,119**	**6,987**	**6,659**	**6,635**	**132**	**1.9%**	**460**	**6.9%**	**484**	**7.3%**
Interest-Bearing Loans to Customers	**154**	**98**	**44**	**46**	**56**	**57.2%**	**110**	**248.7%**	**108**	**236.6%**







With regard to profit and loss, as at 30 September 2017 Widiba achieved total **Revenues** of approx. **EUR 35 mln**, up (EUR +3.1 mln; +9.7%) compared to the same period of last year. The contribution of 3Q2017 was up compared to the previous quarter (EUR +2.7 mln) as well as the first quarter (EUR +1.3 mln) due to the higher net fee and commission income and growth in net interest income. A breakdown of the aggregate shows:

- the Net interest income as at 30 September 2017 was equal to approx. EUR 22 mln, up by 3.1% compared to the first nine months of 2016, with a Q3 contribution marking growth compared to the previous quarters (EUR +0.9 mln compared to Q1 and EUR +0.5 mln compared to Q2). With reference to the components of net interest income, there was a lower lending rate on financial loans offset entirely by a lower cost of Funding and higher volumes. These trends allow for a full recovery of the lower contribution of net interest income deriving from securities lending transactions with customers (due primarily to regulatory changes);
- Net fees and commissions as at 30 September 2017, equal to roughly 13 mln, were up significantly compared to the same period of 2016 (EUR +2.8 mln; +27.9%) as well as the previous quarter (EUR +2.4 mln; +85%). With reference to the previous year, there was higher income from placement (thanks to the positive sales performance of the Network of Financial Advisors) and the continuing operations of Asset management products (higher average volumes under management), while with

regard to the previous quarter, lower gross fee and commission income was more than offset by lower fees and commissions paid to the Network of Financial Advisors.

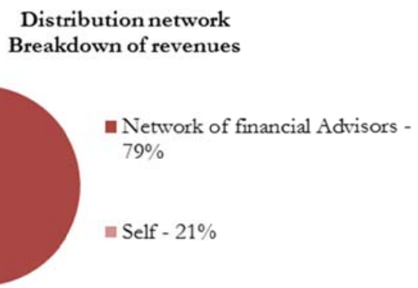
Operating Expenses rose by 0.9% compared to 30 September 2016, exclusively due to higher amortisation linked to Widiba banking platform and global advisory platform (WISE) investments. Indeed, both personnel expenses and other administrative expenses declined (-3% for both aggregates).

The **Gross Operating Income** therefore came to **EUR -9.6 mln**, an improvement of EUR +2.7 mln (+22.1%) compared to 30 September 2016.

The **Net Operating Income** as at 30 September 2017 totalled **EUR -9.7 mln**, a slight deterioration with respect to the same period of 2016 (EUR -0.3 mln), which benefitted from write-backs on receivables equal to EUR 2.8 mln. In addition, in September 2017 the CariCesena equity investment was written down in relation to the voluntary IDPF participation for a total of EUR 1.7 mln. In Q3, the quarterly Net Operating Income trend showed a significant improvement compared to the previous quarters (EUR +1.9 mln compared to Q1 and EUR +5.3 mln compared to Q2).

WIDIBA BANK - PROFIT AND LOSS AGGREGATES

(EUR mln)	30/09/17	30/09/16	Chg. Y/Y Abs.	Chg. Y/Y %
Net interest income	*22.3*	*21.6*	*0.7*	*3.1%*
Net fee and commission income	*12.9*	*10.1*	*2.8*	*27.9%*
Other income	*0.0*	*0.0*	*0.0*	*-54.9%*
Other operating expenses/income	*(0.2)*	*0.2*	*-0.4*	*n.s.*
Total Income	**35.1**	**32.0**	**3.1**	**9.7%**
Operating expenses	*(44.6)*	*(44.2)*	*-0.4*	*0.9%*
Pre Provision Profit	**(9.6)**	**(12.3)**	**2.7**	**-22.1%**
Net impairment losses (reversals) on loans and financial assets	(0.2)	2.8	-3.0	n.s.
Net Operating Income	**(9.7)**	**(9.4)**	**-0.3**	**3.3%**



Corporate Centre

The Corporate Centre includes:

- head office units, particularly with regard to governance and support functions, proprietary finance, the 'asset centre' of divisionalised entities, which comprises in particular: asset and liability management, treasury and capital management;
- business service and support units, particularly with regard to the development and management of information systems of the Consorzio Operativo di Gruppo (Group Operational Consortium) and the management of doubtful debt collection.

In addition to cancellation of intragroup entries, the Corporate Centre also collects the results of companies consolidated by the equity method and those in the process of being disposed, as well as the results of operational branches that are individually below the minimum parameters for external disclosure requirements.

Prospects and outlook on operations

Economic expansion, which accelerated beyond expectations in the first half of 2017, continues to be robust and generalised across many countries and sectors. At the same time, recent exchange rate volatility represents a significant uncertainty to be kept under observation due to its possible implications for medium-term price stability outlooks. Global trade trends improved significantly, driven primarily by the increase in trade of emerging economies. In general, the financial markets showed signs of stability and low risk aversion. Financial conditions in emerging economies are also benefitting from improved outlooks for global growth, with a recovery of capital inflows.

In the future, economic activity, including in Eurozone countries, should gradually strengthen with a view to moderate expansion, which should continue to benefit from the support of expansionary monetary as well as budgetary policies.

After the Governing Council's monetary policy meeting held in June 2017, yields on Eurozone government bonds remained basically unchanged, while spreads on corporate bonds reduced slightly and remain at levels lower than the beginning of March 2016, when the corporate sector bond buying programme was announced (Corporate Sector Purchase Programme, CSPP).

The ECB's monetary policy measures continued to preserve very favourable lending conditions, which are necessary to ensure the long-lasting convergence of inflation rates towards levels lower than but close to 2 percent in the medium term. This is demonstrated by the continuation of very low bank interest rates. Likewise, the issue of monetary policy measures continues to provide significant support to loan conditions for businesses and households.

