FIRST SUPPLEMENT DATED 23 APRIL 2019 TO THE BASE PROSPECTUS DATED 22 JANUARY 2019

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

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

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

This first Supplement (the "**Supplement**") to the base prospectus dated 22 January 2019 (the "**Base Prospectus**") constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC (the "**Prospectus Directive**") and Article 13.1 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities as amended (the "**Prospectus Act**") and is prepared in connection with the €20,000,000,000 covered bond programme (the "**Programme**") established by Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Issuer**") and guaranteed by MPS Covered Bond S.r.l. (the "**Guarantor**").

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

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

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

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* ("**CSSF**") as a supplement issued in compliance with the Prospectus Directive and relevant implementing measures in Luxembourg.

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

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

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

Purpose of this Supplement

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

1. update the section named "*Risk Factors*" of the Base Prospectus;

2. update the section named "*Documents Incorporated by Reference*" of the Base Prospectus, incorporating by reference the audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2018 (including the relevant auditors' report);

3. update the section named "*Monte dei Paschi di Siena S.p.A."* of the Base Prospectus;

4. update the section named "*Management of the Bank*" of the Base Prospectus: and

5. update the section named "*General Information*" of the Base Prospectus.

1. RISK FACTORS

1.1 *RISK FACTOR RELATING TO THE ISSUER AND THE GROUP*

1.1.1 On page 13 and ss. of the Base Prospectus paragraph 2.1 headed "*Risk associated with the failed realisation of the Restructuring Plan"* shall be deleted and replaced as follows (track changes show the amendments made):

" **Risk associated with the failed realisation of the Restructuring Plan**

The approval of the Restructuring Plan 2017 – 2021 (the "**Restructuring Plan**") of the Bank by the European Commission on 4 July 2017 allowed the precautionary recapitalisation of the Bank in compliance with the legislation applicable to banks in the matter of "State aid".

The precautionary recapitalisation has been implemented through the Italian Ministry of Economy and Finance ("**MEF**")'s publication of the decrees aimed also at executing the Burden Sharing (as defined in "*Risks associated with the application of Burden Sharing in the context of precautionary recapitalisation intervention*" below).

The Restructuring Plan groups together common risks of an industrial plan, such as (i) those reporting in quantitative and qualitative terms the directors' purposes related to competitive strategies of a company and the actions that will be implemented for the purpose of achieving the strategic goals and (ii) assumptions of formal commitments given to the European Commission – consistent with the limits provided for the purpose of "State aid" by the European Commission – concerning the compliance with certain objectives whose grade of achievement will be periodically monitored by an independent subject (monitoring trustee)(the "**Commitments**"). The Issuer proposed – with favourable opinion of the ECB Directorate General Competition (DG Comp) – the appointment of Degroof Petercam Finance as monitoring trustee (that acted as monitoring trustee for the Commitments of the BMPS' restructuring plan 2013-2017 as well). The first monitoring was carried out during the last quarter of 2017 with reference to the data available as at 30 September 2017; subsequently the monitoring activity has been and continue to be carried out quarterly.

In summary, the Restructuring Plan provides for:

1. the Bank's return to an adequate profitability level, after the losses over the last financial years – with a target return on equity (ROE) exceeding 10 per cent. in 2021 – based on the following pillars:

(i) enhancement of retail and small business customers sectors, thanks to a new simplified and highly digitalised business model;

(ii) renewed operational model, with constant focus on efficiency, which will lead to a cost/income ratio target lower than 51 per cent. in 2021 and to a reallocation to the commercial activities of the resources engaged in administrative activities;

(iii) radically improved management of credit risk, with a new organisational structure of the chief lending officer, which will allow the strengthening of the Bank's early detection processes and improve the cure rate, which will lead to a risk cost lower than 60 basis points and a ratio between the gross value of the Impaired Loans (as defined below) and the total amount of the receivables ("**Gross NPE ratio**") lower than 13 per cent. in 2021; and

(iv) enhanced capital and liquidity position, with targets in 2021 including a CET1 higher than 14 per cent., a loan to deposit ratio lower than 90 per cent. and an LCR (as defined below) higher than 150 per cent., with, at the same time, a significant reduction of the cost of funding; and

(b) the disposal of almost the entire Doubtful Loan portfolio as at 31 December 2016 for gross Euro 28.6 billion, which as of the date of this Prospectus has been completed.

The Restructuring Plan, by means of the planned improvement guidelines and after the reduction trend of the Bank's market share on the main aggregate assets, aims at stabilising the commercial penetration level as effect of a progressive re-approaching of the performance to those realised by the main competitors.

Therefore, there is a risk that the Bank may not be able to keep pace with said competitors' growth; if the performance misalignment with respect to the main competitors' performance is such as to involve the failure to comply with one or more Commitments of the Restructuring Plan, the adjustment mechanisms described below may be activated.

Furthermore, the Restructuring Plan is consistent with and reflects the Commitments given to the European Commission and is in line with the parameters set out in the letter relating to the annual review and supervisory assessment (the "Supervisory Review and Evaluation Process" or "SREP") received on 19 June 2017 ("SREP Decision 2017"). In said document, the European Central Bank ("ECB") required the Bank to comply, starting from 2018, with a level of Total SREP Capital Requirement ("TSCR") on a consolidated basis equal to 11 per cent., including the minimum requirement of Common Equity Tier 1 ("Pillar I") equal to 8 per cent. and an additional requirement equal to 3 per cent. ("Pillar II"), entirely based on Common Equity Tier 1. Consequently, the Group is required to comply with the following requirements at consolidated level as of 1 January 2018: with a CET1 ratio on a transitional basis equal to 9.44 per cent. and a total capital ratio, again on a transitional basis, equal to 12.94 per cent., including, in addition to Pillar I and Pillar II, a capital conservation buffer equal to 1.875 per cent. and an Other Systemically Important Institutions Buffer ("O-SII Buffer") equal to 0.06 per cent. The capital conservation buffer will be at full stream in 2019 with 2.5 per cent. It should be noted that, starting from 1 January 2019, the Group will not be required to comply with the O-SII Buffer since it has not been qualified by the Bank of Italy as a national systemically important institution authorised to operate in Italy. For more information on the capital adequacy requirements which the Bank has to comply with, please see "*Risk associated with capital adequacy*".

In this respect, it should be noted that, on 5 December 2018, BMPS received a draft decision from the supervisory authority which sets out the prudential requirements, based on the revision and evaluation process (Supervisory Review and Evaluation Process – SREP) carried out according to article 4, par. 1, letter f), of Regulation (EU) no. 1024/2013, with reference date as of 31 December 2017 (the "**Draft SREP Decision**"). Based on the results arising from the SREP 2018 (as defined below), the Draft SREP Decision sets out the prudential requirements both quantitative (own funds) and qualitative for BMPS, and provides the Bank with some recommendations.

With specific reference to the coverage of the non-performing loans, BMPS has received some recommendations from the ECB aiming at ensuring constant improvements in the reduction of pre-existing risks in the Euro Area and to accomplish the same coverage level for the amounts and flows of the non-performing loans in the mid-term. With a press release published last year (11 July 2018), the ECB announced that it would have communicated with each bank for determining the individual supervisory expectations, on the basis of a comparative evaluation (benchmarking) between similar banks, taking into account the current level of NPL ratio and other financial indicators of each bank. In this context, BMPS has been advised to

develop, in the next years (up to the end of 2026), a gradual increase of the coverage levels over the stock of the non-performing loans resulting as such at the end of March 2018, according to a collateral logic to the indications provided in the addendum to the ECB Guidelines for banks on non-performing loans issued starting from April 2018.

The Bank received the final version of the letter on 8 February 2019 further to the completion of the SREP process with reference date as of 31 December 2017 (respectively, the "**2018 SREP Decision**" and the "**SREP 2018**"). The 2018 SREP Decision confirmed the prudential requirements and the recommendations for BMPS contained in the Draft SREP Decision.

For further information relating to the Draft SREP Decision, reference is made to "*Risks associated with the investigations of supervisory authorities*" below.

In March 2018, the ECB published the addendum to the guidance to banks on non-performing loans dated 20 March 2017. Said document, which was being consulted on from 4 October 2017, provides further guidance on the non-performing loans (NPLs) by specifying the ECB's supervisory expectations when assessing a bank's prudential provisioning levels for impaired exposures. In light of the above, for exposures that will be at default from 1 April 2018, the ECB will assess, among several aspects, the period of time during which the exposure has been classified as impaired (i.e. its "seniority"), as well as the collaterals held (where applicable). The ECB's expectations have no accounting impact, but concern the assessment of capital adequacy. During the supervisory consultation, which takes place at least once a year within the scope of the SREP, the ECB shall discuss with banks any inconsistencies between the coverage level adopted and the expectations on prudential provisioning levels, starting with the evaluation process of 2021. Since the addendum was consulted at a later date with respect to the approval of the Restructuring Plan and, therefore, the Restructuring Plan does not consider the possible effects of the addendum, from 2021 the Bank's SREP target may have to take into account additional capital requirements, consistent with the provisions of the aforementioned addendum ~~and/or the targets of the Restructuring Plan may not be achieved due to the higher coverage levels on non-performing loans arising after 1 April 2018.~~).

Furthermore, it should be noted that, on 7 February 2019, the Board of Directors of the Bank reviewed and approved the consolidated results as at 31 December 2018 in the context of which the Bank has updated its multiannual internal estimates of income statement and balance sheet figures. Such estimates are lower than those contained in the Restructuring Plan, but nonetheless show capital ratios which are above the relevant regulatory requirements. Please refer to "*Banca Monte dei Paschi di Siena S.P.A. – Major Events – Recent developments – Other events relating to 2017-2019*" of this Base Prospectus.

The Restructuring Plan is consistent with the Commitments given by the Italian government to the European Commission, concerning various aspects of the plan, such as, *inter alia*:

(i) *Burden Sharing*: the full realisation of burden sharing measures, as provided for by art. 23 of Decree 237 (as defined below);

(ii) *cost reduction measures*: annual restrictions in terms of number of branches, employees, cost/income and total operating costs, and additional costs reduction up to a maximum of Euro 100 million in case of deviation from net operating margin targets (gross of credit provisions);

(iii) *restrictions in the matter of advertising and commercial policy*: the Bank may not use the granting of "State aid" or the advantages deriving therefrom for advertising purposes aimed at promoting its products or its market positioning. Furthermore, it

shall not adopt a particularly aggressive commercial policy or one it would have in any case not adopted should it not have had access to "State aid";

(iv) *assignment of assets*: assignment of foreign banks, meaning Banca Monte dei Paschi Belgio S.A. and Monte Paschi Banque S.A. (undertaking already given within the context of the Restructuring Plan 2013 – 2017 which was not completed), disposal of a list of non-strategic equity interests during the term of the plan, without prejudice to the Bank's capital position, and of a portion of real estate assets;

(v) *risk containment*: undertaking to finalise the assignment of the NPL Portfolio (as defined below), enhancement of risk control measures (with specific reference to the adequacy of lending policies and commercial policies adopted by the Bank, as well as to the monitoring of such risk), restrictions to treasury finance activities in terms of value at risk ("**VaR**") and of the nature of instruments dealt with;

(vi) *prohibition to carry out acquisitions*: specifically the Bank may not proceed with the acquisition of any interest or asset, unless (a) the European Commission authorises such acquisition in exceptional circumstances, demanding financial soundness to be restored or competition to be assured, (b) the acquisition does not exceed certain thresholds in terms of price, and (c) such acquisition is put in place in the context of the ordinary banking activity in respect of the management of obligations already outstanding to customers showing financial difficulties or provided for in the context of the same Restructuring Plan;

(vii) *restrictions on payments of coupons under outstanding instruments and to execute liability management transactions*: the Bank may not execute payments in favour of outstanding instruments, unless the payment obligation arises from a legal duty, and, equally, may not enter into repurchase transactions of instruments issued by it without complying with predefined conditions and the prior approval of the European Commission;

(viii) *prohibition to pay dividends*: the Bank may not proceed with the payment of dividends, except in case of occurrence of certain conditions (for more information in this respect, reference is made to "*Risks associated with the failed distribution of dividends*" below); and

(ix) *remuneration of employees:* establishment of a remuneration cap corresponding to ten times the average salary of the Bank's employees.

The monitoring activity carried out by the monitoring trustee, although performed - as said - on a regular basis each quarter, gains formal relevance only on the occasion of specific deadlines agreed upon with the European Commission. As a consequence, the identification of any deviations from the Commitments on the occasion of checks performed at times other than the above deadlines shall not be deemed to indicate non-compliance with the Commitments.

With reference to the transfer of foreign banks, referred to under paragraph (iv) above, on 5 October 2018 BMPS reached an agreement for the sale of Banca Monte Paschi Belgio S.A. to a company held by funds managed by Warburg Pincus, in accordance with the Commitments of the Restructuring Plan. As at the date of this Prospectus, the assignment is not effective yet and it is subject to the approval of both the National Bank of Belgium and of the ECB..

Should the Issuer be unable to achieve the Commitments, in whole or in part, it might suffer the adverse effects, including any material adverse effects, of any orders adopted by the European Commission *vis-à-vis* the Italian State as a consequence of the failure to comply

with the commitments undertaken as part of the Restructuring Plan, with potential adverse effects, including material adverse effects, on the Issuer's and/or Group's assets, liabilities and financial situation.

Investors shall consider that there is no certainty that the Bank will be able to realise, in whole or in part, the objectives and Commitments undertaken in the context of the Restructuring Plan and that they will be able to adequately address the weakness profiles which may be found by the ECB (specifically in the context of the SREP Decision) or which may be found by the competent authorities in the future. In particular, the Restructuring Plan contains a set of forecasts and estimates based on the realisation of future events and actions to be undertaken, by directors and the management, inclusive of hypothetical assumptions subject to the risks and uncertainties which characterise, *inter alia*, the current macroeconomic scenario (e.g. the trend of the spread BTP-bund) and the evolution of the legislative framework, relating to future events and actions which will not necessarily occur, over which directors and the management have only partial or no control, on the performance of the main capital and economic figures or of other factors affecting the evolution thereof. Accordingly, it cannot be excluded that the assumptions on which the forecasts and estimates contained in the Restructuring Plan are based may prove to be unreliable or may not take place, even due to external facts that the Issuer cannot control.

Furthermore, in the event of any deviation, even a minimal one, from the European Commission's provisions that may involve the failure to comply with the conditions according to which the decision was adopted, the European Commission may consider ineffective the statement of compatibility with the "State aid" due to the failed realisation or violation of any condition. Consequently, the European Commission may either decide to undertake a new formal investigation procedure or directly file a petition in front of the European Court of Justice, for the purposes of obtaining the declaration of non-fulfilment of the undertakings given by the Italian State. Although less probable, the European Commission may also consider that the "State aid" has been carried out unlawfully and consequently undertake the relevant specific procedure. Such scenario is less probable since it occurs where no specific conditions are violated but rather the State aid's project is implemented without complying with the provisions as set thereon (i.e. in a different area; without implementing planned hirings; or in light of a decreased of investments). In the context of such procedures, the European Commission may issue urgent measures, such as an injunction requesting the State to suspend the implementation of aid measures or, if the conditions are met, to proceed with the recovery of the already given "State aid". In this respect, the Issuer may cope with significant damages, also reputational damages, considering the re-launching activity of the Bank, with consequent negative impacts on the activities and on the Bank's and/or the Group's economical, capital and/or financial condition. In addition to the reputational damages, due to negative publicity arising from the non-fulfilment of the Restructuring Plan's conditions, the Issuer would be further exposed to – *inter alia* – the risk of additional measures aimed at rebalancing the usual competition of the sector (including other forms of Burden Sharing), as well as the risk associated with the restitution of the given "State aid".

Finally, one or more rating agencies may downgrade the Bank's ratings, with consequent increased cost of funding. For more information on the risks associated with the rating assigned to the Issuer, reference is made to "*Risks associated with the ratings assigned to the Issuer*" below"

1.1.2 On pages 18 and ss. of the Base Prospectus, paragraph 2.2 headed "*Risks associated with capital adequacy"* shall be deleted and replaced as follows (track changes show the amendments made):

"**Risk associated with capital adequacy**

The capital adequacy evaluation under a regulatory perspective is based on the constant monitoring of own funds, risk weighted assets ("**RWA**") as well as on the comparison with the minimum regulatory requirements, including the additional excess requirements to be met over time as communicated to the Group after the SREP, and the additional capital buffers provided for by the applicable legislative provisions. The optimisation of RWAs and assets is pursued through the contextual monitoring of the dynamic of volumes and evolution of the relating risk metrics.

The requirements of capital adequacy are defined by the provisions of EU Directive 2013/36 of the European Parliament and of the Council about access to credit institutions' activities, about credit institutions' prudential supervision and about investment undertakings (the so-called "**CRD IV**") and by (EU) Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013 concerning the prudential requirements for credit institutions and investment firms (the so-called "**CRR**"), transposing in the European Union the standards defined by the Basel Committee on Banking Supervision (the so-called "**Basel III framework**"). In Italy, the community regulation was implemented first and foremost by Circular No. 285 (as defined below) of the Bank of Italy, as amended from time to time and, eventually, on 8 May 2015 by the Council of Ministers, which approved the legislative decree amending the Banking Consolidation Act and the Consolidated Finance Act. The above regulatory acts apply as from 1 January 2014.

Moreover, as from 4 November 2014 the Single Supervisory Mechanism ("**SSM**") is in force, as part of which the ~~BCE~~ECB was assigned specific tasks of credit institutions' prudential supervision, in collaboration with the national supervisory authorities of the contracting countries. More specifically, the ~~BCE~~ECB is now in charge of the supervision of all banks of the Euro area, directly in the case of "major" banks, including Montepaschi Group, and indirectly insofar as other banks are concerned, which are monitored by the national supervisory authorities in compliance with the criteria established by the ECB itself.

~~–~~*a) Risks of capital adequacy applicable to the Issuer*

As at the date of this Prospectus, the banks must meet the own funds requirements provided by article 92 of the CRR: (i) the Common Equity Tier 1 Ratio must be equal to at least 4.5 per cent. of the total risk exposure amount of the Bank; (ii) the Tier 1 Ratio must be equal to at least 6 per cent. of the total risk exposure amount of the Bank; and (iii) the Total Capital Ratio must be equal to at least 8 per cent. of the total risk exposure amount of the Bank.

Further to the minimum regulatory requirements, the banks must meet the combined buffer requirement provided by the CRD IV, which is equal to the requirement concerning the sum of the following buffers, if applicable (the "**Combined Buffer Requirement**"):

- capital conservation buffer equal to ~~1.875 per cent. for 2018 and to~~ 2.5 per cent. as from 1 January 2019;

- institution specific countercyclical capital buffer, to be applied to periods of credit overgrowth, calculated on a quarterly basis depending on the geographic distribution of the relevant credit exposures of the Group and on the decisions of each competent national authorities setting the specific ratios applicable in each country. The Bank of Italy published, ~~during~~for the ~~four quarters~~first quarter of ~~2018~~2019, the decision whereby the countercyclical capital buffer ratio applicable to the exposures towards the Italian counterparts was set to 0 ~~(zero)~~ per cent~~;~~.;

- buffer for Global Systemically Important Institutions ("**G-SII**"), not including, among others, the Issuer as at the date of this Prospectus;

- buffer for other systemically important institutions~~, ("**O-SII**")~~ at a local level ~~for Montepaschi Group, equal to 0.06 per cent. for 2018. On 30 November 2018,~~("**O-SII**"), not including, from 1 January 2019 and as at the ~~Bank~~date of ~~Italy informed~~this Base Prospectus, the Issuer. In this respect, it should be noted that ~~it is no longer~~in 2018 the Group was qualified as a national systemically important institution authorised to operate in Italy and, therefore, ~~as from 1 January 2019, it is not required to hold~~ the capital buffer provided for the O-SII~~;~~ was equal to 0.06 per cent.; and

- systemic risk buffer, aimed at preventing and minimising ~~-~~ in the long term ~~-~~ the macroprudential countercyclical systemic risk not provided by the CRR (not applicable as at the date of this Prospectus).