As regards the MPS Group, following the approval of the 2017-2021 Restructuring Plan by the European Commission on 4 July 2017, activities began for the implementation of the main initiatives set forth in the Plan.

In this regard, with reference to the disposal of the platform of doubtful loans, a binding agreement was reached with Cerved Group S.p.A. and Quaestio Holding SA. The transaction envisages the disposal to a company established ad hoc by Cerved and Quaestio of the platform for the collection of doubtful loans of BMPS and the subscription of a long-term servicing agreement for the outsourced management of future flows of doubtful loans of all of the Group's Italian banks. The consideration of the disposal is EUR 52.5 mln, in addition to a possible earn out of up to EUR 33.8 mln, based on the achievement of economic results in the timespan until 2025. The closing of the transaction, expected to take place by the end of the first quarter of 2018, is subject to the approval of the supervisory authority as well as the completion of the securitisation of the doubtful loans of BMPS, with the subscription of mezzanine notes by funds managed by Quaestio.

On 3 August 2017, an agreement was signed between the Group and the trade unions with regard to the "Solidarity Fund for professional retraining and requalification, for the support of employment and the income of credit personnel", which the exit as 1 November 2017 of a further 1,200 resources in 2017 in addition to the 600 exits already completed as at 1 May 2017, in line with the targets of the Restructuring Plan, which requires, inter alia, a headcount reduction across all of the Group's organisational structures by around 5,500 resources, to be carried out primarily through exit support measures (roughly 4,800 through the activation of the "Solidarity Fund"). On 16 September, the period for acceptance of the Solidarity Fund was completed, with the target set for 2017 fully met.

In addition, on 24 October 2017 Consob approved the document relating to the partial voluntary public offering for exchange and settlement for the holders of ordinary shares of the Bank resulting from the conversion of the subordinated bond loan named "Tasso variabile Subordinato Upper Tier II 2008 - 2018".

On 24 October 2017, Consob also issued its judgement of equivalence in relation to the information requirements concerning the senior debt securities offered in exchange by BMPS as part of the offering.

Also on the same date, Consob approved the registration document relating to the Issuer and the information note and summary note relating to the admission to listing on the Mercato Telematico Azionario market organised and managed by Borsa Italiana S.p.A. of ordinary shares of the Bank. The Registration Document, the Information Note and the Summary Note constitute the prospectus for the listing of the New Shares on the MTA. Consob also ordered the revocation of Resolution 19840 of 23 December 2016 relating to the temporary suspension of trading in regulated markets, multilateral trading facilities and the Italian systematic internalisers relating to the securities issued or guaranteed by the Parent Company and the financial instruments with securities issued by the Parent Company as the underlying assets. Therefore, the Bank's shares were re-admitted to listing on the MTA on 25 October 2017.

On 30 October 2017, the Parent Company announced that the decree of the Ministry of Economy and Finance had been issued relating to the acquisition by that Ministry of the shares subject to partial voluntary public offering for exchange and settlement of BMPS intended for the holders of ordinary shares of the Bank (ISIN IT0005276776) resulting from the conversion - following the application of the burden sharing measures pursuant to article 22, paragraph 2 of Law Decree no. 237 of 23 December 2016 (as converted with amendments by Law no. 15 of 17 February 2017 as amended) - of the subordinated bond loan named "€2.160.558.000 Tasso variabile Subordinato Upper Tier II 2008 - 2018".

Therefore, the period for acceptance of the Offering will begin at 8:30 a.m. on 31 October 2017 and will end at 4:30 p.m. on 20 November 2017 (inclusive), without prejudice to any extensions. The Offering will be settled by 24 November 2017 (the "Exchange Date").

For more information on the terms and conditions of the Offering, please refer to the offer document available to the public - starting today - at the registered office of the Offering Party, in Siena, piazza Salimbeni 3, Italy, as well as on the website www.gruppomps.it.

Lastly, with reference to the future capital impacts arising from the Bank's exposure to non-performing loans, on 4 October 2017 the ECB started a consultation process in relation to an addendum to the guidelines for banks on non-performing loans of 20 March 2017. In particular, the addendum establishes that for all loans that will be classified as non-performing starting from 2018 a total coverage level will need to be reached, at the latest within two years for unsecured loans and within seven years for secured loans The impact on capital adequacy ratios can be determined once the relevant regulations are finalised.

This information was also provided in compliance with the request of Consob of 8 November 2016 pursuant to art. 114, paragraph 5 of Italian Legislative Decree 58/1998, whereby the Bank was asked to indicate the status of Plan implementation, highlighting the variations between actual and forecast data.

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Related-party transactions

Compensation of key management personnel

Items/Amounts	Total 30 09 2017	Total 30 09 2016
Short-term benefits	7.1	6.2
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	3.1
Share-based payments	-	-
Other compensation	-	-
Total	**7.1**	**9.3**

Considering the instructions provided by accounting standard IAS 24 and in light of the current organisational structure, the Group has opted for the disclosure scope to include not only Directors, Statutory Auditors, the General Manager and Deputy General Managers, but also other Key Management Personnel.

For detailed information regarding remuneration policies, please refer to the document "Remuneration Report pursuant to art. 123 ter of the Consolidated Law on Finance" which contains the data specified below and reported in the financial statements, including:

- a detailed breakdown of compensation paid to the Governing and Control bodies, General Managers and, in aggregate form, to Key Management Personnel;
- quantitative information on the remuneration of "Key employees";
- monetary incentive plans in favour of members of the Administration and Control Body, the General Managers, the Deputy General Managers and other Key Management Personnel;
- information on the equity investments of members of the Administration and Control Body, the General Managers and other Key Management Personnel.

The following tables summarise the relationships and economic effects of transactions carried out in the first nine months of 2017 with associates, key management personnel and other related parties. Following the completion of the Precautionary Recapitalisation, the MEF's investment in the share capital of Banca MPS is equal to around 52%, therefore qualifying the MEF as the controlling entity. The "MEF Scope" column highlights the balances[6] of the balance sheet and income statement items as at 30 September 2017 relating to the transactions carried out with the MEF and the companies controlled by the MEF; the main transactions are commented on in the next section "Related-party transactions".

Related-party transactions: balance sheet items

	Value as at 30 09 2017						
	joint venture	Associated companies	Executives with strategic responsibility	Other related parties	MEF perimeter	Other related parties	% on consolidated
Financial assets held for trading	-	16.8	-	14.7	5,717.2	5,748.7	56.91%
Financial assets available for sale	-	36.1	-	-	13,547.0	13,583.1	88.77%
Lonas to banks	-	-	-	-	-	-	0.00%
Loans to customers	98.8	566.3	3.5	83.8	994.0	1,746.4	1.92%
Other assets	-	-	-	0.1	-	0.1	0.01%
Total assets					20,258.2		
Deposits from banks	-	-	-	-	0.1	0.1	0.00%
Deposits from customers	2.0	362.0	1.4	46.6	2,932.8	3,344.8	4.08%
Debt securities issued	-	0.4	-	0.1	-	0.5	0.00%
Financial liabilities	-	81.9	-	-	716.7	798.6	15.24%
Other liabilities	0.1	3.6	-	-	0.1	3.8	0.11%
Total liabilities					3,649.7		
Guaranties issued and Commitme	16.2	101.0	-	0.1	699.3	816.6	n.a.

Related-party transactions: income statement items

	Value as at 30 09 2017						
	joint venture	Associated companies	Executives with strategic responsibility	Other related parties	MEF perimeter	Other related parties	% on consolidated
Interest income and similar reven	1.1	6.7	-	22.5	101.4	131.7	6.34%
Interest costs and similar charges	-	(0.2)	-	(0.1)	(49.9)	(50.2)	7.05%
Fee and commission income	0.2	136.7	-	0.2	3.0	140.1	9.56%
Fee and commission expense	-	(1.4)	-	(0.1)	(0.3)	(1.8)	0.70%
Net adjustments/impaiments	0.7	4.9	-	(0.5)	(10.4)	(5.3)	0.11%
Operating costs	-	(13.5)	(7.2)	(1.0)	(12.1)	(33.8)	1.40%

[6] The impact on capital adequacy ratios can be determined once the relevant regulations are finalised..

Related-party transactions

"*Regulations containing provisions relating to transactions with related parties*" was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

In its meeting of 10 November 2010, the Board of Directors established the "Committee of Independent Directors" which, as of 18 July 2013, was renamed "Committee on Related-Party Transactions"; the Committee is composed solely of independent directors pursuant to the principles and criteria of the Corporate Governance Code of listed companies, which Banca MPS adhered to, and the Consolidated Law on Finance.

In implementation of art. 53 of the Consolidated Law on Banking and in compliance with resolution no. 277 of the Interministerial Committee for Credit and Savings (ICRC) of 29 July 2008, the directives on regulations concerning risk assets and conflicts of interest in relation to the Associated Parties of the Group were adopted by the Bank of Italy with the 9th update of Circular no. 263/2006, as of 31 December 2012.

Through a resolution dated 12 November 2014, the Board of Directors approved - in accordance with regulatory provisions and having obtained the prior favourable opinions of the Committee on Related-Party Transactions and of the Board of Statutory Auditors - the "*Global Policy on transactions with related parties and associated parties, obligations of the Banking entities*" (hereinafter the "Global Policy"), which includes in a single document the Group's provisions on conflicts of interest in transactions with related parties in accordance with the above referenced Consob Regulation no. 17221/2010 and with Associated Parties in accordance with Bank of Italy Circular no. 263/2006, Title V - Section 5, as well as those on the obligations of banking representatives, in accordance with art. 136 of the Consolidated Law on Banking (TUB), and also contains rules for subsidiaries.

The Global Policy dictates the principles and rules to be adhered to in order to control the risk arising from situations of possible conflict of interest with certain entities close to the Bank's decision-making centres, and supersedes the "*Procedure for Related-Party Transactions*" - adopted on 25 November 2010 and updated on 24 June 2012 - and the "*Deliberative Procedures governing transactions with Associated Parties*" – adopted on 24 June 2012.

The Global Policy was published on the Bank's web site and is therefore available in full-text version at the following link:

https://www.gruppomps.it/static/upload/ope/operazioni_con_parti_correlate_e_soggetti_-collegati-_obbligazioni_degli_esponenti_bancari.pdf

Already starting in 2016, the Bank's Board of Directors formally resolved to approve inclusion of the Ministry of Economy and Finance (MEF) and of the relevant directly and indirectly controlled companies within the scope of related parties on a discretionary basis pursuant to the provisions of the Global Policy, excluding the prudential regulation.

Following the Bank's precautionary recapitalisation procedure, after which the MEF became the controlling shareholder of Banca MPS, the Bank's technical structures began a specific discussion with the Supervisory Authorities on the aspect of the resulting application of limits to risk assets laid out in prudential regulations, pursuant to art. 53 of the Consolidated Law on Banking (TUB) and its implementing provisions (Bank of Italy Circ. 263/06 Title V Chap. 5), in order to request confirmation of the applicability to the Bank of the "silo" approach for the calculation of the reference limits.

Information is provided below regarding transactions that are worth specifically mentioning and which were concluded on the basis of assessments of economic advantage and carried out by the Bank with Related Parties in the first nine months of 2017.