Banks that do not satisfy the combined capital requirement, or even just the capital conservation buffer, are subject to the capital conservation measures provided for by Circular No. 285 (as defined below). The capital conservation measures impose restrictions on, *inter alia*, distributions of dividends, with greater restrictions being imposed as the breach becomes more significant. It further provides for banks to adopt a capital conservation plan which shall set out the measures (among which further capital increases cannot be excluded) the Bank intends to adopt to restore, within an appropriate timeframe, the necessary capital level to maintain capital reserves in line with the extent required. Should these conditions not be satisfied (i.e., failed compliance with the combined capital requirement, or even just the capital conservation buffer), and/or changes to the methodologies and parameters to estimate Impaired Loans adjustments or amendments to the internal models to calculate RWAs occur, the need may then arise for further capital enhancements of the Issuer, such as calling in investors to participate in further capital increase transactions.

With respect to the SREP to which the Group was subject during 2016, it should be noted that on 19 June 2017, the ECB required the Bank to comply, starting from 1 January 2018, with a level of TSCR on a consolidated basis equal to 11 per cent., including:

- the minimum Total Capital Ratio requirement of 8 per cent. in line with article 92, first subsection of the CRR;
- an additional 3 per cent. requirement (Pillar II), in line with article 16, second subsection, lett. (a) of the SSM framework regulation (ECB/2014/17, hereinafter the "**SSM Regulation**"), which shall be fully composed of Common Equity Tier 1.

The Issuer is further subject to an overall capital requirement ("**OCR**"), including, besides the TSCR, also the combined capital requirement.

Furthermore, the ECB notified to the Issuer the expectation for the Group to comply with an additional 1.5 per cent. threshold (the so called "**Pillar II capital guidance**") to be fully satisfied with Common Equity Tier 1, in addition to (i) the minimum common equity tier 1 requirement of 4.5 per cent. (Pillar I), (ii) the additional 3 per cent. requirement (Pillar II) and (iii) the combined capital requirement.

In relation to the above, it should be noted that failure to comply with such capital guidance would not be equal to a failure to comply with capital requirements; however, in the event of capital dropping below the level including the "Pillar II capital guidance", the supervisory authority, which shall be promptly informed in detail by the Issuer on the reasons for the failed compliance with the aforementioned level, will take into consideration, on a case~~-~~by~~-~~case basis, possible appropriate and proportional measures (including the possibility to put in place

a plan aimed at restoring compliance with the capital requirements – inclusive of capital enhancement requests – in accordance with article 16, paragraph 2 of the SSM Regulation).

~~Please finally~~In this respect, it is to be noted that according to the Draft SREP Decision received by the Bank on 5 December 2018 – setting out the prudential requirements both quantitative (own funds) and qualitative for BMPS, and providing the Bank with some recommendations, on the basis of the results arising from the SREP process – the ECB requires the Issuer, with respect to own funds, to maintain on a consolidated base a Total SREP Capital Requirement (TSCR) of 11 per cent., which includes a minimum 8 per cent. requirement of Pillar I and an additional 3 per cent. requirement of Pillar II. Pillar II requirement level is, therefore, unchanged compared to 2018.

Moreover, with respect to Pillar II Capital Guidance, according to the Draft SREP Decision the ECB expects that BMPS complies with 1.3 per cent. threshold on a consolidated base, compared to 1.5 per cent. threshold in 2018, as mentioned above.

All these requirements have been confirmed upon the completion of the SREP 2018 process and included in the 2018 SREP Decision.

In this respect, please note that the SREP is conducted by the ECB at least on a yearly basis (without prejudice in any case to the supervisory powers and prerogatives typical of the latter which can be exercised on an on-going basis during the course of the year) and, accordingly, it cannot be excluded that, following future SREPs, the supervisory authority may prescribe to the Issuer, *inter alia*, the maintenance of capital adequacy standards higher than the ones currently applicable. Furthermore, the ECB, following future SREPs, may impose on the Issuer specific corrective measures, among which, *inter alia*, (i) requesting to hold capital resources to an extent higher than the regulatory level notified for credit, counterparty, market and operational risks, (ii) interventions aimed at enhancing systems, procedures and processes referring to risk management, control mechanisms and capital adequacy evaluation, (iii) imposing limits on the distribution of profits or other asset items, as well as, in relation to financial instruments eligible as own funds, the prohibition to pay interest, and (iv) prohibitions to carry out certain transactions, also of a corporate nature, for the purpose of limiting the level of risks.

For more information on the SREP Decision, please see "*Banca Monte dei Paschi di Siena S.P.A. – Major Events – Recent developments – 2017 – SREP annual process*".

For further information relating to the Draft SREP Decision, reference is made to "*Risks associated with the investigations of supervisory authorities*" below.

Having regard to the liquidity ratios, and more specifically to the short-term Liquidity Coverage Ratio ~~(or~~ "**LCR**"), having as its objective the creation and preservation of a liquidity buffer allowing the bank's survival for a period of time equal to 30 days in the event of severe stress, and to the structural liquidity ratio (Net Stable Funding Ratio, or "**NSFR**") over the time~~-~~ frame of one year, introduced to ensure that assets and liabilities have a sustainable structure in terms of due dates, it should be pointed out that:

- as to the LCR, the requirement to be met is 100 per cent. starting from 1 January 2018; and

- as to the NSFR, the European Union regulation is introduced in the legislative proposal to amend the CRR – referred to as CRR II~~–~~, as defined below – by the European

Commission, published on 23 November 2016, whose implementation date and final contents shall depend on the timing and outcomes of the conclusion of the relevant legislative process. The mandatory minimum threshold of the ratio shall be equal to 100 per cent~~..~~.

Moreover, it should be highlighted that the Issuer shall also ensure compliance with the Leverage Ratio, which will amount to an additional mandatory requirement compared to the risk-based ratios. Full implementation of the leverage ratio as a measurement of the Pillar I in the EU is currently under consultation as part of the "CRR II / CRD V" group of reforms, whose implementation date and final contents shall depend on the timing and outcome of the conclusion of the relevant legislative process. It should be highlighted in this respect that the Basel Committee proposed a minimum leverage ratio of 3 per cent.

Depending on the outcomes of the legislative process underway in Europe, the Issuer might be compelled to adapt to changes in the regulations and in their construction and/or implementation procedures adopted by the supervisory authorities, with potential adverse effects on the Issuer's assets, liabilities and financial situation.

Among the main risk factors which could lead to a change in capital requirements, there is the differential yield between Italian and German government bonds (BTP-Bund spread), the increase of which leads to a reduction in capital reserves (FVTOCI Reserve, as defined below) with a consequent decrease in regulatory capital. As at 30 September 2018, the sensitivity to the credit spread of such reserve, calculated gross of tax, was approximately Euro -3.3 million for each basis point of change in the BTP-Bund spread. It should also be noted that the effects on regulatory capital and capital absorptions may derive from any regulatory changes concerning, for example, the treatment of deferred tax assets.
~~With reference to the internal models used to calculate capital requirements for credit risk, it should be noted that in recent years a review of internal corporate and retail standards has been carried out, including the most recent data in the historical development series, which are more representative of the current economic situation. In addition, in order to start in good time the updating activities envisaged for the AIRB models and to meet the compliance goals scheduled by the Supervisory Authority for the next few years, the Group has already begun discussions with the Supervisory Authority itself, proposing the new calculation methods relating to the new definition of default and the definition of a framework for calculating RWA on Defaulted Assets. In addition, in 2018, the Group, like the other major European banks subject to SSM, continued its work on TRIM (Targeted Review of Internal Models),~~In 2018, the Group, like the other major European banks subject to SSM, continued its work on Targeted Review of Internal Models ("**TRIM**"), which is expected to be completed in 2019. Probably, the final outcome of TRIM will result in further methodological changes to the current internal models with significant impacts on RWA; in particular, the introduction of the new definition of default (expected by 31 December 2020) and the introduction of specific standards for calculating LGD on Defaulted Assets and Expected Loss Best Estimate (ELBE) could imply a major revision of all Probability of Default ("**PD**") and LGD, with a consequent possible change in capital requirements, not quantifiable to date. In this case, it cannot be excluded that the Issuer may have to resort to capital strengthening measures and that it may not be able to establish and/or maintain the capital requirements determined, from time to time, by the Supervisory Authority.

Investors should consider that supervisory authorities may impose further requirements and/or parameters for the purpose of calculating capital adequacy requirements or may adopt interpretation approaches of the legislation governing prudential funds requirements unfavourable to the Issuer, with consequent inability of the Bank to comply with the requirements imposed and with a potential negative impact, even material, on the business

and capital, economic and financial conditions of the Issuer and the Group, which may give rise to the need to adopt further capital enhancement measures.
Furthermore, the evaluation of the capital adequacy level is affected by various variables, among which the need to deal with the impacts deriving from the new and more demanding requirements under a regulatory standpoint announced by the EU regulator (for more information in this respect reference is made to "Risks associated with the evolution of the banking and financial sector regulation and of the additional provisions the Group is subject to"), the need to support functional plans to a more swift reduction of the stock of Impaired Loans – even in addition to the assignment of the NPL Portfolio as described in "Risks associated with the Group's exposure to Impaired Loans" – and/or the assessment of market scenarios which promise to be particularly challenging and which will require the availability of capital adequate resources to support the level of assets and investments of the Group. It should also be noted that the current level of capital ratios has been achieved through the precautionary recapitalisation, which has an exceptional nature.

~~(c)~~ *b) Risks associated with capital adequacy and SREPs of foreign branches*
The Montepaschi Group is also active in France and Belgium with the two subsidiaries Banca Monte Paschi Belgio S.A. and Monte Paschi Banque S.A. and, accordingly, the Group results are affected also by the results and operations of the companies belonging to the Group. Any deterioration of the profitability conditions and variables affecting the capital adequacy level of the two foreign branches, among which the request of new and more demanding requirements after the SREP process (for more information on the SREP, reference is made to the section "*Banca Monte dei Paschi di Siena S.p.A. – Major Events – Recent Developments – 2017 – SREP annual process*" of this Prospectus) and more in general linked to the requests of the competent authorities may require the Group to support functional plans for the restoration of capital resources and to support the level of assets and investments of subsidiaries and have negative impacts also on the economic, capital and/or financial condition of the Group, also deriving from needs for capital increases following any realisation of operating losses (as occurred in the operating years 2016 and 2017 to the subsidiary Monte Paschi Banque for an amount equal to, respectively, Euro 15 million and Euro 40 million).

With respect to the relevance of the two foreign branches within the Group, it is highlighted that, as at 30 September 2018, the contribution to the Group RWA of Banca Monte Paschi Belgio S.A. and Monte Paschi Banque S.A. is equal to, respectively, 1.3 per cent. and 1 per cent~~.~~.

In relation to weakness profiles/improvement areas identified in the context of the SREP, subsidiaries defined the actions aimed at mitigating the weakness profiles identified by the ECB, in agreement with the Issuer.

Although subsidiaries are engaged in the finalisation of the mitigation actions of weakness areas, it cannot however be excluded that the same would prove to be not entirely adequate and, accordingly, it cannot be excluded that, also after future SREPs, the supervisory authority may prescribe to foreign branches of banks the maintenance of capital adequacy standards higher than currently applicable ones and prescribe to such subsidiaries additional corrective measures. In such cases, it cannot be excluded that the Group may find itself, also in light of external factors and unforeseeable events outside its control, having to resort to measures aimed at restoring adequate levels of such ratios also for foreign branches.

Also in light of the above, it is possible that the Issuer may have to recognise a reduction of its capital ratios, compared to the current situation. In such cases it cannot be excluded that the Group may find itself, also in light of external factors and unforeseeable events outside its control, in need to resort to adequate measures aimed at restoring adequate levels of such ratios.

Finally, it is specified that the assignment of foreign branches (meaning Banca Monte dei Paschi Belgio S.A. and Monte dei Paschi Banque S.A.) constitutes also one of the Restructuring Plan's Commitments and, therefore, in the event of the failed realisation of such assignment, the Issuer will have to adopt alternative measures, such as severely restricting the two banks' business to that closely aimed at deleveraging commitments, excluding the development of new activities and the entry into new markets, with consequent negative impact on the economic, capital and/or financial condition, also due to the significant restructuring costs and any reduction in the deposit collection. In ~~this~~ particular, with respect to MP Banque, the Issuer has already resolved upon the start of the orderly winding-down process by setting up a plan in compliance with the provisions set out in Commitment no. 14 "Disposal of Participations and business". With respect to MP Belgio, it should be noted that, on 5 October 2018, BMPS entered into an agreement with a company controlled by funds managed by Warburg Pincus for the sale of MP Belgio as provided for by the Commitments of the Restructuring Plan. As of the date of this Base Prospectus, the transfer is not effective yet and is subject to the approval of the Belgian national bank and the ECB. Should the Issuer be unable to achieve this Commitment, in whole or in part, it might suffer the adverse effects of any orders adopted by the European Commission vis-à-vis the Italian State as a consequence of the failure to comply with the Commitments undertaken as part of the Restructuring Plan, with potential adverse effects, including material adverse effects, on the Issuer's and/or Group's assets, liabilities and financial situation.
For more information on risks associated with the failed compliance with the Restructuring Plan's Commitments, reference is made to "Risks associated with the failed realisation of the Restructuring Plan".

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Investors should consider that it cannot be excluded that in the future the Issuer may find itself, also in light of external factors and unforeseeable events outside its control and/or after further requests by the supervisory authority (also, *inter alia*, following the ~~completion~~receipt of the 2018 SREP ~~2018~~Decision), having to resort to capital enhancement interventions, nor ~~it~~ can it be excluded that the Issuer or the Group may not be able to achieve in the prescribed times and/or maintain (both at individual and consolidated level) the minimum capital requirements provided for by the legislation in force from time to time or established from time to time by the supervisory authority, with also possible material negative impacts on the business and capital, economic and financial condition of the Issuer and/or the Group.

In this case, it cannot be excluded that the Issuer and/or the Group may be subject to extraordinary actions and/or measures by competent authorities, which may include, *inter alia*, the application of the resolution tools as per Legislative Decree No. 180 of 16 November 2015, as amended from time to time ("**Decree 180**"), implementing Directive 2014/59/EU for the recovery and resolution of credit institutions ("**BRRD**") in Italy".

1.1.3 On page 24 and ss. of the Base Prospectus, under paragraph 2.3 "*Risk associated with the investigations of supervisory authorities*", the item (a) headed "*Supervisory activities by the ECB and the Bank of Italy*" shall be deleted and replaced as follows (track changes show the amendments made):

" *(a) Supervisory activities by the ECB and the Bank of Italy*

SREP Decision received by the Issuer on 19 June 2017 and Draft SREP Decision

By letter sent on 19 June 2017 the ECB informed BMPS of the SREP Decision, with which it notified the prudential requirements the Bank and its subsidiaries shall satisfy along with other specific requests. The SREP has been conducted with reference date as at 31 December 2016, also taking account of the information received after such date among which, specifically, the draft Restructuring Plan submitted by the Bank to the European Commission.
After the SREP's completion, in line with article 16(2) of Reg. 1024/2013 and in relation to the foreign branches~~,~~ MP Belgio and MP Banque, the ECB highlighted some weakness profiles/focus areas and requested additional capital requirements. For further information on additional capital requirements, reference is made to "*Risks associated with capital adequacy and SREPs of foreign branches*". of this Prospectus.

Furthermore, on 5 December 2018, BMPS received the Draft SREP Decision from the supervisory authority. Based on the results arising from the SREP 2018, the Draft SREP Decision sets out the prudential requirements both quantitative (own funds) and qualitative for BMPS, and provides the Bank with some recommendations.

With respect to own funds, according to the Draft SREP Decision, the ECB requires the Issuer to maintain on a consolidated base a Total SREP Capital Requirement (TSCR) of 11 per cent., which includes a minimum 8 per cent. requirement of Pillar I and an additional 3 per cent. requirement of Pillar II. Pillar II requirement level is, therefore, unchanged compared to 2018.

Moreover, with respect to Pillar II Capital Guidance, and according to the Draft SREP Decision, the ECB expects that BMPS complies with 1.3 per cent. threshold on a consolidated base compared to 1.5 per cent. threshold in 2018.

With specific reference to the coverage of the non-performing loans, BMPS has received some recommendations from the ECB aiming at ensuring constant improvements in the reduction of pre-existing risks in the Euro Area and to accomplish the same coverage level for the amounts and flows of the non-performing loans in the mid-term. With a press release published last year (11 July 2018), the ECB announced that it would have communicated with each bank for determining the individual supervisory expectations, on the basis of a comparative evaluation (benchmarking) between similar banks, taking into account the current level of NPL ratio and other financial indicators of each bank. In this context, BMPS has been advised to develop, in the next years (up to the end of 2026), a gradual increase of the coverage levels over the stock of the non-performing loans resulting as such at the end of March 2018, according to a collateral logic to the indications provided in the addendum to the ECB Guidelines for banks on non-performing loans issued starting from April 2018.

In the Draft SREP Decision, the ECB has underlined also the weaknesses/matters that need attention that BMPS has to face. The most relevant ones relate to the ability to achieve the objectives set out in the Restructuring Plan: increase the profitability (lower than expected according to the restructuring Plan), and the capital position, affected by the impossibility to proceed with the second issuance of T2 notes within 2018 and from the indirect and direct effects of the BTP-Bund spread dynamic, considering in particular the substantial exposure of BMPS to the Italian sovereign debt.

Furthermore, the Draft SREP Decision highlights the significant challenges set by the Restructuring Plan in relation to the funding and to the capability of BMPS of successfully carrying out the funding strategy, given the turmoil happening in the Italian markets.

On 8 February 2019, the Bank received the 2018 SREP Decision which confirmed the prudential requirements and the recommendations for BMPS contained in the draft SREP Decision.

In light of the above, there is the risk that the Issuer may find itself in the future, also in light of external factors and unforeseeable events outside the Group's control, having to acknowledge failed compliance with qualitative requirements, with the consequent need to comply with further requests of the supervisory authority as well as ~~a higher level of capital ratios requested by the authority compared~~the failure to ~~those~~comply with quantitative requirements set by the supervisory authority and by SREP ~~Decision~~2018. Such circumstances may require the adoption of a capital restoration plan and having to resort to capital enhancement interventions for the purpose of achieving the capital adequacy levels set by the supervisory authority.