February 2017

- On 1 February 2017, the Loan Disbursement and Governance Division authorised - subject to the fulfilment of certain conditions by the shareholders and the company as well as the acceptance of what is authorised by the other bank in the pool - in favour of BONAFOUS S.P.A.: (i) the extension to 31/12/2020 of a pool mortgage loan of EUR 8.715 mln and (ii) the relative bullet repayment of the residual principal at the new maturity date; (iii) the suspension of the payment of interest - including some already past due - until the new maturity date; (iv) the granting of a fixed-term credit facility (31/12/2020) for the technical management of accrued and accruing interest. On 15 June 2017, the Board of Directors, with the favourable opinion of the Committee on Related-Party Transactions, resolved to approve participation in a Debt Restructuring Agreement (DRA) pursuant to art. 182 bis of the Bankruptcy Law, which for Banca MPS envisages: (i) when the DRA becomes effective, the write-off of EUR 4.715 mln in principal, against repayment in cash of EUR 4 mln, plus the waiver of ordinary interest accrued and accruing until the effective date of the DRA; (ii) when the DRA becomes effective, the waiver of interest on arrears accrued and accruing pursuant to the loan agreement until the effective date; (iii) when the amount of EUR 4 mln is collected, the waiver of all claims deriving from the loan and the commitment to release the collateral backing the pool mortgage loan. All of the foregoing is subject to the condition precedent of the acceptance of the proposal by the other bank participating in the pool loan and the definitive approval of the DRA by the competent Court. The transaction is governed by Consob Regulation no. 17221/2010 as BONAFOUS S.P.A. is 50% owned by CDP Immobiliare S.r.l., which in turn is a subsidiary of CASSA DEPOSITI E PRESTITI SPA, a direct subsidiary of the MEF which when the transaction was carried out held 4.024% of the share capital of Banca MPS.
- On 14 February 2017, the Banca MPS Credit and Credit Policies Committee authorised in favour of SOGIN S.P.A.: (i) the extension of the EUR 18.9 mln mixed credit facility usable for the issue of sureties with underlying financial obligations against VAT refunds and for the issue of letters of credit relating to the import of goods with a maximum duration of individual commitments equal to 48 months and (ii) the replacement of the previous EUR 1 mln mixed credit facility with an analogous mixed credit facility in the same amount, which may be used in full for forward currency transactions (fixed-term and fixed and flexible/advanced) that may be used only for transactions with a commercial underlying asset. The transaction is governed by Consob Regulation no. 17221/2010 as SOGIN S.P.A. is wholly owned by the MEF, which when the transaction was carried out held 4.024% of the share capital of Banca MPS.

March 2017

- On 9 March 2017, the Board of Directors resolved to authorise, with the prior favourable opinion of the Committee on Related-Party Transactions, the adoption of a Framework Resolution, of up to a cumulative amount of EUR 250 mln, valid from 9 March 2017 to 14 October 2017, concerning Banca MPS's acquisition of financial resources - for the disbursement of subsidised government backed loans to the beneficiaries specified in regulations in force - from funding made available by CASSA DEPOSITI E PRESTITI SPA (CDP) as part of the agreements "Plafond Eventi Calamitosi" of 17/11/2016 and "Plafond Sisma Centro Italia" of 18/11/2016 entered into by the CDP and the Italian Banking Association (ABI). This resolution is separate from the previous Framework Resolution approved by the Board of Directors on 14 October 2016 and commented on in Part H of the Financial Statements as at 31/12/2016, relating to the previous agreements entered into by the ABI and CDP. The transaction in question falls within the scope of application of Consob Regulation no. 17221/2010, as CASSA DEPOSITI E PRESTITI SPA is a direct subsidiary of the MEF, which when the transaction was carried out held 4.024% of the share capital of Banca MPS.

- On 16 March 2017, the Large Loans Committee, with the prior favourable opinion of the Committee on Related-Party Transactions, approved the transfer of the administrative classification of EUROCITY SVILUPPO EDILIZIO S.R.L IN LIQUIDATION from "unlikely to pay" to "doubtful". The exposure amounts to EUR 42.9 mln. The transaction in question falls within the scope of application of Consob Regulation no. 17221/2010, as EUROCITY SVILUPPO EDILIZIO S.R.L IN LIQUIDATION is a subsidiary of Casalboccone Roma S.r.l., in which Banca MPS holds a direct equity investment equal to 21.8% of the share capital.

- On 23 March 2017, the Board of Directors authorised the rescheduling of the credit facilities provided to ENI S.p.A. and the return to within the prudential limits pursuant to art. 395 of Regulation (EU) 575/2013. In this context, the following were approved: the granting of (i) a new mixed credit facility of EUR 1,000 mln and (ii) a new mixed credit facility of EUR 500 mln - blocked in its entirety and usable after checking for compliance with regulatory limits - both usable for current account overdrafts, large financial transactions, the issue of sureties and letters of credit, loans in foreign currency, advances on receivables subject to collection, opening of documentary credit backed by documents not representative of goods; (iii) the confirmation of the ordinary and multi-user credit facility with a reduction to EUR 75 mln usable for exchange rate risk hedging transactions; (iv) the granting of a new temporary and multi-user credit facility for EUR 25 mln maturing on 31 December 2022 and usable for interest rate risk hedging transactions, with a maximum duration of 5 years. The facilities may also be used by the other companies of the ENI group after the issue of a credit facility mandate by the parent company ENI S.p.A., with the delegating party and beneficiary bearing joint and several liability. The transaction in question falls within the scope of application of Consob Regulation no. 17221/2010, as ENI S.p.A. is subject to the de facto control of the MEF, which holds a 4.34% direct shareholding in it and a 25.76% indirect shareholding in it through CASSA DEPOSITI E PRESTITI SPA, which is in turn a subsidiary of the MEF, which when the transaction was carried out held 4.024% of the share capital of Banca MPS. The transaction in question, which amounts to EUR 1,600.00 mln, is classified as a "transaction of greater relevance", also pursuant to the Bank's Global Policy. It should be noted that, as far as the proceedings are concerned, the Related-Party Transactions Committee was involved and issued its approval prior to the resolution of the Board of Directors. Pending the definition and formalisation of the agreements with ENI S.p.A., on 2 August 2017 the Board of Directors, again with the prior approval of the Related-Party Transactions Committee, decided to (i) reduce the credit facilities granted to ENI S.p.A. from Euro 1,600 mln to Euro 350 mln in order to prevent the regulatory limits for the so-called "connected Bankit Parties" from being exceeded following the completion of the Bank's precautionary recapitalisation by the MEF, with consequent application of the limits on risk assets required by prudential regulations, and (ii) extend the internal operational limit by 3%, which exceeds and implements the previous resolution adopted by the Board of Directors on 23 March 2017. Public disclosure on this has been issued in accordance with applicable regulations.