~~Furthermore, there is the risk that, being the SREP conducted at least every year by the ECB, the supervisory authority may require compliance with capital adequacy levels higher than the most recent SREP Decision notified in June 2017. The Issuer may therefore have to resort to further capital enhancement interventions.~~

As highlighted above, the Montepaschi Group is also active in France and Belgium with the two subsidiaries Banca Monte Paschi Belgio S.A and Monte Paschi Banque S.A. and, accordingly, the Group results are also affected by the results and operations of the companies of the Group. Any deterioration of profitability conditions and variables affecting the capital adequacy level of the foreign branches, among which the setting of new and more demanding requirements after the SREP process and more in general linked to the regulator's requests, may require the Group to support functional plans for the restoration of capital resources and to support the subsidiaries' level of assets and investments and this may have a negative impact also on the economic, capital and/or financial condition of the Group.

In 2018, the Bank was not subject to any stress tests (neither in the EBA EU-wide stress test nor pursuant to the SREP).

~~Draft of SREP Decision received by the Issuer on 5 December 2018~~

~~On 5th December 2018 the Bank received from the Supervisory Authority a Draft of the Decision establishing Prudential Requirements, based on the supervisory review and evaluation process (SREP) conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 with reference date 31 December 2017 (the "**Draft SREP Decision**"). The letter is provisional, and the final release is expected in the first quarter of 2019, as a result of the SREP.~~

~~In its draft letter, the ECB sets prudential requirements for the Bank (BMPS), both quantitative (own funds) and qualitative, and points out some recommendations to the Bank and weaknesses / focus points that the Bank need to address. These have been represented in their main contents into the press release of 11 January 2019 "*Draft Srep decision confirms pillar 2 requirement level to 3% and reduces guidance to 1,3%*", which is incorporated by reference into this Prospectus. Although the Bank has planned actions (mainly already included in its Restructuring Plan), aimed at solving the weaknesses of the Group reported in this SREP Draft Decision, at the reference date of this Base Prospectus there is a risk that the Bank, for idiosyncratic or systemic reasons, is not able to adequately address in whole or in part the afore-mentioned weaknesses.~~

~~Moreover, with specific reference to the recommendation of a gradual increase in coverage of the stock of NPE, according to the Bank this request, to the extent it is not implemented, may in principle result in an increase in capital requirements for the next years. This risk may be mitigated: (i) by the Bank's ability to identify, in agreement with the ECB, an appropriate level of coverage of NPLs stock as at the end of March 2018, (ii) through the reduction of the Bank's NPLs stock, also as a result of the execution of the planned sales and (iii) considering that the increase in NPL provisions reduces one of the main risk factors on which the capital requirements of the next SREP decisions will be based.~~"

1.1.4 On page 38 and ss. of the Base Prospectus, paragraph 2.6 headed "*Liquidity risk*" shall be amended as follows (track changes show the amendments made):

"**Liquidity Risk**

The availability of liquidity as well as access to the long-term financing market represent key elements carrying out the typical banks and financial institutions business. In particular, the liquidity and long-term financing are crucial for a bank to be able to fulfil its payment obligations, expected or unexpected, in such a way that does not prejudice its current operations or its capital and/or financial conditions.
Liquidity risk means the Bank's inability to fulfil unexpected and expected payment obligations. This occurs when internal (specific crisis) or external (macroeconomic conditions) reasons result in the Bank having to deal with a sudden reduction of available liquidity or with a sudden need to increase the funding.

Typically, the forms in which liquidity risk takes place are:

- *market liquidity risk:* associated with the possibility that the Bank is not able to liquidate a balance sheet asset without incurring capital losses or with realisation times generally longer due to low liquidity or inefficiencies in the reference market; and
- *funding liquidity risk:* represents the possibility that the Bank is not able to fulfil expected and unexpected payment obligations, according to cost-effective criteria and without prejudice to its typical business or the same Bank's financial condition.

In relation to liquidity risk, as highlighted in the SREP Decision 2017 notified by the ECB on 19 June 2017, BMPS implemented strategies, policies, processes and systems for the identification, measurement, management and monitoring of liquidity risk as well as improved its structural liquidity position (funding). Notwithstanding the above, the SREP Decision highlighted that risk profiles still remain linked to commercial deposits' volatility and to the Bank's exposure to stress events, as observed in the last quarter of 2016 following the failure of the 2016 Transaction. After the significant outflows of deposits on occasion of the failed perfection of the 2016 Transaction, deposits highlighted an increase after the Issuer's request to activate the precautionary recapitalisation and the granting of state guarantee over the issue of new liabilities. Specifically, from January to March 2017, the Issuer issued liabilities guaranteed by the Italian State for an overall nominal amount equal to Euro 11 billion, of which Euro 3 billion of securities due and redeemed on 20 January 2018, Euro 4 billion of securities due 25 January 2020 and Euro 4 billion of securities due 15 March 2020.

In this respect, it is highlighted that the precautionary recapitalisation provided a direct contribution to structural liquidity, in the course of 2017, for an initial amount of Euro 3.9 billion, disbursed by the MEF in subscription of the Capital Increase~~,~~ reserved to the MEF, accompanied by the amount, again disbursed by the MEF in the context of the public offering for exchange and settlement for an additional amount of Euro 1.5 billion. Equally significant is the contribution to structural liquidity obtained from the assignment of NPLs for an amount higher than Euro 4 billion, deriving from the sale of the mezzanine notes and the junior notes issued by Siena NPL 2018 S.r.l. (respectively, the "**Mezzanine Notes**" and the "**Junior Notes**") and from the possibility that the Senior Notes will be sold on the market or used as collateral for financing transactions with other financial counterparties.

For more information on the SREP Decision 2017, reference is made to section "*Banca Monte dei Paschi di Siena S.P.A. – Major Events – Recent developments – 2017 – SREP annual process*" of this Prospectus and in relation to, more in general, the risks associated with the inspections of supervisory authorities, reference is made to "*Risks associated with the investigations of supervisory authorities*" above.

Furthermore, please note that on 5 December 2018, BMPS received the Draft SREP Decision from the supervisory authority. In respect of the liquidity matter, the Draft SREP Decision (as confirmed by the 2018 SREP Decision) highlights the significant challenges set by the Restructuring Plan in relation to the funding and to the capability of BMPS of successfully carrying out the funding strategy, given the turmoil happening in the Italian markets. For further information relating to the Draft SREP Decision, reference is made to "*Risks associated with the investigations of supervisory authorities*" above.
Furthermore, the Group will be subject to the 2019 ECB stress test in order to assess the banks' resilience to idiosyncratic liquidity shock (the so-called "*Sensitivity analysis of liquidity risk – stress test 2019 (LIST 2019)*"). Such results will be part of the wider SREP for 2019."

1.1.5 On page 41 and 42 of the Base Prospectus, under paragraph 2.6 "*Liquidity risk"*, the item (c) headed "*Risks Associated with the Issuer indebtedness"* shall be deleted and replaced as follows (track changes show the amendments made):

" *(c) Risks Associated with the Issuer indebtedness*

The Group, as other Italian and European financial institutions, resorts to the refinancing transactions launched by the ECB ("**TLTROs**") and guaranteed by assets pledged by the Issuer, within the limits and according to the rules established in the Eurosystem. As at the date of this Prospectus, refinancing transactions outstanding with the ECB are equal to Euro 16,689 million and are the following: (i) TLTRO II launched on 23 June 2016, with maturity on 24 June 2020 for an amount equal to Euro 10,158 million and (ii) TLTRO II launched on 21 September 2016, with maturity on 30 September 2020 for an amount equal to Euro 6,531 million.

As at 31 December 2017, the Group's overall indebtedness to the ECB relating to refinancing transactions launched by the same Authority were equal to Euro 16,907 million of TLTROs. As at 30 September 2018, the Group's overall indebtedness to the ECB was equal to Euro 16,689 million of TLTROs.

The amount of cash and free assets eligible for the ECB was equal, as at 31 December 2017, to Euro 21,095 million and Euro 18.463 million as at 30 September 2018. The amount of eligible free assets (expressing the assets recognised by the ECB to be eligible as collateral/guarantee for further financing transactions with the ECB, to the extent not committed by the Bank to other transactions) is mainly represented by government securities (Euro 13,866 million as at 31 December 2017 and Euro 12,512 million as at 30 September 2018).

The TLTROs will continue to represent, in the presence of financial instruments made available by the same ECB, the main medium/long-term exposure to the ECB. Uses of MROs (Main Refinancing Operation) launched on a weekly basis and used to manage short-term liquidity, or other funding sources possibly made available by the ECB, may in any case take place for short-term liquidity management purposes, liquidity that may also be obtained by accessing the market through repo transactions.

In respect of the maturity of senior unsecured bond issues addressed to institutional investors, in financial year 2019, the Bank will redeem an aggregate amount of Euro 744 million while there were no maturities in 2018. In the first months of 2017, the Issuer also finalised three issuances of Italian state guaranteed liabilities, on the basis of Decree 237, for an aggregate nominal amount equal to Euro 11 billion of which Euro 3 billion of securities became due and were redeemed on 20 January 2018, Euro 4 billion of securities is due 25 January 2020 and Euro 4 billion of securities is due 15 March 2020. Such liabilities have been fully subscribed for by the Bank, upon issuance, and subsequently in part placed on the market and, in part, used as collateral as guarantees of financing transactions.
In January 2018, the Issuer completed the issue of a fixed-rate coupon "Tier 2" subordinated bond with a 10-year maturity and a size of Euro 750 million.

On 23 January 2019, for the first time since November 2015, the Issuer completed a "covered bond" issue (bonds backed by Italian residential mortgages) for an amount equal to Euro 1 billion with the settlement date on 29 January 2019 and the maturity date in January 2024, intended for institutional investors. It should be also noted that, although the Bank in the context of the Restructuring Plan provided for actions to cover for the aforementioned redemption needs, it cannot be excluded that such actions may never be executed – possibly due to factors outside the management's control – and that, accordingly, the need to repay outstanding exposures prior to the aforementioned maturity dates may cause tensions on the Group liquidity, generating an increased need for funding that may be obtained under more burdensome conditions, with a consequently negative impact, even relevant, on the business and on the economic, capital and/or financial condition of the Bank and/or the Group."

1.1.6 On page 49 and ss. of the Base Prospectus, paragraph 2.9 headed "*Risks deriving from judicial and administrative proceedings"* shall be amended as follows (track changes show the amendments made):

" **Risks deriving from judicial and administrative proceedings**

As at the date of this Prospectus, a number of judicial proceedings (including civil, criminal and administrative actions) are pending against the Issuer. Some of these derive from the extraordinary and exceptional context related to criminal investigations ordered by courts involving the Issuer in 2012 and 2013. In addition to this litigation, there are also (i) disputes

deriving from the Bank's ordinary course of business, (ii) labour disputes, (iii) tax disputes and (iv) disputes arising from Burden Sharing.

The approximately 60 claims brought by former holders of notes subject to Burden Sharing, for approximately Euro 23 million of the overall petitum as at 31 December 2018, are included in the Bank judicial proceedings relating to investment services activities. In such proceedings the relevant plaintiffs are claiming the violation of the general principles set forth by the Consolidated Finance Act and the general principles of correctness, transparency and duty of care with respect to the sale of such securities.

As at 30 September31 December 2018, the overall petitum in relation to civil and administrative proceedings of the Group was equal to Euro 4,555 million5,000 milion of which approximately Euro 3,373 relating to the proceedings for the ordinary activities of the Issuer and approximately Euro 764 million for the civil proceedings relating to the suits brought by the shareholders in the context of 2008, 2011, 2014 and 2015 capital increases, approximately Euro 606 million in relation to threatened litigations brought against the Issuer relating to the same capital increase transactions and approximately Euro 118 million with respect to requestsrequestes brought by the civil claimants, where quantified, relating to criminal proceedings no. 29634/14 and no. 955/16 which the Issuer is part of (for further information, please see Section "*Legal Proceedings*",", respectively, paragraphs "*Disputes deriving from ordinary business*"" and "*Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*"" of this Base Prospectus). Euro 607 million shall add to such overall petitum in relation to extra-judicial claims received by the Issuer in relation to such capital increases. The overall petitum for tax proceedings of the Group is equal to approximately Euro 130141 million for taxes and sanctions (of which Euro 121 relating to the Bank) while the overall petitum relating to the labour proceedings is equal to Euro 113.9112 million (including the labour proceedings brought by certain employees of Fruendo S.r.l.).) of which Euro 110 million relating to the Bank.

In light of the estimates made on the risks of adverse outcome in the aforementioned proceedings, as at 30 Septemberat 31 December 2018, "provisions for "legal and tax disputes"" included under the item "provision for risks and charges, amounted", amount approximately to Euro 574.3608.5 million, comprising claw-backs forof approximately Euro 61.958 million and civillegal disputes forof approximately Euro 512.4515.1 million of which Euro 542.2 million derived from judicial proceedings associated with ordinary business.. Furthermore, as at the same date, in addition to the above, the "provision for risks and charges" includes tax disputes for approximately Euro 3335.0 million and labour disputes for approximately Euro 34.4331.2 million.

Allocations to item provision for risks and charges have been made for amounts representing the best possible estimate relating to each dispute, quantified with sufficient reasonableness and, in any case, in accordance with the criteria set forth in the Issuer's policies. Included among the components of the overall provision for risks and charges are, in addition to the allocations provided for ""legal disputes",", also allocations versus expected losses on estimated disbursements for client complaints. The estimate of liabilities is based on the information available from time to time and in any case it implies multiple and significant evaluation elements, due to the several uncertainty factors characterising the different judicial proceedings. In particular, sometimes it is not possible to produce a reliable estimate such as – for instance and without limitation – in case proceedings have not been initiated, in case of possible counterclaims or in the presence of uncertainties in law or in fact so as to make any estimate unreliable. In particular, for further information relating to the methodology used to account allocations into the "provision for risks and charges" with respect to civil and criminal legal proceedings, including threatened litigations, relating to

the purchase of securities issued in connection with the capital increase transactions of 2008, 2011, 2014 and 2015, and/or in connection with trading activities based on the allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2015, reference is made to "*Legal proceedings*" of this the Base Prospectus.

Accordingly, although the Bank believes the overall provision for risks and charges recorded in the financial statement to be considered adequate in respect of the liabilities potentially consequent to negative impacts, if any, of the aforementioned disputes, it may occur that the provision, if any, may be insufficient to fully cover for the charges, expenses, sanctions and compensation and restitution requests associated with the pending proceedings, also in relation to the bringing of civil actions, or that the Group may in the future be called to satisfy compensation and restitution costs and obligations not covered by provisions, with a potential negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

In relation to disputes in which the Bank is involved, it has to be specified that, as at the date of the Prospectus, it cannot be excluded that disputes against the Bank may increase in number, also in consideration of the criminal proceedings pending before the Courts of Milan as well as the extraordinary transactions put in place by the Bank, in particular in relation to the civil plaintiffs in the context of such proceedings (for more information, reference is made to the paragraph (c) below).

Unfavourable outcomes, if any, for the Bank of the disputes it is a party to – specifically those with larger media impact – or the arising of new disputes, may have negative impacts, even significant, on the Bank and/or the Group, with a consequently potential negative impact on the business and the economic, capital and/or financial condition thereof.

(a) Risks deriving from criminal and administrative disputes linked to criminal investigations and judicial affairs in 2012 and 2013

A part of the judicial proceedings – for detailed information of which see "Banca Monte dei Paschi S.p.A. – Legal Proceedings – Criminal investigations and proceedings" – has its source in an extraordinary and exceptional context also linked to the criminal investigations initiated by public prosecutors and the judicial affairs which concerned the Issuer in the years 2012 and 2013 and which mainly refer to the financial transactions for finding the necessary resources to acquire Banca Antonveneta as well as to some financial transactions carried out by the Bank, (among which are the transactions associated with the restructurings of the "Santorini" transaction, the "Alexandria" notes and the FRESH 2008 transaction).

(a1) Risks deriving from disputes initiated against former representatives and representatives of the Bank

In relation to the transaction associated with the restructuring of the "Alexandria" notes, as a result of the serving, on 3 April 2015, of the closing measure of preliminary investigations pursuant to and to the effects of art. 415-*bis* c.p.c., the public prosecutor's office at the Courts of Milan filed – in relation to the disclosure relating to financial year 2009 – an indictment request against Mr. Mussari, Mr. Vigni and Mr. Baldassarri and two members of the management of Nomura in respect of the offences under art. 2622, paragraphs 1 and 3 of the Italian Civil Code in the matter of false corporate communications and under art. 185 of the Consolidated Finance Act in the matter of market manipulation, committed in association among them with a conduct relevant for the purpose of art. 3 and art. 4, paragraph 1, of Law 146/2006 in the matter of transnational crimes. With the subsequent measure of 13 January 2016, the public prosecutor at the Courts of Milan also ordered the serving on the Bank and the other suspects of the closing of preliminary investigations notice pursuant to and to the

effects of art. 415-*bis* c.p.p. concerning the other investigation strands relating to "FRESH 2008", "Alexandria", "Santorini" and "Chianti Classico" transactions; these criminal proceedings were combined with those under the above paragraph for the crimes referred to in financial year 2009.

In respect of crimes committed by individuals in the above proceedings, the public prosecutor also requested the indictment of the Issuer for administrative offences under art. 25-*ter* lett. b), 25-*ter* lett. s) and 25-*sexies* of Legislative Decree No. 231/2001 consequent to the charging of false corporate communications (art. 2622 of the Italian Civil Code), obstruction to the exercise of functions of public supervisory authorities (art. 2638 of the Italian Civil Code) and market manipulation (art. 185 of the Consolidated Finance Act).
In this respect it has to be specified that, with the consent of the public prosecutor's office, on 2 July 2016, Banca Monte dei Paschi di Siena filed a plea-bargaining request in the criminal proceeding pending before the Milan Public Hearing Judge ("**PHJ**"), in respect of the charges to the Bank pursuant to Legislative Decree No. 231/2001 in the matter of offence based administrative liability of entities. The predicate offences of the Bank's administrate liability concern cases of false corporate communications, market abuse and obstruction to supervision and are exclusively charged to the former administered management for the period between 2009 and 2012. With the plea- bargaining request, granted by the Milan PHJ on 14 October 2016 with application of the penalty agreed upon, the Bank exited the proceedings relating to the administrative offence consequent to the crimes committed by its former top managers, limiting the consequences to a monetary administrative sanction of Euro ~~600,000~~0.6 million and a confiscation of Euro 10 million.

On 1 October 2016, the PHJ ordered the indictment of defendants other than the Bank. At the hearing of 15 December 2016 before the second criminal section of the Courts of Milan and subsequent to the request as civilly liable parties of the Banks MPS, Nomura and Deutsche Bank, around 1500 civil plaintiffs served on the Bank the civilly liable summons in respect of the crimes charged to indicted former directors and managers.
In the course of the proceedings, with the order of 6 April 2017, the Courts of Milan ruled on the exclusion request of civil plaintiffs filed by defendants and civilly liable parties, excluding certain civil plaintiffs.
The bringing of civil action by the Bank against Giuseppe Mussari, Antonio Vigni, Daniele Pirondini and Gian Luca Baldassarri was also dismissed on the assumption of a Bank's liability for complicity with the defendants. As ~~of the date of this Prospectus~~at 31 December2018, civil plaintiffs that appeared against the Bank were in aggregate ~~around~~ 1,243 and the overall *petitum*, where quantified~~, was equal~~ in the relevant writ of summons, amounts to approximately Euro 42 million with reference to such proceedings.