April 2017

- On 12 April 2017, with the prior favourable opinion of the Committee on Related-Party Transactions, the Board of Directors granted, with respect to the unsecured loans granted by Banca MPS, a moratorium of 6 months in favour of MARINELLA S.p.A. and TENUTA DI MARINELLA, as well as the right to use existing short-term credit lines granted to the latter within the authorised limit of EUR 200 thousand until the end of the moratorium, all subject to the resolution for dissolution and placement in liquidation of MARINELLA S.p.A. The transaction, which amounts to EUR 23 mln, falls within the scope of application of Consob Regulation no. 17221/2010 as MARINELLA SPA is subject to joint control by Banca MPS which holds a direct stake in it of 25%, and TENUTA DI MARINELLA is wholly owned by MARINELLA SPA.

- On 18 April 2017, the Acting Deputy Manager of Banca MPS resolved to review and as a result renew with an increase the loan in favour of ANSALDO ENERGIA S.p.A. and in particular authorised granting: (i) a new credit facility of EUR 10 mln usable in full for the opening of documentary credit backed by documents not representative of goods and for the issue of financial and/or commercial sureties; (ii) a new credit facility of EUR 20 mln, guaranteed by a pledge in cash of EUR 10 mln, usable up to the maximum amount for the issue of counter-guarantees, including with unspecified maturity, in the interest of ANSALDO ENERGIA S.p.A. and (iii) a new credit facility of EUR 3 mln usable for exchange rate risk hedging transactions with the exclusion of any speculative purposes. The transaction is governed by Consob Regulation no. 17221/2010, as ANSALDO ENERGIA S.p.A. is an indirect subsidiary of the MEF, which at the time of the transaction held 4.024% of the share capital of Banca MPS. MEF holds indirect control as ANSALDO ENERGIA S.p.A. is subject to the joint control, as a result of current shareholders' agreements, of the shareholder CDP Equity S.p.A., 97.13% owned by CASSA DEPOSITI E PRESTITI SPA, whose majority shareholder is the MEF, which when the transaction was carried out held 4.024% of the share capital of Banca MPS.

June 2017

- On 27 June 2017 the Credit and Credit Policies Committee authorised in favour of FINCANTIERI S.p.A: (i) the renewal with an increase of the credit facility from the original EUR 15 mln to EUR 65 mln usable in its entirety for the issue of sureties and limited to the amount of EUR 10 mln for current account overdrafts and (ii) the confirmation of the mixed use credit facility of EUR 30 mln for forward currency transactions and/or currency options, interest rate risk hedging transactions and commodity risk hedging transactions. The transaction in question falls within the scope of application of Consob Regulation no. 17221/2010, as FINCANTIERI S.p.A. is subject to the control of Fintecna S.p.A., a financial company in turn controlled through CASSA DEPOSITI E PRESTITI SPA by the MEF, which when the transaction was carried out held 4.024% of the share capital of Banca MPS.

- On 30 June 2017 the Board of Directors authorised with regard to SORGENIA GROUP - as part of the restructuring agreement under article 182-bis of the Bankruptcy Law, which became fully effective following the decree of approval by the Court of Milan dated 27 March 2015 - (i) the extension until 31 July 2017 of the Moratorium and standstill agreement - and (ii) participation in the New Restructuring Agreement (the "New RA") negotiated by the parties, subject to reaching a quorum of 100% of the banks, the supervision of the contractual texts by the bank lawyers and, only for participation in the New RA, the issue of a certification of feasibility pursuant to article 182-bis of the Bankruptcy Law approved of by the banks. The total amount of the transaction with regard to the SORGENIA GROUP amounts to around EUR 560 mln. The transaction falls within the scope of application of Consob Regulation no. 17221/2010, as it refers to the companies SORGENIA SPA, SORGENIA POWER SPA and SORGENIA PUGLIA SPA, subsidiaries of NUOVA SORGENIA HOLDING SPA (the SORGENIA GROUP's holding company), subject to significant influence by Banca MPS, which holds a stake of 16.67% of the share capital of the aforesaid holding company. The transaction in question is classified as a "transaction of greater relevance", also pursuant to the Bank's Global Policy. Lastly, please note that in relation to the procedure, the Committee on Related-Party Transactions was involved and issued its preventive favourable opinion to the Board of Directors resolution. Public disclosure on this has been issued in accordance with applicable regulations.

August 2017

- On 2 August 2017 the Board of Directors, with the prior approval of the Related-Party Transactions Committee, authorised with regard to ENI S.p.A.: (i) a reduction of credit facilities from EUR 1,600 mln to EUR 350 mln in order to prevent the regulatory limits for the so-called "connected Bankit Parties" from being exceeded following the completion of the Bank's precautionary recapitalisation by the MEF, with consequent application of the limits on risk assets required by prudential regulations, and (ii) the extension of the internal operational limit by 3%, which exceeds and implements the previous resolution adopted by the Board of Directors on 23 March 2017 (described above). The transaction in question falls within the scope of application of Consob Regulation no. 17221/2010, as ENI S.p.A. is subject to the de facto control of the MEF, which holds a direct and indirect shareholding in it through CASSA DEPOSITI E PRESTITI SPA, which is in turn a subsidiary of the MEF, which when the transaction was carried out held 4.024% of the share capital of the Bank. The transaction in question is classified as a "transaction of greater relevance" and the relative Information Document prepared pursuant to the Consob Regulation and the Global Policy cited above, which should be referred to for more information, was filed on 9 August 2017 within the terms and with the procedures laid out in regulations in force, and is available on the website www.gruppomps.it

- On 2 August 2017 the Board of Directors, with the prior approval of the Related-Party Transactions Committee, authorised the rescheduling of the credit facilities provided to ENEL S.p.A. In this context, the following were approved: (i) the extension, with a reduction from EUR 600 mln to EUR 200 mln, of the mixed credit facility usable for current account overdrafts, loans in foreign currency, the issue of sureties and letters of credit, and large financial transactions; (ii) the cancellation of the EUR 30 mln credit facility, usable for interest rate, exchange rate and/or commodity hedging transactions; (iii) the extension of the internal operational limit by 3% of the consolidated regulatory capital, set by resolution of the Board of Directors on 29 January 2016. The transaction in question falls within the scope of application of Consob Regulation no. 17221/2010, as ENEL S.p.A. is subject to the de facto control of the MEF, which when the transaction was carried out held 4.024% of the share capital of Banca MPS.

- On 8 August 2017 the Credit and Credit Policies Committee approved the renewal until 31 December 2017 of a previous framework resolution in favour of FIDI TOSCANA S.p.A. for the performance of short and medium-term credit line transactions for retail, small business and corporate customers, secured by guarantees issued by FIDI TOSCANA S.p.A., for up to a maximum of EUR 30 million. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as Banca MPS holds a stake of 27.46% of the share capital of FIDI TOSCANA S.p.A.

September 2017

- On 7 September 2017, with the with the prior favourable opinion of the Committee on Related-Party Transactions, the Board of Directors authorised: (i) the participation, with the expression of a favourable vote, of Banca MPS, in its role as shareholder, in the shareholders' meeting of INTERMONTE SIM S.p.A. called to resolve upon the buy-back transaction (purchase of treasury shares); (ii) the acceptance of the offer to purchase treasury shares by INTERMONTE SIM S.p.A., which for the Bank entails the disposal of up to a maximum of 8,000,000 shares of the Company for a value of no less than EUR 2.5 per share, subject to the issue of the necessary authorisations by the Bank of Italy; (iii) the disposal to INTERMONTE SIM S.p.A. or to Intermonte Holding SIM S.p.A. of any shares that may remain in the Bank's portfolio following the acceptance of the buy-back at a unit price of no lower than EUR 2.5 per share. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as Banca MPS exercises significant influence over INTERMONTE SIM S.p.A. by virtue of its investment in the share capital, with a stake of 17.41% of the shares with voting rights, and given the fact that it has designated a Board Member, a Statutory Auditor and an Alternate Auditor.

- On 26 September 2017, the Credit and Credit Policies Committee authorised: (i) the adhesion to the agreement signed by the Italian Banking Association and CASSA DEPOSITI E PRESTITI SPA (CDP) relating to the "Central Italy Earthquake Moratorium Credit Pool" of 3 July 2017 by signing the framework loan agreement formalising acceptance of the above-mentioned agreement; (ii) the establishment of a credit pool by the Bank for a maximum amount of EUR 60 mln and (iii) the finalisation of agreements amending the CDP/BMPS loan drawn on the credit pool relating to the ABI/CDP agreement. The transaction falls within the scope of application of CONSOB regulation no. 17221/2010, as CASSA DEPOSITI E PRESTITI S.p.A. is a subsidiary of the MEF, controlling shareholder of the Bank following the completion of the precautionary recapitalisation transaction.

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Nicola Massimo Clarelli, declares that the accounting information contained in this Interim Report on Operations as at 30 September 2017 corresponds to the underlying documentary evidence and accounting records.

Siena, 7 November 2017

The Financial Reporting Officer

Signed by

Nicola Massimo Clarelli

AUDITOR'S REVIEW REPORT

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Review report on the interim consolidated financial statements

(Translation from the original Italian text)

To the Board of Directors of
Banca Monte dei Paschi di Siena S.p.A.

Introduction

We have reviewed the interim consolidated financial statements, comprising the balance sheet as of September 30, 2017, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows for the nine-month period then ended and the related explanatory notes of Banca Monte dei Paschi di Siena S.p.A. (the “Bank”) and its subsidiaries (the “Montepaschi Group”), prepared for the purposes set out in the “Accounting Policies” section of the explanatory notes. The Directors of Banca Monte dei Paschi di Siena S.p.A. are responsible for the preparation of the interim consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of Montepaschi Group as of September 30, 2017 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis Paragraph

Without modifying our conclusions, we draw attention to the disclosures included in the interim report on operations and in the explanatory notes with respect to:

- the subscription of a binding agreement with a private investor for the disposal of a portfolio of bad loans, by means of a securitization transaction to be concluded by June 2018 at the latest;
- the approval on July 4, 2017 by the European Commission of the Restructuring Plan 2017-2021;
- the conclusion of the precautionary recapitalization process, in accordance with Law Decree 237/2016 converted into Law 15/2017, which resulted in a capital increase of over Euro 8 billion in total and which allows to restore the capital requirements set by European Central Bank (ECB) as a part of the Supervisory Review and Evaluation Process (SREP).

The Directors, after evaluating the financial position of the Bank and of the Montepaschi Group, taking into consideration the above mentioned events and the implementation of the actions as provided in the Restructuring Plan 2017-2021, confirmed the going concern assumption for the preparation of the interim consolidated financial statements as at September 30, 2017.

Rome, November 7, 2017

EY S.p.A.
Signed by: Francesco Chiulli, Partner

This report has been translated into the English language solely for the convenience of international readers.