(a2) Risk deriving from dispute against former representatives charged with the crimes of false corporate communications and market manipulation

On 12 May 2017, the indictment of representatives Alessandro Profumo, Fabrizio Viola and Paolo Salvadori (the former ones no longer in office) has been requested in the context of new criminal proceedings before the Courts of Milan where the former representatives are charged with the crimes of false corporate communications (art. 2622 of the Italian Civil Code), with respect to the accounting of the "Santorini" and "Alexandria" transactions in relation to the Bank's financial statements, reports and others corporate communications of the Bank from 31 December 2012 to 31 December 2014 and in relation to the six-month report as at 30 June 2015, as well as of market manipulation (art. 185 of the Consolidated Finance Act) in relation to communications direct to the investors concerned the approval of financial statements aforementioned.

In respect of these proceedings, where the Bank is identified as the offended party, the first hearing was held on 5 July 2017, during which some hundreds of individuals and some

category associations asked to appear as civil plaintiffs. The PHJ deferred the case to 29 September 2017, for the decision on the requests, as well as for the combination with the proceedings pending against BMPS, as accused party pursuant to Legislative Decree no. 231/01 for the same events charged to Mr. Profumo, Mr. Viola and Mr. Salvadori. At the hearing of 29 September 2017, 304 requests for joinders set forth by the civil parties have been upheld (on a total of 337). The other parties have been excluded for formal defects. At such hearing, the proceeding pending against the Bank, as liable pursuant to the Legislative Decree no. 231/2001, has been combined with the proceeding pending against the natural persons. The judge admitted the subpoena of the Bank as civilly liable, deferring to the hearings of 10 November 2017 and 24 November 2017 to allow the implementation of the relevant notifications.

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

The hearing scheduled to discuss the civil actions brought as part of criminal proceedings ~~was duly held on 16 October 2018 with a total of 2,243~~ by the civil claimants already joined in the proceedings ~~already~~ during the previous hearing held on 17 July 2018 was duly held on 16 October 2018, ~~plus~~to which further 165 civil parties were added. The defendants' and the Bank's counsels have claimed that the latter have joined in the proceedings beyond expiry of the relevant terms.
At the hearing held on 6 November 2018, the Panel declared the exclusion from the proceeding of certain civil parties that, consequently, amounted to 2,272~~,~~ (the *petitum* relating to this proceeding, where quantified in connection with the filing of damaged civil parties, was approximately equal to Euro 76 million), ordering the extension of the proceeding between the Bank and the new civil plaintiffs admitted without further formalities and rejecting the request for joining the proceedings by CONSOB, Bank of Italy and Ernst & Young as civil responsibles.
By order issued at the hearing held on 19 November 2018, the Court rejected the ~~claim for~~objections relating to the lack of territorial competence previously raised by the defending counsels and, consequently, the discussion of the case started and the next hearing has been scheduled on 18 March 2019, reserving a decision with respect to the request of a conservative seizure against Mr. Profumo and Mr. Viola raised by certain parties. By order issued on 3 December 2018, the Courts rejected the request.
~~The *petitum* relating to this proceeding, where quantified in connection with the filing of damaged civil parties, was approximately equal to Euro 76 million. By order issued at the hearing held on 19 November 2018, the Court rejected the claim for lack of competence previously raised by the defending counsels and, consequently, the discussion of the case started and the next hearing has been scheduled on 18 March 2019, reserving a decision with respect to the request of a conservative seizure against Mr. Profumo and Mr. Viola raised by certain parties.~~

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

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In relation to the aforementioned risks under points (a1) and (a2) above, investors must take into account that, as at the date of this Prospectus, a precise monetary figure relating to the total of compensatory requests and accordingly the economic burden the Bank will have to

bear cannot be predicted, except to the extent of the *petitum* quantified as highlighted above, since most of civil plaintiffs' requests are not quantified and such quantification shall wait for the development of the proceedings. Furthermore, there is the risk that, should the Bank and/or other Group companies or their representatives (even former) be convicted after the established violation of criminally relevant provisions, such circumstance may have an impact under a reputational point of view for the Bank and/or the Group, as well as entail a liability under the Legislative Decree No. 231/2001. For further information, reference is made to "*Risks associated with the organisation and management model pursuant to Legislative Decree No. 231/2001*" below.

(a3) Risks deriving from sanctioning procedures

Also, there are some sanctioning proceedings initiated by supervisory authorities mainly against the management in office at the time of events (in relation to which, in case sanctions are imposed, the Bank is jointly liable and has no certainty to be able to recover any amount paid due to such joint obligation after the enforcement of its right of recourse), as well as against the Bank also pursuant to art. 187-*quinquies* of the Consolidated Finance Act, as well as some legal actions initiated against the Bank by consumer associations and individual investors which subscribed for financial instruments in the context of the share issuances carried out by the Bank, are to be referred to such events (for more information on such sanctioning procedures, reference is made to "*Banca Monte dei Paschi S.p.A. – Legal Proceedings*" paragraphs "*Bank of Italy sanctioning procedures*" and "*CONSOB's sanctioning procedure*" below).

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Furthermore, it should be noted that the Foundation initiated two autonomous proceedings~~,~~; on one side, against Mr. Mussari, Mr. Vigni and Nomura and, on the other side, against Mr. Vigni and Deutsche Bank ~~AG~~, based in both cases on the purported liability of the defendants under art. 2395 of the Italian Civil Code for the direct damage allegedly suffered by the MPS Foundation for having subscribed the BMPS capital increase resolved in the course of 2011 at a different price than the one at which it would have been correct to subscribe it in case the "Alexandria" and "Santorini" restructurings had been duly represented in the BMPS financial statement.

The Issuer has been sued in such proceedings: (i) by Mr. Vigni by virtue of an indemnity undertaking (in respect of third party claims) allegedly given by the Bank in his favour in the context of the mutual termination agreement of the managerial relationship; (ii) by Mr. Mussari, by virtue of the Bank's liability under art. 2049 of the Italian Civil Code, for the actions of a number of managers allegedly accountable for the transaction carried out with Nomura. The proceedings referred to in point (i) have been declared extinct due to the renouncement by Mr. Vigni, while the proceeding referred to in point (ii) is still pending before the Court of Florence.

It should ~~be~~ also be noted that, also as a consequence of the aforementioned investigations initiated by judges in 2012 and of the aforementioned proceedings, further criminal, sanctioning and civil proceedings have been initiated by judges, supervisory authorities, consumer associations, investors and the Bank itself. The Bank's position in respect of such proceedings is aligned to the principles of business and managerial discontinuity, which inspired the actions undertaken by the new management, aimed at identifying the best initiatives in protection of the Bank, the assets and the image thereof, even through direct legal actions against the former top management and counterparties involved.

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

Amongst the sanctioning procedures abovementioned under paragraph (a3), with respect to the prospectuses relating to the capital increases executed respectively in financial years 2008 and 2011, CONSOB, with resolutions No. 18885 of 17 April 2014 and No. 18886 of 18 April 2014 respectively, closed the sanctioning proceedings initiated for possible irregularities in drawing up such documents, imposing pecuniary administrative sanctions against the directors and statutory auditors *pro tempore* for an overall amount equal to Euro 1,150 million. The Bank did not appeal any of the two measures and it proceeded with the payment of the sanctions in its capacity as joint obligor, initiating the activities preparatory to the exercise of its right of recourse. Upon allegations analogous to those charged in the two aforementioned sanctioning proceedings, CONSOB, with resolution No. 18924 of 21 May 2014, also closed the sanctioning proceedings for irregularities in drawing up bond loan and certificate prospectuses published by the Issuer in the period 2008-2012, imposing monetary administrative sanctions for an overall amount equal to Euro 750.000 to the Bank's directors and statutory auditors *pro tempore*. The Bank challenged these sanctions but paid up the sanction in its capacity as person joint and severally liable, starting the relevant recourse activities (for more information on such sanctioning procedures, reference is made to "*Banca Monte dei Paschi S.p.A. – Legal Proceedings – CONSOB's sanctioning procedure*"" below).

In this respect, amongst the initiatives against the Issuer, some investors and/or shareholders of the Bank initiated actions aimed at obtaining the compensation for alleged damages suffered by the same subjects due to the alleged inaccuracy of the disclosure provided by the Issuer in the context of the 2008, 2011, 2014 and 2015 capital increase transactions and, in any case, due to the assumed unfairness of the price-sensitive information provided from 2008 to 2015. As at the date of this Prospectus31 December 2018, 30 proceedings with compensatory aims have been initiated before different Courts. In such claims, the plaintiffs mainly act for the declaration of the Bank's liability pursuant to article 94 of the Consolidated Finance Act, as well as for the cancellation of the capital increases' subscription agreement because of wilful and/or essential error pursuant to the Italian Civil Code. As at the same date31 December 2018, the overall petitum for such actions is equal to around Euro 764 million of which Euro 688 million referred to four principal actions. .

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

Furthermore, as at the date of this Prospectus31 December 2018, various complaints have been filed individually by investors – through consumers or legal associations – 12469 of which, on a total amount of 834903, have taken part into the claim initiated by Marangoni Arnaldo (as described under ""*Banca Monte dei Paschi S.p.A. – Legal Proceedings – Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*")" – for a total of around Euro 654 million of claimed amounts, where quantified, associated with alleged losses incurred linked to allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2011. Of such requests, around 10 per cent. turned into civil judicial initiatives (in the great majority with intervention in the proceedings initiated by one single shareholder).

Such requests – individually or collectively through two professionals and the ADUSBEF (*Associazione Difesa Utenti Servizi Bancari e Finanziari*) – although heterogeneous, are mainly reasoned with generic references to the alleged infringement, by the Bank, of the sector legislation in the matter of disclosure and, accordingly, rebutted by the Bank as generic, ungrounded, and unsupported by suitable documental evidences and in some instances, time

barred. The residual petitum claimed by complainants who did not initiate judicial proceedings is equal to around Euro 591 million as at ~~the date of this Prospectus.~~31 December 2018.
In addition, ~~as at 30 September 2018,~~ there were also ~~53~~59 threatened litigations relating to the 2014-2015 capital increases for a total requested amount equal to approximately Euro ~~16~~17 million ~~(and, therefore,~~up to the overall requested amount is approximately equal to Euro ~~606~~607 million~~).~~ as at 31 December 2018.
Actions exercised by investors – concerning allegedly false prospectuses and/or allegedly inaccurate information, on which subscribers' investment decisions were based – may increase, even significantly, both by number and amount of compensatory requests, compared to those pending as at ~~the date of the Prospectus.~~31 December 2018. Furthermore, it cannot be excluded that the number of complaints concerning the above described cases may increase – even significantly – or that already filed complaints would turn into true and proper disputes before judicial authorities. Finally, it has to be deemed that an increased number of disputes and/or complaints may occur also as a consequence of the evolution of criminal proceedings initiated after judicial investigations initiated during 2012 and of the Bank's involvement as a civilly liable party, in the context of such proceedings, pending before the Courts of Milan as specified below.

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

(c) Risks associated with disputes and administrative proceedings deriving from the conduct of ordinary business

In light of the estimates made about the risk of unfavourable outcome in the cases under this risk factor, as at ~~30 September~~31 December 2018, allocations for legal disputes – with respect to the disputes deriving from the ordinary business — have been made to the provision for risks and charges equal to Euro ~~574.3~~515.1 million.
While carrying out its ordinary business, the Group is involved in various judicial proceedings concerning, *inter alia*: claw-back actions, compound interests, placement of bond securities issued by countries and companies then defaulted and the placement of other financial instruments and products. With specific reference to the placement of bond securities issued by countries and companies then defaulted and placement of schemes and financial products, please note that they show a consistent overall decrease and that they are not material in terms of petitum and related civil funds.
For a more detailed description of the disputes deriving from the conduction of ordinary business, reference is made to ~~"~~"*Banca Monte dei Paschi S.p.A. – Legal Proceedings – Disputes deriving from ordinary business*~~".~~".

(d) Risk deriving from sanctioning procedures promoted by the authorities

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

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

In particular, it has to be underlined that the procedure I794 – commenced by the Italian antitrust authority (*Autorità Garante della Concorrenza e del Mercato*, hereinafter, the "**AGCM**") against the Italian banking association (*Associazione Bancaria Italiana*) in respect of the remuneration of the SEDA service and subsequently extended to the 11 most important Italian banks, among which was BMPS, concerning the alleged materiality of the interbank agreement for the remuneration of the SEDA service as agreement restricting competition pursuant to art. 101 of the Treaty on the Functioning of the European Union (according to AGCM the agreement would imply "the absence of any competitive pressure", with consequent possible increase in overall prices to be borne by enterprises, which may be in turn charged to consumers) – was also closed.

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

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

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

BMPS had previously entered with DPI into a customer referral agreement, and AGCM held that the bank was actively involved in the promotion and sale of investment diamonds. The proceedings ended with the decision taken by AGCM during the hearing held on 20 September

2017 and notified to the parties on 30 October 2017. AGCM held that the breaches the parties had been charged with had actually been committed, and sentenced BMPS to pay a fine of Euro 2 million. The Bank paid the fine within the relevant terms and challenged the decision before the TAR of Lazio; at the hearing held on 17 October 2018 the Court reserved its decision. Meanwhile, the Bank has taken action to reimburse the customers previously referred to DPI, who have purchased diamonds from the latter and intend to exit from their investment. With decision published on 14 November 2018, the TAR of Lazio rejected the appeal of BMPS and confirmed the AGCM sanctions; the Bank ~~is evaluating~~, following proper evaluations of the legal ~~ground~~grounds of the events, has decided not to ~~determine~~appeal against such decision which, consequently, became the ~~best approach to be followed~~final judgment.
For the sake of completeness, it is highlighted that, with reference to such events, ~~a~~ in the context of the criminal ~~proceeding~~proceedings pending for alleged fraud ~~before the Milan~~, the judge for preliminary investigations of the Court ~~is currently pending. In such context the Bank has been~~ of Milan notified ~~with an exhibition order and a decree of computer search and~~ the Bank of two seizure decrees, also for the alleged offence of self-laundering in relation to which the Bank would be liable pursuant to Legislative Decree 231/2001.
For more information on such sanctioning procedures promoted by the AGCM, reference is made to ~~"~~"*Banca Monte dei Paschi S.p.A. – Legal Proceedings – Sanctioning procedures*~~"~~" paragraphs ~~"~~"*Competition and Market Authority ~~("~~("AGCM~~")~~") Proceedings I794 of the AGCM – Remuneration of the SEDA service*~~"~~" and ~~"~~"*Proceedings PS 10678 of the AGCM – Violations of the Consumer Code in the sale of investment diamonds*~~" below.~~

" of this Prospectus."

1.2 *RISK FACTORS RELATING TO THE MARKET IN WHICH THE ISSUER AND THE MONTEPASCHI GROUP OPERATE*

1.2.1 On page 85 and ss of the Base Prospectus paragraph 3.1 headed "*Risks associated with the evolution of the banking and financial sector regulation and of the additional provisions the Montepaschi Group is subject to*" shall be deleted and replaced as follows (track changes show the amendments made):

" **Risks associated with the evolution of the banking and financial sector regulation and of the additional provisions the Montepaschi Group is subject to**

The Group is subject to complex regulations and, in particular, to the supervision of the Bank of Italy, CONSOB and, in relation to a number of aspects of the bancassurance business, the *Istituto per la Vigilanza sulle Assicurazioni* ("**IVASS**"). Starting from 4 November 2014, furthermore, the Group is also subject to the supervision of the ECB, which is entrusted, pursuant to the regime establishing the Single Supervisory Mechanism, with the duty to, *inter alia*, insuring the homogeneous application of the Euro Area legislative provisions.

In particular, the Group is subject to the primary and secondary legislation applicable to companies with financial instruments listed on regulated markets, the legislation in the matter of banking and financial services (governing, *inter alia*, the sale and placement activities of financial instruments and the marketing thereof), as well as the regulatory regime of the countries, ~~even~~including those other than Italy, in which it operates. The supervision by the aforementioned authorities covers various sectors of the Issuer business and may concern, *inter alia*, liquidity, capital adequacy and financial leverage levels, the prevention and combating of money laundering, privacy protection, transparency and fairness in the relations with clients, and reporting and recording obligations.

For the purpose of operating in accordance with such legislations, the Group put in place specific internal procedures and policies and adopted, pursuant to Legislative Decree No. 231/2001, a complex and constantly monitored organisational model. Such procedures and policies mitigate the possibility of violations in the various legislations to occur, which may cause negative impacts on the business, reputation as well as on the capital, economic and/or financial condition of the Bank and/or of the Group.

In general, the international and national legislative structure to which the Group is subject has the main purpose of safeguarding the stability and soundness of the banking system, through the adoption of a very complex regime, aimed at containing risk factors. To achieve these goals, the regime provides for, *inter alia*:

- a minimum capital holding, adequate to deal with the company's size and the associated risks;
- quantitative and qualitative limits in the ability to develop certain financial aggregate data, even depending on the risks associated therewith (i.e. credit, liquidity);
- strict rules in the structure of controls and compliance system; and
- rules on corporate governance.

- ***Basel III and the CRD IV Package***

The above shall also be accompanied by the more demanding rules adopted by international authorities in the matter of banks' capitalisation. Starting from 1 January 2014, part of such laws and regulations has been amended in accordance with the guidelines set out under Basel III, mainly for the purpose of strengthening the minimum capital requirements~~, restraining the leverage ratio~~ and introducing leverage ratios and policies and quantitative rules intended to mitigate the banks' liquidity risk.

At EU level, Basel III has been ~~transposed in~~implemented through the CRD IV and CRR. In Italy, the new EU regime for banks was first transposed by the Bank of Italy, to the extent of competence, in Circular No. 285 of 17 December 2013 (as subsequently amended from time to time by the Bank of Italy (the "**Circular No. 285**")) which came into force on 1 January 2014, and, more recently, on 8 May 2015, by the Council of Ministers which approved the legislative decree amending the Italian Banking Act and the Consolidated Finance Act. Specifically, the CRD IV contains, inter alia, provisions in the matter of authorisation to the exercise of the banking business, freedom of establishment and free provision of services, cooperation between supervisory authorities, prudential control processes, methodologies for the determination of capital reserves (buffer), regime of administrative sanctions, rules on corporate governance and remunerations, while the CRR, the provisions of which are directly applied within each Member State, ~~defines~~sets out, *inter alia*, the provisions in the matter of own funds, minimum capital requirements, limits on large exposures, liquidity risk, leverage and public disclosure.

The EU regulatory framework provides for, *inter alia*, the adoption by the European Commission of implementing rules and technical standards. A number of such technical rules have not been ~~yet~~ adopted yet.

Specifically, in terms of capital requirements, the new regime provides for: (i) a Common Equity Tier 1 Ratio of at least at 4.5 per cent. of the overall amount of the Bank's exposure to risk; (ii) a Tier 1 Ratio of at least at 6 per cent. of the overall amount of the Bank's exposure

to risk; and (iii) a Total Capital Ratio of at least at 8 per cent. of the overall amount of the Bank's exposure to risk.

In addition to Common Equity Tier 1 (necessary to satisfy the aforementioned capital requirements), the banks were to maintain a capital conservation buffer equal to 1.875 per cent. for 2018 and 2.5 per cent. starting from 2019 of the overall exposure to risk.

Furthermore, from 1 January 2016, banks were obliged to create: (i) a countercyclical capital buffer, to be calculated, with the modalities set out in the same Circular No. 285, on the basis of each bank's overall exposure to risk; and (ii) should they be qualified as G-SIIs (the so-called "**Capital Buffer for G-SIIs**"); and/or (iii) should they be qualified as O-SIIs

On 30 November 2016, the Bank of Italy identified the UniCredit, Intesa Sanpaolo and the Group as O-SIIs. However, on 30 November 2018, the Bank of Italy announced that the Group would no longer be considered an O-SII as from 1 January 2019.

With respect to the SREP to which the Group was subject during 2016, it should be noted that on 19 June 2017, the ECB required the Bank to comply, starting from 1 January 2018, with a level of TSCR on a consolidated basis equal to 11 per cent., including:

- the minimum Total Capital Ratio requirement of 8 per cent. in line with article 92, first subsection of the CRR; and

- an additional 3 per cent. requirement (Pillar II), in line with article 16, second subsection, lett. (a) of the SSM Regulation, which shall be fully composed of Common Equity Tier 1.

Furthermore, the ECB notified to the Issuer the expectation for the Group to comply with an additional 1.5 per cent. threshold (Pillar II capital guidance) to be fully satisfied with Common Equity Tier 1, in addition to (i) the Pillar I, (ii) the Pillar II and (iii) the combined capital requirement.

In relation to the above, it should be noted that failure to comply with such capital guidance would not be equal to a failure to comply with capital requirements; however, in the event of capital dropping below the level including the Pillar II capital guidance, the supervisory authority, which shall be promptly informed in detail by the Issuer on the reasons for the failed compliance with the aforementioned level, will take into consideration, on a case-by-case basis, possible appropriate and proportional measures (including the possibility to put in place a plan aimed at restoring compliance with the capital requirements – inclusive of capital enhancement requests – in accordance with article 16, paragraph 2 of the SSM Regulation).

Furthermore, on 5 December 2018, BMPS received the Draft SREP Decision from the supervisory authority. Based on the results arising from the SREP 2018, the Draft SREP Decision sets out the prudential requirements both quantitative (own funds) and qualitative for BMPS, and provides the Bank with some recommendations. Such prudential requirements and recommendations for BMPS were confirmed by the 2018 SREP Decision.

For further information relating to the Draft SREP Decision and the contents therein, reference is made to "*Risks associated with the investigations of supervisory authorities*" above.

Furthermore, the Bank is bound to comply with the general limit on the investment in equity interests and real estate properties, to be contained within the amount of own funds at consolidated level, and the regulatory limits in the matter of holding of qualifying equity interests in non-financial enterprises and large exposures. The Bank is also subject to the

regulatory limits provided for by the national legislation in the matter of transactions with related parties as per the "New Prudential Supervision Provisions" for banks as well as the specific obligations set forth by the regulation issued by CONSOB.

With regard to the calculation modalities of regulatory requirements, the first pillar prudential regime allows, in order to determine weightings in the context of the credit risk standardised approach, for the possibility to use the creditworthiness assessments issued by external credit assessment institutions ("**ECAI**"). BMPS uses the assessments of some ECAIs and, in particular, those issued by Standard & Poor's, Moody's and Fitch. Again, in relation to credit risk, the prudential regime further allows for the possibility to use internal rating-based assessments for the determination of weightings on exposures falling within the validated perimeters.

With regard to liquidity, the CRR provides, *inter alia*, for compliance with a short- term indicator (the LCR), aiming at the constitution and retention of a liquidity buffer capable of allowing the Bank's survival for 30 days in case of serious stress, and with a long-term structural ratio designed to address liquidity ~~indicator~~mismatches (the NSFR) with a one year time horizon, introduced to ensure that assets and liabilities show a sustainable maturity structure. In respect of such parameters, please note that:

- for the LCR parameter, a value of 100 per cent. starting from 1 January 2018 is provided for; and

- as to the NSFR, ~~the European Union regulation is introduced~~ in ~~the~~November 2016, the European Commission adopted a legislative proposal ~~to amend~~ for a regulation (the CRR ~~– referred to as~~ II Regulation or "**CRR II**~~– by~~" (2016/0360A (COD))) that is expected to make extensive amendments to the CRR, including with regard to, among other things, the ~~European Commission, published on 23 November 2016, whose~~introduction into EU law of the NSFR. The implementation date and final contents ~~shall~~of CRR II (and therefore, of NSFR requirements) depend on the timing and ~~outcomes of the conclusion~~outcome of the relevant legislative process. ~~The~~It is currently expected that the mandatory minimum threshold of the ratio shall be equal to 100 per cent..

Furthermore, Basel III (as defined below) provides that banks shall monitor their leverage ratio calculated as the ratio between the Tier 1 capital and the aggregate exposures of the credit institution, according to the provisions of art. 429 of the CRR, as amended and supplemented by delegated Regulation of the European Commission no. 62/2015. Such indicator was subject to reporting obligations by banks starting from 2015; however, to date, the minimum threshold and the commencement date of the index at hand have not yet been defined. Full implementation of the leverage ratio as a measurement of the Pillar I in the EU is currently under consultation as part of the ~~"~~CRR II ~~/~~and CRD V~~"~~ (2016/0364 (COD)) group of reforms, whose implementation date and final contents shall depend on the timing and outcome of the conclusion of the relevant legislative process.

Such regulatory evolution, which continues to aim at a higher system stability, although the entry into force thereof is provided to be gradual, may in any case have a significant impact on the Group's management dynamics.

The establishment of new rules on liquidity and possibly increased ratios applicable to the Group based on the laws and/or regulations that will be adopted in the future may have an impact on the business, financial condition, cash flow and operating results of the Group and accordingly, directly or indirectly, on the possibility to distribute dividends to shareholders.

In light of the above, the on-going compliance with the several regulations, namely (taking account of the criteria introduced by Basel III) the need to increase the capital consistency – size remaining unchanged – and compliance with liquidity parameters, requires a significant commitment of resources, as well as the adoption of ~~equally~~ complex internal rules and policies which may result in higher costs and/or less revenues for the Issuer and the Group.

- ***The Single Supervisory Mechanism***

On 4 November 2014, the Single Supervisory Mechanism ("**SSM**") was launched. Specifically, the SSM Regulation assigned to the ECB specific duties in the matter of prudential supervision of credit institutions, in cooperation with the national supervisory authorities of participating countries, in the context of the SSM. With this mechanism the ECB, in close cooperation with the national supervisory authorities, undertook the supervisory competence over all banks of the Euro Area, on a direct basis in case of "significant" banks and on an indirect basis in relation to the other banks, which will continue to be supervised by local authorities on the basis of the criteria set by the same ECB.

Accordingly, the competence for prudential supervision over the Issuer is entrusted to the ECB, ~~being~~as BMPS ~~qualified~~is classified as a significant bank pursuant to article 39 of Regulation (EU) No. 468/2014 of the ECB of 16 April 2014 (SSM Framework Regulation).

According to the SSM Regulation (1024/2013), supervisory tasks not conferred on the ECB, such as (among others) conducting the function of competent authorities over credit institution in relation to markets in financial instruments, remain with the national authorities. The Issuer is therefore also subject to ~~the provisions applicable to the financial services governing~~, *inter alia*, CONSOB supervision, given its activities carried out in relation to the sale ~~and~~, placement ~~activity of financial instruments~~ and marketing ~~ones and in this context it is also subject, *inter alia*, to CONSOB supervision~~of financial instruments.

Although the Group constantly deploys significant resources and internal policies adequate to comply with the various applicable legislative and regulatory provisions, it shall be pointed out that failed compliance therewith, or possible legislative/regulatory amendments or changes relating to the interpretation and/or application approaches of the legislation applicable by the competent authorities may entail ~~potential~~a potentially relevant negative impacts on operating results and the economic, capital and financial condition of the Group. In this respect, as at the date of the Prospectus, some laws and legislations concerning the sectors in which the Issuer operates have been recently approved and the relating application approaches are in the process of being defined.

- ~~In order to complete~~***The Bank Recovery and Resolution Directive***

The BRRD completes the legislative framework of the provisions applicable to banks, ~~it has to be underlined the directive of the European Parliament and the Council setting up a recovery and resolution framework of credit institutions and investment undertakings (BRRD),~~ identifying the powers and tools national authorities in charge of the resolution of banking crises may adopt for the resolution of a bank's crisis or collapse situation. This was for the purpose of guaranteeing continuity of the essential functions of the institution, reducing to a minimum the collapse impact on the economy and the financial system as well as on costs for taxpayers. On 9 July 2015, the enabling act for the implementation of the BRRD was approved, identifying, *inter alia*, the Bank of Italy, as resolution authority pursuant to article 3 of the BRRD. On 16 November 2015, contemporaneously with the publication in the Official Gazette, Legislative Decrees No. 180 and 181 of 16 November entered into force and

respectively implemented the BRRD and adapted the provisions of the Consolidated Banking Act to the changed legislative framework.

With specific reference to the bail-in instrument, please also note the introduction through the BRRD ~~directive~~ of a minimum requirement ~~of~~for own funds and eligible liabilities ~~subject to bail-in (~~(“**MREL**~~),~~”), for the purpose of assuring that a bank, in case of an application of bail-in, has sufficient liabilities to absorb losses and assure compliance with the Common Equity Tier 1 requirement provided for the authorisation to exercise the banking business, as well as to generate in the market enough confidence in it. Regulatory technical standards aimed at specifying the criteria to determine the MREL requirement are defined in ~~delegate~~Delegated Regulation EU 2015/1450 published in the Official Gazette of the European Union on 3 September 2016.

On 19 July 2016, the EBA published in consultation an interim report on the MREL, and subsequently, on 14 December 2016, the final report on the MREL, concerning a number of relevant aspects for the implementation of the MREL among which, specifically, the proposals for the harmonisation of the calculation of capital requirements in the various Member States, the opportunity for the MREL to be satisfied resorting to contractual bail-in tools, the identification of a minimum requirement level in respect of the business model identified for institutions and the opportunity to use, as denominator for the MREL requirement, the institution's risk weighted assets. The Group has not so far been bound to comply with a specific threshold with reference to ~~the~~ MREL (a target level is currently defined by the Single Resolution Board for information purposes only).

The BRRD also requires member states to ensure national insolvency laws contain a prescribed creditor hierarchy. The Insolvency Hierarchy Directive (Directive (EU) 2017/2399), due to be transposed in member states by 29 December 2018, amends this hierarchy by introducing a new asset class of non-preferred senior debt that can only be bailed-in in resolution after capital instruments but before senior liabilities.

On 23 November 2016, the European Commission published a set of amendment proposals to the BRRD ~~(directive 2014/59/EU)~~ in relation to, *inter alia*, the loss absorption and recapitalisation capacity of credit institutions ~~and the classification of unsecured debt instruments among the hierarchy of loans in case of insolvency.~~(COM (2016) 852 (“**BRRD II Directive**”). The main amendments introduced by the reform concern, substantially, the structure of ~~the~~ MREL ~~ratio~~ and its level of application, the powers of the resolution authorities in case of breach of MREL and the banks' disclosure obligations to resolution authorities and the public. Agreement on the main elements of these proposals was reached ~~by~~in December 2018, with legislation expected to be finalised and published shortly.

In light of the fact that the reference legislative context is still evolving, it cannot be excluded that the introduction of the aforementioned criteria may entail the obligation for the Bank to hold additional resources to own funds and eligible liabilities, with consequent impact on the Group's financial position, cash flow and operating results and accordingly, either directly or indirectly, on the possibility to distribute dividends to shareholders.

- ***The ~~"~~FSB's TLAC Standard***

The Financial Stability Board~~" ("~~ (“**FSB**~~")~~”) published on 9 November 2015 the final provisions on the ~~"Total Loss Absorbency Capacity" ("**TLAC**")~~total loss absorbency capacity (“**TLAC**”) standard concerning ~~"Global Systematically Important Banks" ("~~global systematically important banks” (“**G-SIBs**~~")~~”) – among which, as at the date of ~~the~~this Base Prospectus, the Issuer is not included~~ – and that the~~. The European Commission, in the context

of the ~~amendment proposal of the~~ BRRD~~, published on 23 November 2016, introduces the TLAC requirement within the~~ II Directive, intends to align the existing MREL ~~requirement~~ requirements (already defined by the EU regime and applicable to all banks~~.~~) with the TLAC standards and to make other technical amendments to the MREL regime. Agreement on the main elements of these proposals was reached ~~by~~in December 2018, with legislation expected to be finalised and published ~~shortly thereafter~~in 2019.

- ***Calculation Criteria of RWAs***

Furthermore, in 2014 the Basel Committee for banking supervision launched a review process of the calculation methods of ~~b~~anks' capital held for prudential purposes in respect of credit, market and operational risks.

In relation to the review of calculation methods of requirements for the "credit risk" category, the Basel committee launched a consultation, respectively in December 2015 and April 2016, on a second document concerning the review of the standardised approach for the calculation of RWAs and a document setting out a package of amendments to be applied to the structure of internal rating-based approaches, for the purpose of reducing the complexity of the legislative framework, increase the comparability of capital requirements in respect of credit risk and limit the excessive variability thereof. Furthermore, on 14 November 2016, the EBA launched a consultation on a document setting out guidelines for the estimate of PD and LGD, as well as for the treatment of defaulted exposures.

The review processes of the calculation models of requirements for the "market risk" and "operational risk" categories shall be added to the above. In January 2016, the "Fundamental Review of the Trading Book" (FRTB) has been finalised, i.e. the review of the standardised method and internal model for the calculation of minimum capital requirements in respect of market risk, while in March 2016 the Basel committee launched a consultation providing for the review of the standard model and the repeal of internal models for the calculation of RWAs in respect of operational risks. In March 2018, the Basel Committee published a consultative document containing proposals intended to address certain concerns identified by the Committee in relation to the 2016 FRTB framework. In January 2019, a revised FRTB standard was published, which reflects the proposals made in the March 2018 consultation. The revised standard supersedes the 2016 one and is expected to take effect as of 1 January 2022.

The replacement project of the transitional capital floor for risk weighted assets (RWA) established in function of the previously applied provisions pursuant to Basel I with a new floor, calculated in function of the RWAs determined on the basis of the standardised approach, as possibly amended as a result of the abovementioned review processes of the various risk categories, is also relevant.

The finalisation by the Basel Committee of the reform package of the risk weighted assets prudential treatment occurred at the end of 2017 and will need to be transposed into EU legislation.

On 23 November 2016, with the first legislative proposal of review of the CRR and the CRD IV, the EU regulatory process implementing in the European Union the Basel committee standards in the matter of market risk ("Fundamental Review of the Trading Book"),), leverage ratio, NSFR, TLAC and standardised approach to counterparty risk, started. In the context of such amendment proposals, the European Commission proposes the introduction of the NSFR, the calibration phase thereof is preparatory to the definition of parameter calculation rules and accordingly of minimum requirements to be complied with, and the introduction of, a 3 per cent. leverage ratio. Agreement on the main elements of these proposals was reached ~~by~~in

December 2018. The entry into force of the majority of the proposed amendments will depend on when the technical details of the legislative process are finalised and the amending directives are published.

The change to the calculation criteria of RWAs as a result of the abovementioned review processes may have an impact on the Group's capital adequacy. Furthermore, regardless of the consultations and review processes in progress, it cannot be excluded that regulatory authorities may, at any other time, review the internal calculation models of RWAs used by the Group and ask for the application of more stringent criteria, and this would cause potentially increased RWAs, with a negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

- ***The Regulatory Treatment of NPLs***

Furthermore, on 20 March 2017 the ECB published the "*Guidance to banks on non-performing loans*", and on 15 March 2018 the "*Addendum to ECB Guidance to banks on non-performing loans*", both addressed to credit institutions, as defined pursuant to article 4, paragraph 1, of the CRR. These ~~guidances~~guidance papers are addressed, in general, to all significant institutions subject to direct supervision in the context of the SSM, including their international subsidiaries. The ECB banking supervision identified in the aforementioned guidance a set of practices it deemed useful to indicate and which should be viewed as expectations of ECB banking supervision. The documents define the measures, processes and best practices which should be integrated in the treatment of NPLs by banks, for which this issue should represent a priority. The ECB expects full adherence by banks to these ~~guidances, in line with~~guidance papers regarding the ~~gravity~~treatment of NPLs, which is expected to take into account the length of time a loan has been non-performing and the extent ~~of NPLs in the respective portfolios. It should be noted that, on 15~~and valuation of collateral (if any). The ECB's March 2018~~, the ECB published the *addendum* to such guidance. In particular, this~~ addendum provides that, with respect to all the loans that will be qualified as Impaired Loans from 2018, ~~that it shall be achieved a total~~full coverage is expected for the unsecured portion of the NPL within two years ~~for unsecured loans~~ and within seven years for secured ~~loans~~portion at the latest. Therefore, it cannot be excluded that the Bank shall increase the coverage levels with respect ~~of~~to loans that may be qualified as Impaired Loans from 2018 for the purposes of complying with the regulation, with consequent negative impacts on the Group's capital adequacy indicators.

On 14 March 2018, the European Commission presented an amendment proposal to the European rules on the prudential requirements of credit institutions in terms of Impaired Loans ("*Proposal for a Regulation of the European Parliament and the Council amending the Regulation (EU) No. 575/2013 regarding the minimum coverage of losses on impaired exposures*")~~.~~ (2018/0060 (COD))). The Commission aims to create the appropriate environment for banks to deal with NPLs on their balance sheets, and to reduce the risk of future NPL accumulation by suggesting the introduction of a statutory prudential backstop against any excessive future build-up of NPLs without sufficient loss coverage on banks' balance sheets. Political agreement on the proposed Regulation was reached in December 2018 and it is expected that the European Parliament will further consider in early 2019.

- ***The Securitisation Framework***

Following the enactment of Regulation (EU) 2017/2402 (the "**Securitisation Regulation**") and Regulation (EU) 2017/2401 (the "**CRR Amendment Regulation**") (together, the "**securitisation framework**"), effective from 1 January 2019, new provisions regarding securitisation transactions have been introduced in the European legislation. The Securitisation Regulation introduces important changes with regards to the in-scope

transactions and to the securitisation obligations regarding risk retention, transparency and due diligence. In addition, the Securitisation Regulation introduces the concept of "simple, transparent and standardised" ("**STS**") securitisations that are afforded a more flexible regulatory treatment than other securitisations. Technical standards and guidelines regarding the application of the Securitisation Regulation have yet to be adopted by the Commission or published. The CRR Amendment Regulation introduces changes to the regulatory capital treatment of securitisation positions held by, among others, credit institutions under the CRR, to reflect Basel III requirements. The implementation of the more stringent securitisation framework requirements may have a negative impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

It should finally be noted that supervisory authorities have the power to bring administrative and judicial proceedings against the Group, which may translate, *inter alia*, into the suspension or revocation of authorisations, warning measures, fines, civil or criminal sanctions or other disciplinary measures, with a potential negative ~~impacts~~impact on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Although the Issuer endeavours to comply with the complex set of rules and regulations, failed compliance therewith, or possible amendments to legislations and/or interpretation approaches and/or applications thereof by the competent supervisory authorities, may cause ~~potential~~potentially relevant negative impacts on the operating results and the economic, capital and financial conditions of the Issuer."