ANNEXES

Reconciliation between the reclassified income statement and balance sheet and the related statutory accounts

Reconciliation between the reclassified income statement as at 30 September 2017 and related statutory accounts

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	30/09/17	Accounts in the Profit and Loss Statement - Montepaschi Group		30/09/17	Operating Reclassifications		30/09/17
Net interest income	1,373.7	Interest income and similar revenues	Item 10	2,076.7	(+) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		9.8
		Interest expense and similar charges	Item 20	-712.8			
Net fee and commission income	1,213.2	Fee and commission income	Item 40	1,465.4			
		Fee and commission expense	Item 50	-252.2			
Income from banking activities	**2,586.9**			**2,577.1**			**9.8**
Dividends, similar income and gains (losses) on equity investments	68.7	Dividends and similar income	Item 70	12.8	(-) Reclassification of dividends on treasury stock transactions	Item 70 - Partial	-3.8
					(+) Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partia	59.7
Net profit (loss) from trading and financial assets/liabilities	571.4	Net profit (loss) from trading	Item 80	17.2	(+) Reclassification of dividends on treasury stock transactions	Item 70 - Partial	3.8
		Gains/losses on disposal/repurchase of:	Item 100	551.8			
		a) loans		-0.4			
		b) financial assets available for sale		51.4			
		c) held to maturity investments					
		d) financial liabilities		500.8			
		Net profit (loss) from financial assets and liabilities	Item 110	-1.4			
Net profit (loss) from hedging	-4.5	Net profit (loss) from hedging	Item 90	-4.5			
Other operating income (expenses)	0.7	Other income/expenses (net) from insurance activities	Item 220	258.3	(-) Recovery of stamp duty and customers' expenses	Item 220 - Partia	-257.6
Total Revenues	**3,223.2**			**3,411.3**			**-188.1**
Administrative expenses:	-1,700.2	Administrative expenses		-2,400.9			
a) personnel expenses	-1,188.3	a) Personnel expenses	Item 180a	-1,468.0			279.7
b) other administrative expenses	-511.9	b) Other administrative expenses	Item 180b	-932.9	(+) Reclassification provision to BRRD and DGSD funds	Item 180b - Parti	94.2
					(+) Recovery of stamp duty and customers' expenses	Item 220 - Partia	257.6
					(+) DTA fee	Item 220 - Partia	53.2
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-192.3	Net losses/reversal on impairment on property, plant a	Item 200	-95.6			
		Net adjustments to (recoveries on) intangible assets	Item 210	-116.2	(+) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		19.5
Operating expenses	**-1,892.5**			**-2,612.7**			**720.2**
Pre Provision Profit	**1,330.7**			**798.6**			**532.1**
Net impairment losses (reversals) on:	-4,902.4	Net impairment losses(reversals) on	Item 130	-4,902.4			
a) loans	-4,772.0	a) loans	Item 130a	-4,772.0			
b) financial assets	-130.4	b) financial assets available for sale	Item 130b	-63.2			
		c) held to maturity investments	Item 130c				
		d) other financial transactions	Item 130d	-67.2			
Net operating income	**-3,571.7**			**-4,103.8**			**532.1**
Net provisions for risks and charges	-66.8	Net provisions for risks and charges	Item 190	-66.8	(-) Reclassification provision to BRRD and DGSD funds	Item 190 - Partia	
Gains (losses) on investments	-22.9	Gains (losses) on investments	Item 240	36.8	(-) Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partia	-59.7
Restructuring costs / One-off costs	-295.7				(-) Restructuring charges	Item 180b - Parti	-295.7
Risks and charges related to the SRF, DGS and similar schemes	-94.2				(-) Provision to BRRD and DGSD funds	Item 180b - Parti	-94.2
DTA fee	-53.2				(-) DTA fee	Item 180b - Parti	-53.2
Gains (losses) on disposal of investments	533.5	Gains (losses) on disposal of investments	Item 270	533.5			
Profit (loss) before tax from continuing operations	**-3,571.0**			**-3,600.3**			**29.3**
Tax expense (recovery) on income from continuing operations	589.9	Tax expense (recovery) on income from continuing operations	Item 290	599.6	(-) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-9.7
Profit (loss) after tax from continuing operations	**-2,981.1**			**-3,000.7**			**19.6**
Profit (loss) after tax from groups of assets held for sale and discontinued operations		Profit (loss) after tax from groups of assets held for sal	Item 310				
Net profit (loss) for the period including non-controlling interests	**-2,981.1**			**-3,000.7**			**19.6**
Net profit (loss) attributable to non-controlling interests		Net profit (loss) attributable to non-controlling interest	Item 330				
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**-2,981.1**			**-3,000.7**			**19.6**
PPA (Purchase Price Allocation)	-19.6				(-) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-19.6
Net profit (loss) for the period	**-3,000.7**	Net profit (loss) for the period		**-3,000.7**	**Total**		**0.0**

Reconciliation between the reclassified income statement as at 30 September 2016 and related statutory accounts