1.3 RISK FACTOR RELATING TO THE MARKET IN WHICH THE ISSUER AND THE MONTEPASCHI GROUP OPERATE

1.3.1 On page 110 and ss of the Base Prospectus paragraph 3.11 headed "*Vat Group*" shall be deleted and replaced as follows (track changes show the amendments made):

" ***VAT Group***

VAT Group

Italian Law No. 232 of 11 December 2016 (the "**2017 Budget Law**") has introduced new VAT rules allowing groups to act as a single taxable person for value added tax purposes (articles from 70-bis to 70-duodecies of Presidential Decree No. 633 of 26 October 1972) and which, if so elected by the group head, applies from 1 January 2019. Pursuant to such rules, all entities included in the relevant VAT group are jointly and severally liable to the Italian Tax Authority for any VAT payments due by all members of the VAT group.

On 31 October 2018, the Italian Tax Authority issued circular No. 19 specifying that funds, as pools of segregated assets, would be liable only for the VAT payment obligations specifically relating to their assets. Although reasonable, it is unclear whether the same limitation would apply also to the assets held by a covered bond guarantor in the case of non-payment of VAT by any other member of its VAT group.

Tthe Group has opted into the new VAT regime introduced by the 2017 Budget Law in respect of the Issuer's group (including the Guarantor) with effect from 1 January 2019. ~~Pending further clarifications on the scope of application of the new rules, t~~The Issuer ~~has~~ submitted a ruling application to the Italian Tax Authority in relation to the Guarantor ~~with the effect of~~ to obtain (i) the exclusion of ~~excluding~~ the Guarantor from the VAT group regime, or, alternatively, (ii) the confirmation that the joint and several liability under the VAT group regime did not extend to the Guarantor. In answering the ruling application, the Italian Tax Authority confirmed the inclusion of the Guarantor into the VAT group of the Issuer. However, the Italian Tax Authority confirmed by way of interpretation that the liability of the Guarantor for VAT obligations towards the Italian Tax Authority would be limited to those liabilities relating to its pools of segregated assets (in line with the interpretation given by the Italian Tax Authority with circular No. 19 of 31 October 2018 in respect of funds).

While, in principle, the wording of the law on the joint and several liability cannot be overcome by way of interpretation only, the interpretation by the Italian Tax Authority in relation to the Guarantor is legally binding for the Italian Tax Authority in respect of the VAT position of the Guarantor. Any change of interpretation by the Italian Tax Authority would have to be justified by demonstrating that the transaction actually performed by the Guarantor was not consistent with transaction as described in the ruling request and analysed by the Italian Tax Authority. As management believes that the transaction was properly described and analysed in the ruling request, a change of interpretation by the Italian Tax Authority to the effect that the Guarantor should deemed to be jointly and severally liable in relation to the VAT obligations of other members of the Issuer's VAT group can be considered a remote risk. "

1.3.2 On page 119 and ss of the Base Prospectus paragraph 3.16 headed "*Risks related to Sanctioned Countries*" shall be deleted and replaced as follows (track changes show the amendments made):

" **Risks related to Sanctioned Countries**

The Issuer and the Group have many customers and partners who are located in various countries around the world. Some of the countries in which such customers and partners are located and/or otherwise operate are, or may become, subject to comprehensive country-wide or territory-wide sanctions issued by the United States of America, the European Union and/or the United Nations ("**Sanctioned Countries**"). Such sanctions may limit the ability of the Issuer and/or the Group to continue operating with such customers and partners moving forward.

In particular, since January 2016, the Bank has undertaken and, as at the date of this Prospectus, continues to undertake certain commercial transactions (being commercial payments, the making of documentary credits, and the creation of guarantees) involving a limited number of private and state-owned banks having registered addresses in Iran, Cuba and Syria. Such commercial transactions have all been, and are, carried out in full compliance with all sanctions laws applicable to the Bank and the Bank's internal sanctions-related

policies and procedures for the purpose of supporting the Bank's selected Italian customers. The relevant revenues generated by the Bank from this business currently represent less than 1 per cent. of the Bank's total revenues. Neither the Bank nor the Group maintains any physical presence in Iran, Cuba and/or Syria, and the Bank's existing activities as described above are undertaken solely through the use of correspondent banking relationships. The Bank and/or the Group do not otherwise conduct any other material business in or with any Sanctioned Country. As at the date of this_ Prospectus, it is also not expected that this position will materially change moving forward.

All of the activities described in the preceding paragraph have been, and are, conducted in compliance with all laws applicable to the Bank, and are not believed to have caused any person to violate any sanctions ~~(except to the extent that such activities breach or would breach Council Regulation (EC) No 2271/96 of 22 November 1996 (as amended or supplemented from time to time) or any law or regulation implementing such Regulation in any member state of the European Union or the United Kingdom).~~or the Blocking Statute (as defined below). Nor are they expected to result in the Bank and/or any member of the Group themselves becoming the subject of sanctions. However, following the unilateral decision of the United States to exit from the Joint Comprehensive Plan of Action ("**JCPOA**") –– the agreement originally entered into between, amongst the others, Iran, the US and EU – and the following ~~provision~~imposition of ~~new~~renewed extraterritorial US sanctions, which were suspended pursuant to the JCPOA there may be prejudicial effects on these operations as well as on the reputation of the Issuer and/or the Group. ~~This, in turn,~~In particular, to mitigate against the impact of the renewed US sanctions on Iran, the European Commission updated Council Regulation (EC) No 2271/96 of 22 November 1996 (the "**Blocking Statute**"). The Blocking Statute prohibits EU entities from complying with the extraterritorial US sanctions on Iran and Cuba. Actual or alleged violations of existing or future European, US or other international sanctions (including the Blocking Statute) could result in negative impacts on the capital, financial and economic situation of the Issuer and/or the Group."

2. DOCUMENTS INCORPORATED BY REFERENCE

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

The audited consolidated annual financial statements of the Issuer as at and for the year ended 31 December 2018 (including the relevant auditors report) (the "**Annual report as at 31 December 2018**"), having previously been published and filed with the CSSF, is incorporated by reference in and forms part of this Supplement and shall, by virtue of this Supplement, be deemed to be incorporated by reference in, and form part of, the Base Prospectus.

* * *

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

Cross-reference List

Audited Financial statement as at 31 December 2018	**2018**
Governing and control bodies	Page 6
Consolidated Report on Operations	Pages 7– 101
Consolidated Financial Statements	Pages 102– 114
Consolidated Balance Sheet	Pages 103– 104
Consolidated Income Statement	Pages 105– 106
Consolidated cash flow Statement – indirect method	Pages 113– 114
Notes to the Consolidated Financial Statements	Pages 115 – 514
Certification of the Consolidated Financial Statements pursuant to art. 81-ter of Consob Regulation No. 11971 of 14 May 1999, as subsequently amended and supplemented	Pages 515
Independent Auditors' Report on the Financial Statement	Pages 516– 522

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

3.1 On page 299 and ss. of the Base Prospectus, under section 3 "*Major Events*", the item headed *"Extraordinary transaction carried out in the period 2017-2018"* shall be deleted and replaced as follows (track changes show the amendments made):

" **Extraordinary transaction carried out in the period 2017-2019**

Merger by way of incorporation of Perimetro Gestione Proprietà Immobiliari S.C.p.A.

Following the authorisation issued by the ECB on 27 December 2018, on 11 January 2018 the merger project by way of incorporation of Perimetro into BMPS has been filed with the Arezzo-Siena Companies Register pursuant to article 2501-*ter* of the Italian Civil Code. For further information in this respect, reference is made to the press release published on the Issuer's website https://www.gruppomps.it/en/media-and-news/press-releases/press-release-11012019.html on 11 January 2019, which is incorporated by reference into this Base Prospectus.

Draft SREP Decision

On 5 December 2018, BMPS received the Draft SREP Decision from the supervisory authority. Based on the results arising from the SREP 2018, the Draft SREP Decision sets out the prudential requirements both quantitative (own funds) and qualitative for BMPS, and provides the Bank with some recommendations.

With respect to own funds, according to the Draft SREP Decision, the ECB requires to the Issuer to maintain on a consolidated basis a Total SREP Capital Requirement (TSCR) of 11 per cent., which includes a minimum 8 per cent. requirement of Pillar I and an additional 3 per cent. requirement of Pillar II. Pillar II requirement level is, therefore, unchanged compared to 2018.

Moreover, with respect to Pillar II Capital Guidance and, according to the Draft SREP Decision, the ECB expects that BMPS complies with 1.3 per cent. threshold, compared to 1.5 per cent. threshold in 2018, as mentioned above.

With specific reference to the coverage of the non-performing loans, BMPS received some recommendations from the ECB aimed at ensuring constant improvements in the reduction of pre-existing risks in the Euro Area and to accomplish the same coverage level for the amounts and flows of the non-performing loans in the mid-term. With a press release published last year (11 July 2018), the ECB announced that it would have communicated with each bank to determine the individual supervisory expectations, on the basis of a comparative evaluation (benchmarking) between similar banks, taking into account the current level of NPL ratio and other financial indicators of each bank. In this context, BMPS has been advised to develop, in the coming years (up to the end of 2026), a gradual increase of the coverage levels over the stock of the non-performing loans resulting as such at the end of March 2018, according to a collateral logic to the indications provided in the addendum to the ECB Guidelines for banks on non-performing loans issued starting from April 2018.

In the Draft SREP Decision, the ECB also underlined the weaknesses/matters that need attention that BMPS has to face. The most relevant ones relate to the ability to achieve the objectives set out in the Restructuring Plan: increase the profitability (lower than expected according to the restructuring Plan), and the capital position, affected by the impossibility to proceed with the second issuance of T2 notes within 2018 and from the indirect and direct effects of the BTP-Bund spread dynamic, considering in particular the substantial exposure of BMPS to the Italian sovereign debt.

Furthermore, the Draft SREP Decision highlights the significant challenges set by the Restructuring Plan in relation to the funding and to the capability of BMPS of successfully carrying out the funding strategy, given the turmoil happening in the Italian markets.

On 8 February 2019, the Bank received the 2018 SREP Decision which confirmed the prudential requirements and the recommendations for BMPS contained in the Draft SREP Decision.

Placement of a five-year covered bond issue amounting to Euro 1 billion

On 23 January 2019, for the first time since November 2015, the Issuer completed a "covered bond" issue (bonds backed by Italian residential mortgages) for an amount equal to Euro 1 billion with the settlement date on 29 January 2019 and the maturity date in January 2024, intended for institutional investors.

A pool of banks acted as joint lead managers and bookrunners for the placement of the covered bond which has been rated A1/A+/AAL (Moody's/Fitch/DBRS). The order book amounted to Euro 2.2 billion.

Board of Directors approves preliminary results as at 31 December 2018

- On 7 February 2019, the Bank published the press release containing the consolidated financial information as at 31 December 2018 which has been reviewed and approved by the Board of Directors of the Bank (please see the press release published on the Issuer's website https://www.gruppomps.it/en/media-and-news/press-releases/board-of-directors-approves-preliminary-results-as-at-31-december-2018.html on 7 February 2019, which is incorporated by reference into this Base Prospectus). EY S.p.A., ~~a portfolio of EUR 0.9 billion of leasing bad loans (so called "**Progetto Morgana**"), sold to Bain Capital Credit;~~

- ~~a portfolio of EUR 0.4 billion of UTPs (so called "**Progetto Alfa 2**"). With this transaction, the Bank achieves, in 2018, an overall UTP reduction of approximately EUR 1.9 billion, exceeding the Plan's annual target of EUR 1.5 billion.~~

~~The entire disposal programme will be factored into the 2018 financial accounts, with a marginal impact on the income statement. Progetto Merlino and Progetto Alfa 2 were completed in 2018, whereas Progetto Morgana will be completed in 2019.~~

~~The conclusion of these transactions, which follow the disposal of bad loans for around EUR 24 billion completed last June, represents an important step forward in the de-risking process envisaged by the 2017- 2021 Restructuring Plan and in meeting the commitments taken with the European Commission.~~

~~*Merger by way of incorporation of perimetro gestione proprietà immobiliari into BMPS*~~

~~Following the authorisation issued by the European Central Bank on 27 December 2018 pursuant to Articles 4, paragraph 1, lett. d) and e) and 9, paragraph 1, of EU Regulation no. 1024/2013, and pursuant to Article 57, paragraph 1, of Italian Legislative Decree no. 385/1993 and of the Bank of Italy Circular no. 229/1999, Title III, Chapter 4, according to Article 2501-ter of the Italian Civil Code, the merger project by way of incorporation of Perimetro Gestione Proprietà Immobiliari S.C.p.A. ("**Perimetro**") into BMPS has been filed with the Arezzo-Siena Companies Register on 11 January 2019.~~

~~The merger – which is expected to be preceded by the acquisition by BMPS of the residual minority intragroup shares of Perimetro – shall be approved by the Board of Directors of BMPS, pursuant to Articles 17, paragraph 1, of the BMPS by-laws, without prejudice, pursuant to Article 2505, paragraph 3, of the Italian Civil Code, such decision to be resolved upon by the BMPS extraordinary meeting, pursuant to Article 2502, paragraph 2, of the Italian Civil Code.~~

as external independent auditors of BMPS, have agreed that such financial information, which has not been audited, is substantially consistent with the relevant final figures to be published in the next annual audited consolidated financial statements of BMPS for the year ended 31 December 2018. On 28 February 2019, the BMPS' Board of Directors approved the Bank's draft financial statements and the BMPS Group's draft consolidated financial statements as at 31 December 2018, incorporating the financial information already approved by the Board of Directors on 7 February 2019 (please see the press release published on the Issuer's website https://www.gruppomps.it/en/media-and-news/press-releases/mps-board-approves-2018-draft-financial-statements.html on 28 February 2019, which is incorporated by reference into this Base Prospectus).

Furthermore, the Bank has updated its multiannual internal estimates of income statement and balance sheet figures so as to take into account the evolution of the current macroeconomic scenario (eg. BTP-Bund spread level in the second half of 2018, consensus on GDP growth estimate, industrial production and household consumption indicators, expected evolution of interest rates), the 2018 results and the contents of the Draft SREP Decision (as confirmed by the 2018 SREP Decision). Such estimates are lower than those contained in the Restructuring Plan, but nonetheless show capital ratios which are above the relevant regulatory requirements."

3.2 On page 308 and ss. of the Base Prospectus, section 6 headed "*Funding*" shall be deleted and replaced as follows (track changes show the amendments made):

" **Funding**

General

As at the date of this Prospectus, the Group successfully employs various sources of funding, both on the retail domestic market and on international markets dedicated to qualified investors.

Retail domestic market
The Group issues various kinds of securities, including fixed rate bonds or floating rate bonds, zero coupons and light structured bonds with different maturities, placed to retail customers of the Group throughout its network of branches.

International markets
The Group has different international programmes dedicated to qualified investors.

On a short-term maturity basis, the BMPS Group has a certificate of deposit programme issued under the BMPS London Branch "Euro-Certificate of Deposit Global Programme" and "*French Certificats de Dépot*" dedicated to French investors.
On a medium-term basis, the Group covers the funding requirements by issuing a variety of debt instruments such as fixed or floating rate notes or zero-coupon notes both publicly and privately placed under its dedicated programmes; senior or subordinated unsecured notes issued under the EMTN "Euro 50 billion Debt Issuance Programme" and covered bonds issued under the "Euro 20 billion Covered Bond Programme".

With regard to the issuances under the EMTN Programme, on 1 April 2014, the Group issued Euro 1 billion Senior Unsecured Fixed Rate Notes due 2019; on 11 January 2018 the Group issued Euro 750 million 10NC5 T2 Subordinated Notes due 2028.

With regard to the issuances under the Covered Bond Programme, while the Group issued on 20 October 2015, Euro 750 million worth of 6 year fixed rate covered bonds, and on 19 November 2015, Euro 1 billion worth of 10 year fixed rate covered bonds, for a total aggregate amount of Euro 1,75 billion, in 2016 it carried out four additional transactions of ~~"~~"autocovered~~"~~" bond for a total notional amount of Euro 2 billion. On 29 January 2019, the Group issued Euro 1 billion worth of five-year fixed rate covered bonds. As at ~~31 December 2018~~the date of this Base Prospectus, 13 issues were outstanding for a total aggregate notional amount of Euro 8~~,1~~.65 billion."

3.3 On page 310 and ss of the Base Prospectus, section 310 headed "*Legal Proceedings"* shall be deleted and replaced as follows (track changes show the amendments made):

" **Legal Proceedings**

Judicial and arbitration proceedings

Save as disclosed in this section, in the course of the twelve months preceding the date of this Prospectus there has been no governmental, legal or arbitration proceedings (including pending or threatened proceedings known to BMPS) which may have, or which had in the recent past, significant impacts on the Issuer's financial condition or profitability.

As at the date of this Prospectus there were various legal proceedings pending against the Bank, including civil, criminal and administrative actions.

These proceedings mainly relate to the financial transactions carried out to fund the acquisition of Banca Antonveneta, various financial transactions carried out by the Bank, among which the transactions relating to the restructuring of the "Alexandria" notes and the "Santorini" transaction, previous capital increases carried out by the Bank in 2008 and 2011 and the FRESH 2008 transaction; these events also led to disciplinary procedures being filed by

supervisory authorities against the management in office at the time of such events (which, should sanctions be imposed, would imply that the Bank will be held jointly liable with no certainty that the latter will be able to recover any amounts paid as a result of such obligation after the bringing of recourse actions) and certain legal actions brought against the Bank by consumer associations and individual investors who have subscribed for financial instruments in the context of the share issuances carried out by the Bank. This context also includes corporate liability lawsuits brought by the Bank against the Chairman of the board of directors and the General Manager in office at the time of events and suits for damages against Nomura and Deutsche Bank in connection with the restructuring of the "Alexandria" notes and the "Santorini" transaction, respectively.

In addition to this litigation, there are also (i) disputes deriving from the Bank's ordinary course of business, and concerning, inter alia, clawback actions, compound interest, placement of bonds issued by Governments and companies then defaulted, placement of other financial instruments and products, (ii) labour disputes, (iii) tax disputes and (iv) disputes in various manners related to the Burden Sharing in relation to which please see "Disputes relating to securities subject to the Burden Sharing" of this Prospectus.

As at 31 December 2018, 903 complaints have been filed relating to capital increase transactions, the allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2011, for total amounts claimed equal to around Euro 654 million, where quantified, aimed at obtaining the restitution of invested amounts and/or compensation for monetary and non-monetary damages consequent to the alleged losses incurred. Of such requests around 10 per cent. turned into civil actions.

Such requests – individually or collectively brought through two professionals and ADUSBEF – although heterogeneous are mainly reasoned with generic references to the alleged infringement, by BMPS, of the sector legislation in the matter of disclosure and, accordingly, rebutted by the Bank since generic, ungrounded, non-supported by suitable documental evidences and in some instances, time barred. ~~As at the date of this Prospectus~~As at 31 December 2018, the residual petitum claimed by complainants who did not institute any judicial proceedings is equal to around Euro 591 million.

~~In addition, there were also 53~~59 threatened litigations relating to the 2014-2015 capital increases~~ for a total requested amount equal to approximately Euro 16 million (and, consequently, as at 30 September 2018, the overall requested amount is approximately equal to Euro 606 million).~~

~~.~~ As at ~~30 September~~31 December 2018, the overall petitum in relation to civil and administrative proceedings of the Group is equal to approximately Euro ~~4,555~~5,000 million of which~~ approximately Euro 3,373 million relating to the proceedings for the ordinary activities of the Issuer,~~ approximately Euro 764 million for the civil proceedings relating to the suits brought by the shareholders in the context of 2008, 2011, 2014 and 2015 capital increases of the Issuer, ~~approximately Euro 606 million in relation to threatened litigations brought against the Issuer relating to the same capital increase transactions~~ and approximately Euro 118 million with respect to requests brought by the civil claimants, where quantified, relating to criminal proceedings no. 29634/14 and no. 955/16 which the Issuer is part of. Euro 607 million shall add to such overall petitum in relation to extra-judicial claims received by the Issuer in relation to such capital increases. The overall petitum for tax proceedings of the Group is equal to approximately Euro ~~120~~141 million for taxes and sanctions (of which Euro 121 relating to the Bank) while the overall petitum relating to the labour proceedings is equal to Euro ~~113.9~~112 million (including the labour proceedings brought by certain employees of Fruendo S.r.l~~.)~~.) of which Euro 110 million relating to the Bank.

In light of the estimates made on the risks of an adverse outcome in the aforementioned proceedings, as at ~~30 September~~31 December 2018, ~~"~~provisions for "legal and tax disputes~~"~~" included under the item ~~"~~"provision for risks and charges~~",~~", amount approximately to Euro ~~574.3~~608.5 million, comprising claw-backs of ~~Euro61.9~~approximately Euro 58 million and ~~civil~~legal disputes of approximately Euro ~~512.4~~515.1 million. Furthermore, as at the same date, in addition to the above, the ~~"~~"provision for risks and charges~~"~~" includes tax disputes for approximately Euro ~~33~~35.0 million~~ and~~. In relation to labour disputes, provisions for approximately Euro ~~34.4~~31.2 million have been recorded (inclusive also of the legal proceedings initiated by the employees of Fruendo S.r.l., for the description of which, please see ~~"~~"Labour disputes~~"~~" of this Prospectus).

Allocations to the "provision for risks and charges" have been made for amounts representing the best possible estimate relating to each dispute, quantified with sufficient reasonableness and, in any case, in accordance with the criteria laid down by the Issuer's policies.

Among the components of the overall "provision for risks and charges" are included, in addition to the allocations provided for "legal disputes", also allocations versus expected losses on estimated disbursements for client complaints.

The estimate of liabilities is based on the information available from time to time and implies in any case, due to several uncertainty factors characterising the different judicial proceedings, multiple and significant evaluation elements. In particular, it is sometimes not possible to produce a reliable estimate as an example and without limitation in case proceedings have not been instituted, in case of possible cross-claims or in the presence of uncertainties in law or in fact such as to make any estimate unreliable.

In particular, for further information relating to the methodology used to account allocations into the "provision for risks and charges" with respect to civil and criminal legal proceedings, including threatened litigations, relating to the purchase of securities issued in connection with the capital increase transactions of 2008, 2011, 2014 and 2015, and/or in connection with trading activities based on the allegedly inaccurate disclosure contained in prospectuses and/or financial statements and/or price sensitive information disseminated by BMPS from 2008 to 2015, reference is made to the press release published on the Issuer's website https://www.gruppomps.it/media-e-news/comunicati/comunicato-stampa-20181228.html on 28 December 2018, which is incorporated by reference ~~to the~~into this Prospectus.

Accordingly, although the Bank believes that the overall "provision for risks and charges" posted in the Financial Statement should be considered adequate in respect of the liabilities potentially consequent to negative impacts, if any, of the aforementioned disputes, it may occur that the provision, if any, may be insufficient to fully cover the charges, expenses, sanctions and compensation and restitution requests associated with the pending proceedings or that the Group may in the future be called to satisfy compensation and restitution costs and obligations not covered by provisions, with potential negative impacts on the business and the economic, capital and/or financial condition of the Bank and/or the Group.

Disputes related to criminal investigations and legal affairs in 2012 and 2013

Following the aforementioned criminal investigations involving the Bank in 2012 and 2013, several criminal, sanctioning and civil proceedings were instituted by judges, supervisory authorities, the Bank itself, consumer associations and investors.

The Bank's position in respect of such proceedings is aligned to the principles of business and managerial discontinuity which inspired the renovation actions undertaken by the management which took over from the previous management in office at the time of events, aimed at

identifying the best initiatives for the protection of the Bank, its assets and its image thereof, even through direct legal actions against the former top executives.

Criminal investigations and proceedings

(A) *Acquisition of Banca Antonveneta and FRESH 2008*

On 30 July 2013, the public prosecutor's office at the Court of Siena issued a "notice of completion of preliminary investigations", pursuant to article 415-bis of the Italian Criminal Procedure Code and article 59 of Legislative Decree No. 231/2001, against certain directors, executives and members of the Bank's Board of Statutory Auditors in office at the time of events, and against the Bank itself. The allegations against the Bank as legal entity in the investigation phase (always in the context of the transactions aimed at finding the financial resources for the acquisition of Banca Antonveneta) included six administrative offences from crime (under Legislative Decree No. 231/2001) connected to alleged crimes committed by the management in office at the time of events.

The main offences charged against the Bank's management in office between 2008 and 2011 include the following: market manipulation (under article 185 of the Consolidated Finance Act), obstruction of the exercise of public supervisory functions (under article 2638 of the Italian Civil Code), false statements set out in prospectus (under article 173-bis of the Consolidated Finance Act), false corporate communications (under article 2622 of the Italian Civil Code), insider trading (under article 184, subsection 1., lett. b of the Consolidated Finance Act). In particular, charges mainly derive from: (i) dissemination of false information, suitable to significantly alter the price of the Issuer's shares in respect of the FRESH 2008 transaction; (ii) failed notification of material information to competent supervisory authorities, such as the issuance by the Bank of an indemnity side letter in favour of J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) in 2008 and in favour of The Bank of New York (Luxembourg) S.A. in March 2009 and the signing of some addenda to the usufruct contract entered into with J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc); (iii) failed disclosure on the payment of the usufruct fee to J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) in relation to the shares purchased thereby; (iv) communication, outside the normal exercise of the office, of the execution of the purchase agreement of Banca Antonveneta by the Bank; (v) inclusion of false information and the concealing of information in the prospectuses published on the occasion of the capital increases realised by the Bank in 2008 and 2011 with specific reference to the recognition of the various components of the "FRESH 2008" transaction and the placement of FRESH 2008, indirectly subscribed for by the Foundation through total return swap agreements, and (v) recognition, in the financial statement relating to the accounting period closed on 31 December 2008 and in subsequent communications addressed to shareholders, of material facts to representative of the truth, sufficient to mislead the addressees thereof.

In these proceedings, the Bank's defensive strategy was mainly based on the fact that the conduct of the management in office at the time of events had not been undertaken in the Bank's interest (nor in its favour) being so absent the pre-requirement for the liability pursuant to Legislative Decree No. 231/2001.

On 2 October 2013, public prosecutors filed an indictment, which instituted the criminal proceedings against certain natural persons that held executive positions or belonged to the ~~Bank's Board of Statutory~~ Auditors at the time of events, but not against BMPS. Against the legal person BMPS, on the contrary, on 10 April 2014 the public prosecutor's office at the Court of Siena ordered the dismissal of the allegation initially charged against it, in accordance with Bank's defensive strategy.

During these proceedings, the public prosecutor's office issued a request to indict the legal person J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc), for an administrative offence under Legislative Decree No. 231/2001 deriving from an alleged violation of article 2638 of the Italian Civil Code, namely obstruction of the exercise of public supervisory authority functions.

The first preliminary hearing against the former senior management, members of BMPS' Board of Statutory Auditors and J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) was held on 6 March 2014 and in such moment the Bank joined the proceedings as civil plaintiff for all charges and all defendants for the purpose of the compensation of all non-monetary damages.

Further to objections made by certain defendants, at the hearing of 6 May 2014, the Preliminary Hearing Judge ("PHJ") declared that the Court of Siena lacked territorial jurisdiction and the case documents were subsequently transferred to the public prosecutor at the Courts of Milan. The proceeding is still pending. In March 2016, the proceeding was combined with the criminal proceedings pending before the Courts of Milan relating to the "Santorini", "FRESH 2008" and "Chianti Classico" transactions; with respect to these proceedings J.P. Morgan Securities Ltd (now J.P. Morgan Securities plc) does not result as having been sent to trial.

For more information in this respect reference is made to ~~section (C) "FRESH 2008", "Alexandria", "Santorini", "Chianti Classico" Transactions – Criminal proceedings before the Courts of Milan~~Section (C) below.

In the context of such proceedings, in April 2015, as regards the FRESH 2008 transaction, the Courts of Milan transmitted to the Courts of Rome the case documents relating to the offence of obstruction of the exercise of suspensory functions (article 2638 of the Italian Civil Code) chargeable to the members of the Issuer's Board of Statutory Auditors in office at the time of events (Tommaso Di Tanno, Leonardo Pizzichi and Pietro Fabretti); as regards these criminal proceedings the Issuer was notified that the Preliminary Investigation Judge at the Courts of Rome, on 14 July 2016, upheld the dismissal request for the positions above.

(B) *Restructuring of "Alexandria" notes*

In 2013 the public prosecutor's office at the Court of Siena instituted a criminal proceeding relating to the hypothesis of obstacle to the supervisory activity concerning the transactions related to the restructuring of the "Alexandria" notes, against top representatives of the Bank in office at the time of events. In the context of such proceedings, the first instance proceeding was closed with the conviction (issued on 31 October 2014 by the Courts of Siena) against Mr. Mussari, Mr. Vigni and Mr. Baldassarri. In this proceeding, the Bank's and consumer associations' request to appear as civil plaintiffs was denied.

Again with reference to the transaction related to the restructuring of the "Alexandria" notes, please also note that, the public prosecutor's office at the Court of Milan filed, in the context of the proceedings in which they were accused of the various crimes of false corporate communications and market manipulation, the request for indictment against Mr. Mussari, Mr. Vigni and Mr. Baldassarri and two members of the management of Nomura with respect to the crimes laid down by article 2622, subsections 1, 3 and 4 of the Italian Civil Code and article 185 of the Consolidated Finance Act, committed in association by them, with conduct relevant for the purposes of articles 3 and 4, subsection 1, of Law 146/2006 in the matter of transnational crimes.

The allegations concern the hypothesis of crime resulting from the concealment of losses accrued in the Issuer's financial statement as of 31 December 2009 as a result of the investment

in the "Alexandria" notes through the execution of the restructuring transaction thereof and its accounting methods.

In relation to the crimes committed by the aforementioned individuals, the public prosecutor also requested the indictment of the Issuer and Nomura for the administrative offenses set out under articles 25-ter, letter c), and 25-sexies of Legislative Decree No. 231/2001. Due to serving of process formalities, Nomura was excluded as liable party from these proceedings, pursuant to Legislative Decree No. 231/2001, while against BMPS, the civil claims for damages proposed in respect of the liability of the entity pursuant to Legislative Decree No. 231/2001 have been denied with order of the PHJ issued at the hearing of 27 November 2015.

On 12 October 2015, the preliminary hearing of the criminal proceedings relating to the "Alexandria" transaction was held, which sees the Bank involved both as civilly liable party and injured party. With reference to this latter aspect, the Bank appeared as injured party against Mr. Mussari, Mr. Vigni and Mr. Baldassarri.

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

~~For more information in this respect reference is made to~~ section (C) ""FRESH 2008", "Alexandria", "Santorini", "Chianti Classico~~" Transactions – Criminal proceedings before the Courts of Milan below.~~

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

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

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

With reference to the "Santorini" transaction, two former officers and one BMPS executive, and six managers of Deutsche Bank – whose conduct was relevant for the purposes of articles 3 and 4, subsection 1, of Law 146/2006 on transnational crimes – were charged with the crimes of false corporate communications (article 2622 of the Italian Civil Code) and market manipulation (article 185 of the Consolidated Finance Act) in relation to the impacts deriving

from the transaction on the financial statements for 2008, 2009, 2010, 2011 and on the financial positions as at 31 March 2012, 30 June 2012 and 30 September 2012.

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

As mentioned above, this proceeding (~~No. 955/2016~~no. 26934/2014) has been combined with the criminal proceeding pending before the Court of Milan and described in Section (B) "Restructuring of "Alexandria" notes" above, in the context of which the indictment was already requested with reference to the crimes related to 2009 financial statements. It has also been deemed to charge the same individuals with the crime of obstruction of the exercise of supervisory functions by CONSOB (article 2638 of the Italian Civil Code) with respect to the reporting of certain transactions carried out between BMPS and Nomura and involving government securities. With the same proceeding, the proceeding pending before the Courts of Siena and described under Section (A) "Acquisition of Banca Antonveneta and FRESH 2008" above was also combined.

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

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

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

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

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

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

On 4 July 2016, with the approval of the public prosecutor's office, BMPS filed a request for plea bargain in the criminal proceedings, in relation to the objections made against the Bank pursuant to Legislative Decree No. 231/2001.

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

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

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

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

As at 31 December 2018, civil plaintiffs who appeared against the Bank are 1,243 and the overall petitum, where quantified in the relevant writ of summons, amounts to approximately Euro 42 million with reference to such proceedings.

In relation to the above mentioned proceedings, the trial has been declared closed and the indictment of public prosecutors will begin starting from 11 April 2019.

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

185 of the Consolidated Finance Act) in relation to communications released to the public with regard to the approval of the abovementioned financial statements and reports.

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

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

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

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

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

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

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

Following the formalisation of the entering appearance of the Issuer, the public prosecutor asked for the issuing of a judgement not to proceed on the grounds that there is no crime, or on the grounds that the fact is not qualified as crime in relation to the different counts filed. Following the hearing, the timetable of the proceedings had been scheduled for 13, 20 and 27 April 2018 in order to continue the discussion and potentially issue the order closing the

preliminary hearing. Following the preliminary hearing, the PHJ noted that there were no grounds for issuing a judgement not to proceed and decided for the referral to trial of Mr. Viola, Mr. Profumo, Mr. Salvadori and BMPS (indicted entity pursuant to Legislative Decree No. 231/2001).

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

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

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

By order issued at the hearing held on 19 November 2018, the Court rejected the ~~claim for~~objections relating to the lack of territorial competence previously raised by the defending counsels and, consequently, the discussion of the case started and the next hearing has been scheduled on 18 March 2019, reserving a decision with respect to the request of a conservative seizure against Mr. Profumo and Mr. Viola raised by certain parties. By order issued on 3 December 2018, the Courts rejected the request for precautionary seizure made against the above mentioned exponents.

~~The petitum relating to this proceeding, where quantified in connection with~~At the ~~filing~~hearing of ~~damaged civil parties,~~18 March 2019, the trial investigation was ~~approximately equal to Euro 76 million.~~

opened and some texts were excised. The trial will continue in several hearings from 29 April to 16 July 2019.In respect of these criminal proceedings (no. 955/2016), during the meeting held on ~~13~~12 July 2018 the board of directors of the Bank considered that, for the time being, none of the relevant conditions has been met to lodge a claim for damages under civil law against the former Chairman of the board of directors, Mr. Alessandro Profumo and the former Managing Director, Mr. Fabrizio Viola.

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

(i) the discussion of the case following committal for trial will be an appropriate opportunity to assess, as part of an adversarial procedure, the conduct of the top management in respect of events (i.e. how the Alexandria and Santorini transactions have been accounted for) which regards the past of the Bank and which, in light of the settlement agreements

executed by the former directors with Nomura and Deutsche Bank, have no current impact on the Banks' accounts;

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

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

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

(D) *CONSOB verifications on the 2014 Financial Statement and the semi-annual financial report as at 30 June 2015: information pursuant to article 154-ter, subsection 7, of the Consolidated Finance Act in relation to the accounting recognition of the "Alexandria" transaction*

As regards the "Alexandria" transaction, it is worth noting that with resolution no. 19459 of 11 December 2015, CONSOB, found that the 2014 consolidated and individual financial statements and the semi-annual report as at 30 June 2015 were not compliant with standard set out by IAS 1, IAS 34 and IAS 39 with exclusive reference to the accounting recognition ("at open balances" or "at closed balances") of the "Alexandria" transaction. As a consequence of the above, CONSOB asked the Bank to publicly disclose the following information: (i) a description of the international accounting standards applicable and the findings in this respect; (ii) an illustration of the deficiencies and criticalities found by CONSOB as regards the accounting accuracy of the consolidated and individual financial statement as at 31 December 2014 and the semi-annual financial report as at 30 June 2015; (iii) a suitable disclosure to represent the effects of the application of IAS 8 as regards the errors relating to the recognition, evaluation and presentation of the transaction entered into with Nomura providing an accounting representation of the transaction at closed balances with the recording of a credit derivative in accordance with the definition given by section 9 of IAS 39.

On 16 December 2015, the Issuer then published a press release, which can be seen on the website www.gruppomps.it to which reference is made, and setting out the information requested by the supervisory authority.

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As regards to penal proceedings no. 3861/12 pending before the Courts of Siena Mr. Baldassarri and other ~~individuals~~former managers, certain managers of the Bank and the founding partners of the Enigma group, were charged with the offence of criminal association aimed at "aggravated fraud in detriment of the assets of BMPS" (in journals, the so called "5 per cent. Gang"). For the sake of completeness, it is worth noting that the request for indictment has been served on the concerned parties and the preliminary hearing has been set for 5 April 2017. The notice scheduling the hearing was also served on the Bank as the offended party. At

such hearing the Bank appeared as a civil plaintiff against the accused parties seeking compensation of monetary and non-monetary damages.

At the hearing of 6 March 2018, the Court, having considered not grounded the aggravating circumstance of the internationality, issued a judgment not to proceed because of the statute of limitation of the crime in relation to the count relating to the financial transaction carried out by Lambda Securities S.A.. Therefore~~,~~ the proceedings will continue only in relation to the facts relating to the first count (financial transaction carried out by Enigma). ~~The next~~At the following hearing, ~~scheduled for~~held on 27 March ~~will examine the~~ 2018, other preliminary questions were examined, such as the lack of validity of certain investigation acts.

At this hearing the defence counsels, having considered not grounded the aggravating circumstance also in relation to Enigma, asked the immediate issuing of judgment not to proceed.

At the hearing of 10 April 2018, the Court rejected the counterclaim relating to the statute of limitation of the count relating to the financial transaction carried out by Enigma.

~~The~~ Following the requests for ~~evidences have been filed. At~~evidence, the preliminary hearing ~~of 8 May~~ was focused on the examination of some witnesses of the damaged parties ~~have been examined. The proceedings have been adjourned for the examination of the witnesses~~and of the public prosecutor, the examination and cross-examination of the expert witness of the public prosecutor, and the examination of some police officers.

As of the date of this Prospectus the preparatory phase is pending and other witnesses will be examined by the public prosecutor.