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	30/09/16	Accounts in the Profit and Loss Statement - Montepaschi Group		30/09/16	Operating Reclassifications			30/09/16
Net interest income	1518.7	Interest income and similar revenues	Item 10	2547.1	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		14.7
		Interest expense and similar charges	Item 20	-1043.1				
Net fee and commission income	1402.4	Fee and commission income	Item 40	1623.4				
		Fee and commission expense	Item 50	-221.0				
Margine intermediazione primario	**2921.1**			**2906.4**				**14.7**
Dividends, similar income and gains (losses) on equity investments	66.5	Dividends and similar income	Item 70	13.2	(-)	Reclassification of dividends on treasury stock transactions	Item 70 - Partial	-3.6
					(+)	Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partial	56.9
Net profit (loss) from trading and financial assets/liabilities	419.7	Net profit (loss) from trading	Item 80	151.6	(+)	Reclassification of dividends on treasury stock transactions	Item 70 - Partial	3.6
		Gains/losses on disposal/repurchase of:	Item 100	157.3				
		a) loans		-2.9				
		b) financial assets available for sale		112.4				
		c) held to maturity investments						
		d) financial liabilities		47.8				
		Net profit (loss) from financial assets and liabilities designated at fair value	Item 110	107.2				
Net profit (loss) from hedging	-1.7	Net profit (loss) from hedging	Item 90	-1.7				
Other operating income (expenses)	11.9	Other income/expenses (net) from insurance activities	Item 220	292.7	(-)	Recovery of stamp duty and customers' expenses	Item 220 - Partial	-280.8
Total Revenues	**3417.5**			**3626.7**				**-209.2**
Administrative expenses:	-1771.9	Administrative expenses		-2279.0				
a) personnel expenses	-1239.4	a) Personnel expenses	Item 180a	-1239.4	(+)	Restructuring charges	Item 180a - Partial	
b) other administrative expenses	-532.5	b) Other administrative expenses	Item 180b	-1039.6				102.0
					(+)	Recovery of stamp duty and customers' expenses	Item 220 - Partial	280.8
					(+)	DTA fee	Item 220 - Partial	124.3
Net adjustments to (recoveries on) property, plant and equipment / N	-157.2	Net losses/reversal on impairment on property, plant and equipment	Item 200	-81.2				
		Net adjustments to (recoveries on) intangible assets	Item 210	-96.7	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		20.7
Operating expenses	**-1929.1**			**-2456.9**				**527.8**
Pre Provision Profit	**1488.4**			**1169.8**				**318.6**
Net impairment losses (reversals) on:	-2018.8	Net impairment losses(reversals) on	Item 130	-2018.8				
a) loans	-2021.6	a) loans	Item 130a	-2021.6				
b) financial assets	2.8	b) financial assets available for sale	Item 130b	-18.4				
		d) other financial transactions	Item 130d	21.2				
Net operating income	**-530.4**			**-849.0**				**318.6**
Net provisions for risks and charges	-3.6	Net provisions for risks and charges	Item 190	-3.6				
Gains (losses) on investments	9.3	Gains (losses) on investments	Item 240	66.2	(-)	Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partial	-56.9
Restructuring costs / One-off costs					(-)	Restructuring charges	Item 180b - Partial	
Risks and charges related to the SRF, DGS and similar schemes	-102.0							-102.0
DTA Fee	-124.3							-124.3
Gains (losses) on disposal of investments	12.8	Gains (losses) on disposal of investments	Item 270	12.8				
Profit (loss) before tax from continuing operations	**-738.2**			**-773.6**				**35.4**
Tax expense (recovery) on income from continuing operations	-85.4	Tax expense (recovery) on income from continuing operations	Item 290	-73.7	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-11.7
Profit (loss) after tax from continuing operations	**-823.6**			**-847.3**				**23.7**
Profit (loss) after tax from groups of assets held for sale and discontinued operations		Profit (loss) after tax from groups of assets held for sale and discontinued operations	Item 310					
Net profit (loss) for the period including non-controlling interests	**-823.6**			**-847.3**				**23.7**
Net profit (loss) attributable to non-controlling interests	1.4	Net profit (loss) attributable to non-controlling interests	Item 330	1.4				
Profit (loss) for the period before PPA , impairment on goodwill and	**-825.0**			**-848.7**				**23.7**
PPA (Purchase Price Allocation)	-23.7				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-23.7
Net profit (loss) for the period	**-848.7**	**Net profit (loss) for the period**		**-848.7**		**Total**		**0.0**

Reconciliation between the reclassified balance sheet and related statutory accounts

Balance-sheet Items - Assets	30/09/17	31/12/16	Reclassified balance-sheet items - Assets
	821.9	**1,084.5**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	821.9	1,084.5	
			Receivables
	91,041.1	**106,692.7**	**a) Loans to customers**
Item 70 – Loans to customers	91,041.1	106,692.7	
	12,897.0	**8,936.2**	**b) Loans to banks**
Item 60 – Loans to banks	12,897.0	8,936.2	
	25,403.0	**25,929.3**	**Marketable assets**
Item 20 – Financial assets held for trading	10,101.7	9,266.2	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	15,301.3	16,663.1	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-	-	
	1,001.2	**1,031.7**	**Equity investments**
Item 100 – Equity investments	1,001.2	1,031.7	
	2,833.7	**2,942.9**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	2,537.6	2,597.4	
Item 130 – Intangible assets	296.1	345.5	
	11,101.2	**6,561.2**	**Other assets**
Item 80 – Hedging Derivatives	160.4	327.3	
Item 90 – Change in value of macro-hedged financial assets (+/-)	24.0	113.3	
Item 140 – Tax assets	3,971.5	4,147.5	
Item 150 – Non-current assets held for sale and discontinued operations	4,892.3	60.7	
Item 160 – Other assets	2,053.0	1,912.4	
Total Assets	**145,099.1**	**153,178.5**	**Total Assets**

Balance-sheet Items - Liabilities	30/09/17	31/12/16	Reclassified balance-sheet items - Liabilities
			Payables
	102,968.4	**104,573.5**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	81,974.4	80,702.8	
Item 30 – Debt securities issued	19,954.5	22,347.5	
Item 50 – Financial liabilities designated at fair value	1,039.5	1,523.2	
	21,566.1	**31,469.1**	**b) Deposits from banks**
Item 10 – Deposits from banks	21,566.1	31,469.1	
	4,201.1	**4,971.8**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	4,201.1	4,971.8	
			Provisions for specific use
Item 110 – Provision for employee severance pay	234.7	252.9	a) Provision for employee severance pay
Item 120 - Provisions for risks and charges - a) pension and similar obligations	45.9	53.6	b) Provision for pension
Item 120 - Provisions for risks and charges - b) other provisions	959.8	1,054.5	c) Other provisions
	4,176.4	**4,342.7**	**Other liabilities**
Item 60 – Hedging Derivatives	610.1	1,018.3	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	(0.2)	-	
Item 80 – Tax liabilities	80.8	75.3	
Item 90 – Liabilities associated to disposal groups held for sale	-	10.4	
Item 100 – Other liabilities	3,485.7	3,238.7	
	10,944.5	**6,425.4**	**Group net equity**
Item 140 – Valuation reserves	60.5	47.3	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	-	-	c) Capital instruments
Item 170 – Reserves	(1,494.4)	2,253.6	d) Reserves
Item 180 – Share premium reserve	-	-	e) Share premium reserves
Item 190 – Share Capital	15,692.8	7,365.7	f) Share capital
Item 200 – Treasury shares (-)	(313.7)	-	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	(3,000.7)	(3,241.1)	h) Profit (loss) for the period
	2.2	**34.9**	**Non-controlling interests**
Item 210 – Non-controlling interests (+/-)	2.2	34.9	
Total liabilities and shareholders' equity	**145,099.1**	**153,178.5**	**Total liabilities and shareholders' equity**

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472