Bank of Italy sanctioning procedures

(A) *Sanctioning procedure following the 2011-2012 inspections of Bank of Italy on the financial risks and determination processes of risk-weighted assets*

After inspections conducted in the period 2011-2012 on the financial risks and determination processes of risk-weighted assets, mainly focused on BMPS' finance structures, the Bank of Italy imposed on 28 March 2013:

(a) to the members of the board of directors in office at the time of events (Mussari Giuseppe, Rabizzi Ernesto, Caltagirone Francesco Gaetano, Querci Carlo, Pisaneschi Andrea, Monaci Alfredo, Gorgoni Lorenzo, Campaini Turiddo, Borghi Fabio, De Courtois Frédéric Marie, Costantini Graziano, Capece Minutolo del Sasso Massimiliano), the members of the Board of Statutory Auditors (Di Tanno Tommaso, Turchi Marco, Serpi Paola), the General Manager and Chairman of the Steering Committee (Vigni Antonio) and the other members of the Steering Committee (Baldassarri Gian Luca, Massacesi Marco, Marino Antonio, Romito Nicolino, Rossi Fabrizio, Pompei Giancarlo, Barbarulo Angelo, Menzi Giuseppe), of the regime in the matter of containment of financial risks (article 53, subsection 1, lett. b), of the ~~Consolidated~~Italian Banking Act);

b) to the abovementioned members of the board of directors and the General Manager for deficiencies in the organisation and internal controls (article 53, subsection 1, lett. b) and d), of the ~~Consolidated~~Italian Banking Act);

c) to the abovementioned members of the Board of Statutory Auditors for deficiencies in internal controls (article 53, subsection 1, lett. b) and d), of the Banking Act); and

d) to the Bank, as jointly liable party,

monetary administrative sanctions pursuant to article 144 of the Banking Act for an overall amount of Euro 5,065,210 (see Supervision Bulletin no. 3, March 2013 of the Bank of Italy).

The Bank paid the above-mentioned sanctions as the jointly liable party and did not challenge such measure.

(B) *Bank of Italy's sanctioning procedure for the determination of the economic benefits recognised to former General Manager Mr. Antonio Vigni, upon early termination of the employment relation*

On 25 July 2013, the Bank of Italy notified certain members of the board of directors in office at the time of events (Capece Minutolo del Sasso Massimiliano, Costantini Graziano, Gorgoni Lorenzo, Mussari Giuseppe, Rabizzi Ernesto, Campaini Turiddo, de Courtois Frédéric Marie, Monaci Alfredo, Pisaneschi Andrea, Querci Carlo), the members of the Board of Statutory Auditors (Di Tanno Tommaso, Serpi Paola, Turchi Marco) and the Bank, as a jointly liable party, a sanctioning measure relating to the infringement of the provisions issued by the Bank of Italy in the matter of remuneration and incentive policies and practices within banks and banking groups as regards the members of the board of directors, as well as the infringement of the same aforementioned provisions and disclosure duties to the supervisory body by members of the Board of Statutory Auditors; the infringement related to the remuneration (equal to gross Euro 4 million) recognised to former General Manager, Mr. Antonio Vigni, upon termination of the office. Total sanctions imposed amount to Euro 1,287,330 (see Supervisory Bulletin no. 7, July 2013 of the Bank of Italy).

(C) *Bank of Italy's sanctioning proceedings relating to the "FRESH 2008" transaction for infringement of the provisions in the matter if regulatory supervision and informative supervision for failed communications to the supervisory body*

In relation to the Fresh 2008 transaction, on December 2012 the Bank of Italy commenced a sanctioning proceeding for infringement of the provisions in the matter of regulatory supervision for failed compliance with the overall minimum capital requirement at consolidated level as at 30 June 2008, and informative supervision for failed communications to the supervisory body in respect of the indemnity granted to The Bank of New York (Luxembourg) S.A. in March of 2009 the ("2009 BoNY Indemnity"), as well as additional documentation concerning amendments to the usufruct agreement with J.P. Morgan Securities Ltd. (now J.P. Morgan Securities plc) and the payment of fees thereto between July 2008 and April 2009; furthermore additional violations related to inaccurate regulatory disclosures and irregularities in accounting and financial reporting modalities have been charged. On 10 October 2013, the Bank of Italy notified to BMPS, as the jointly liable party, the sanctioning measure with which administrative sanctions were imposed on for a total of Euro 3,472,540 against Directors (Mussari Giuseppe, Caltagirone Francesco Gaetano, Rabizzi Ernesto, Borghi Fabio, Campaini Turiddo, Gorgoni Lorenzo, Querci Carlo, Pisaneschi Andrea, Coccheri Lucia, Stefanini Pierluigi) and Statutory Auditors (Di Tanno Tommaso, Pizzichi Leonardo, Fabretti Pietro) in office at the time of events and the former General Manager Antonio Vigni in addition to some company executives in office at the time of events (Morelli Marco, Pirondini Daniele e Rizzi Raffaele Giovanni) (see Supervisory Bulletin no. 10, October 2013 of the Bank of Italy).

The Bank did not challenge the measure and paid the above-mentioned sanctions, as jointly liable party.

CONSOB's sanctioning procedure

(A) *CONSOB's sanctioning procedure for irregularities in the drafting of the prospectus relating to the 2008 capital increase*

By resolution no. 18885 of 17 April 2014, CONSOB completed a sanctioning procedure for the infringement of article 94, subsections 2 and 3, and article 113, subsection 1, of the Consolidated Finance Act in respect of possible irregularities in the drafting of the prospectus relating to the public offer of subscription and admission to trading of the Bank shares deriving from the capital increase resolved by the shareholders' meeting of 6 March 2008 and imposed administrative monetary sanctions for an amount equal to Euro 450.000 to the pro tempore directors and supervisory auditors of the Bank, allocated among each individual on the basis of the office held within the Bank.

The allegations mainly concern the omission of information on total return swap agreements (so called "TROR") entered into by the Foundation with third financial counterparties and structured to enable the same Foundation to subscribe, indirectly and without immediate payment, for a 49 per cent. stake of FRESH 2008, corresponding to the interest held by the entity in the Bank at that time. The disclosure deficiency on the TROR and their key features allegedly prevented investors from forming an informed opinion on the Bank's capacity to raise "new" resources without the external support of a third-party guarantor as well as on the prospective structure of the Bank's ownership, due to the eligibility for conversion of the FRESH 2008 into BMPS' shares. More in general, the materiality of omissions allegedly prevented investors from forming an adequate opinion on the Bank's capital and financial position, economic results and outlook.

Infringements have been charged to Directors and Statutory Auditors pro tempore of the Bank in office at the time of events and to the Bank as a jointly liable party pursuant to article 195, subsection 9, of the Consolidated Finance Act in force at the time.

The Bank did not appeal against the sanctioning measure and paid it up in its capacity as joint liable party.

(B) *CONSOB's sanctioning procedure for possible irregularities in the drafting of the prospectus relating to the 2011 capital increase*

By resolution no. 18886 of 18 April ~~2013~~2014, CONSOB completed a sanctioning procedure for infringement of article 94, subsections 2 and 3, and article 113, subsection 1, of the Consolidated Finance Act in respect of possible irregularities in the drafting of the prospectus relating to the public offer of subscription and admission to trading of the Bank's shares deriving from the capital increase resolved by the shareholders' meeting of 6 June 2011 and imposed administrative monetary sanctions for an amount equal to Euro 700,000 to the pro tempore directors and supervisory auditors of the Bank, allocated among each individual on the basis of ~~the~~his office held within the Bank.

The allegations concern the lack of disclosure relating to the TROR agreements, entered into by the Foundation in 2008 with third financial counterparties and the subsequent dealings occurring in 2011, and the omitted information relating to the granting by the Bank of the 2009 BoNY Indemnity due to its potential impacts. In fact, with the granting of such indemnity the Bank would have assumed obligations in favour of The Bank of New York (Luxembourg) S.A., aimed at holding it harmless with reference to possible claims deriving from actions brought by holders of FRESH 2008, in respect of the shareholders' meeting or the resolutions adopted to introduce some amendments to the terms and conditions of the notes, made necessary by the requests made by the Bank of Italy as part of the prudential evaluations associated with the proceedings concerning the eligibility for computation of BMPS shares issued for FRESH 2008. As a result of the 2009 BoNY Indemnity, as mentioned above, the Bank of Italy – by way of a resolution of 7 May 2013 adopted pursuant to articles 53 and 67 of ~~TUB~~Italian Baking Consolidated Act – excluded from regulatory capital the FRESH 2008 Shares for an amount of Euro 76 million, referred to securities held by an investor who had

expressed some formal objections prior to the shareholders' meeting and other shareholders who had voted against the resolutions in question.

Additionally, CONSOB considered that the four periodic fees paid by the Bank to J.P. Morgan between July 2008 and April 2009 pursuant to the usufruct agreement entered into between the parties in the context of the FRESH 2008 transaction, due to the characteristics of the obligations undertaken between the parties and a consequent different accounting and book classification of the shares subscribed for by J.P. Morgan, should have been recognised in a different manner, with direct effects on the Bank's net equity.

Accordingly, the Bank objected to the fact that, even subsequent to the effects on the prospectus of the incorporation by reference of the already published accounting documents, the erroneous recognition of (i) the usufruct fees; (ii) the effects of the 2009 BoNY Indemnity; and (iii) the transactions subject matter of restatement of 6 March 2013 ("Alexandria" and "Santorini"), would have prevented investors from reaching an informed assessment on the Bank's capital and financial situation, economic results and outlook.

The Bank did not appeal against the sanctioning measure and paid in its capacity as joint liable party.

(C) *CONSOB's sanctioning procedure for possible irregularities in the drafting of prospectuses relating to offers of other financial instruments issued by the Bank in the period 2008-2012*

By resolution no. 18924 of 21 May 2014, CONSOB completed a sanctioning procedure for infringement of article 94, subsections 2 and 3, and article 113, subsection 1, of the Consolidated Finance Act in respect of possible irregularities in the registration documents of the Issuer published in the period June 2008 – June 2012 incorporated by reference in 27 base prospectuses relating to the issuance of bond loans and certificates and imposed monetary administrative sanctions for an overall amount equal to Euro 750,000 to directors and statutory auditors pro tempore of the Bank allocated among the single individuals depending on the office held by each officer, as well as its duration and the function actually performed within the Bank.

The Bank did not appeal against the sanctioning measure and paid in its capacity as a joint liable party.

(D) *CONSOB's sanctioning procedure for violation of article 187-ter of the Consolidated Finance Act (Market manipulation)*

As a result of the irregularities found in the recognition and accounting and financial statement representation of the FRESH 2008 transaction components, CONSOB by way of resolution No. 18951on 18 June 2014 completed a sanctioning procedure against the Chairman of the board of directors, the General Manager and the Chief Financial Officer, respectively Giuseppe Mussari, Antonio Vigni and Daniele Pirondini, in office at the time of events, for violation of article 187-ter of the Consolidated Finance Act. The proceedings have been brought against BMPS as a jointly liable party and also as a liable party pursuant to article 187-quinquies of the Consolidated Finance Act.

The allegations concerned the publication of false data in the semi-annual report as at 30 June 2008 as regards tier 1 capital, regulatory capital as well as capital ratios. The Bank filed counterclaims to exclude its liability as a legal entity pursuant to article 187-quinquies of the Consolidated Finance Act, using similar defensive arguments to those which led the Siena

public prosecutor to dismiss the allegations against the Bank under Legislative Decree ~~No.~~ 231/2001.

With the above mentioned resolution, CONSOB concluded the sanctioning procedure pursuant to article 187-ter of the Consolidated Finance Act, against the above-mentioned three persons imposing Euro 750,000 in administrative sanctions, and an ancillary interdiction mandatory administrative sanction, pursuant to article 187-quarter, subsection 1, of the Consolidated Finance Act equal to twelve months, which implies the temporary inability to assume administration, management and control functions in listed companies and companies belonging to the same group of listed companies.

With the same resolution, instead, the payment of the above-mentioned monetary sanctions imposed on the three individuals has been imposed on the Bank as a jointly liable entity, pursuant to article 6, subsection 3, of Law 89/1981, and an additional Euro 750,000 monetary sanction for the violation committed by the three above-mentioned individuals in favour of BMP has further been applied pursuant to article 187-quinquies, subsection 1, letter a) of the Consolidated Finance Act.

The Bank paid the sanctions and appealed in accordance with the terms of law with reference to the limitation to the application of the sanction pursuant to article 187-quinquies, subsection 1, letter a) of the Consolidated Finance Act. This appeal brought by the Bank before the Court of Appeal of Florence has been denied and the Bank did not appeal against such decision.

(E) *CONSOB's sanctioning procedure for alleged violation of article 115 of the Consolidated Finance Act*

With resolution no. 18669 of 2 October 2013, CONSOB imposed on BMPS Euro 300,000 in administrative monetary sanctions for alleged violation of article 115 of the Consolidated Finance Act in respect of a request for information, sent on 13 April 2012, concerning the FRESH 2003 securities and FRESH 2008 securities and the entering into by the Foundation of the "TROR" agreements with third financial parties for the indirect subscription of the securities in question. With decree of 6 June 2014, the Court of Appeal of Florence, after the appeal filed by the Bank, has reduced the formerly imposed administrative sanction to Euro 50,000.

(F) *CONSOB's sanctioning procedure for violation of article 149, subsection 3, of the Consolidated Finance Act*

By resolution no. 19390 of 11 September 2015, CONSOB notified the Bank, as a jointly liable party, of an allegation letter relating to the violation of article 149, subsection 3, of the Consolidated Finance Act allegedly realised by the members of the board of statutory auditors in office at the time of events after the omitted communication to CONSOB of operational and organisational irregularities found in 2010 subsequent to verifications carried out by the internal audit function in the Bank's treasury finance process concluded the sanctioning procedure imposing monetary sanctions for a total amount of Euro 90,000 on the members of the Board of Statutory Auditors in office at the time of events and the Bank, which paid such amount as a jointly liable party pursuant to article 195, subsection 9 of the Consolidated Finance Act in force at the time.

(G) *CONSOB's sanctioning procedure for violation of article 187-ter of the Consolidated Finance Act in respect of the accounting recognition of the "Santorini" and "Alexandria" transactions*

By resolution no. 20344 of 15 March 2018, CONSOB completed a sanctioning procedure against Giuseppe Mussari, Antonio Vigni, Gian Luca Baldassarri, Daniele Pirondini and another manager of the Bank relating to the dissemination, through the financial statements as

at 31 December 2008, 31 December 2009, 31 December 2010 and 31 December 2011, of data deriving from the failed initial recognition at fair value and posting "at open balances" of the "Alexandria" and "Santorini" transactions, finding in this circumstance the dissemination of false information capable of providing false and misleading indications on BMPS shares in violation of article187-ter, subsection 1, of the Consolidated Finance Act; in particular a false recognition in the aforementioned financial statements of the size of net equity, result for the year and regulatory capital has been sanctioned.

The Bank was involved in the procedure in its capacity as a jointly liable legal person pursuant to article 6, subsection 3, of Law no. 689/1981 and as an entity liable pursuant to article 187-quinquies of the Consolidated Finance Act for the facts committed by the aforementioned individuals with limitation to false and misleading information of the sole consolidated financial statement as at 31 December 2011 since: (i) for financial statements preceding 2011 the 5 year statute of limitation provided for by article 28 of Law no. 689/1981 would be applicable and, furthermore, (ii) starting from financial statement as at 31 December 2012 the Bank published the pro-forma data referred to the combined effect of a recognition "at closed balances" of both the "Santorini" and "Alexandria" transactions.

As at the date of this Prospectus CONSOB concluded the sanctioning procedure pursuant to Article 187-ter of the Consolidated Finance Act imposing to the Bank itself the payment of Euro 700,000 and, in its quality of jointly liable legal person pursuant to Article 6, subsection 3, of Law no. 689/1981 and Article 187-quinquies of the Consolidated Finance Act, together with Mr. Giuseppe Mussari, Mr. Antonio Vigni, Mr. Daniele Pirondini and another employee of the Bank, the payment of Euro 800,000.

The Bank did not appeal against the sanctioning measure and paid in its capacity as a joint liable party.

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After having paid the administrative sanctions imposed by the supervisory authorities, the Bank exercises the mandatory recourse actions against the individuals subject to sanctions granting the suspension of such action against the individuals whose conduct (i) in respect of the irregularities contested, was not found to be wilful or due to gross negligence; (ii) no corporate liability action has been notified; and (iii) there are no indictment requests in the context of the related pending criminal proceedings; and this with limitation to the time necessary to bring all appeals provided for by the applicable legislation. Some of the concerned individuals, after the letters of formal notice were sent, did not fulfil the payment obligation, and accordingly the institution of civil actions aimed at recovering amounts paid was therefore necessary.

The claims for the request of payment brought against the individuals sanctioned who did not benefit of the aforementioned suspension (Mr. Giuseppe Mussari, Mr. Antonio Vigni, Mr. Gianluca Baldassari), there have been challenges by such individuals. In such context, the judges expressed a common position related to resolving upon the suspension of the proceedings until the decision of the appeal proceedings brought by the sanctioned individuals.

These activities and the relating case law could influence the length of the proceedings and limit the chance of recovery.

As to the individuals who benefitted from the suspension of the proceedings in relation to the claim for the request of payment and who filed the relevant challenges, several proceedings are still pending.

Corporate liability actions brought by the Bank for the "Alexandria" and "Santorini" transactions

On 1 March 2013, the Bank instituted two separate proceedings for compensatory damages before the Courts of Florence (section specialised in corporate matters). In the first proceeding, related to the "Santorini" transaction, the Bank brought a corporate liability action pursuant to article 2392, 2393 and 2396 of the Italian Civil Code against the former General Manager, Antonio Vigni, as well as a claim for damages pursuant to article 2043 of the Italian Civil Code against Deutsche Bank for complicity in the non-fulfilments and/or offenses attributable to Antonio Vigni, asking for the joint conviction of the defendants for an amount not lower than Euro 500 million, then better specified during the trial.

In the second proceeding, in connection with the "Alexandria" transaction, the Bank brought a corporate liability action pursuant to article 2393 and 2396 of the Italian Civil Code against the former Chairman of the board of directors, Giuseppe Mussari, and the former General Manager, Antonio Vigni, as well as a claim for damages pursuant to article 2043 of the Italian Civil Code against Nomura for complicity in the non-fulfilments and/or offenses attributable to the two former company officers, seeking the joint conviction of the defendants for an amount not lower than Euro 700 million, then better specified during the trial. Nomura filed, on a conditional basis, a transversal request against Mr. Mussari and Mr. Vigni, from whom it seeks to be held harmless and indemnified in case the requests expressed by the Bank against it are upheld. A similar request has been filed by Mr. Mussari against Nomura, Mr. Vigni and Mr. Gian Luca Baldassarri, the summon to trial of whom was authorised with measure of 19 April 2014.

Corporate liability actions, initially authorized by the board of directors on 28 February 2013, were subsequently ratified by the Bank shareholders' meeting held on 29 April 2013.

The decision to institute the aforementioned corporate liability actions, also enforcing the non-contractual liability of the two investment banks, has been adopted in consideration of the opportunity to sue, in one single venue, both the former Bank's officers who had realised or contributed in the realization of the aforementioned financial transactions, and the two banking counterparties for having contributed in the non-fulfilments and/or unlawful acts put in place by the aforementioned Bank officers.

It is worth noting that the Bank, in its initial briefs commencing proceedings, expressly reserved the right to enforce, in another venue, the possible liability of Mussari, Vigni and other individuals, for other acts and/or transactions, as well as against Mr. Gianluca Baldassarri, former head of the Finance Area, in respect of the same transaction, as well as possible invalidity profiles of the agreements at the basis of the challenged financial transactions, including after the conclusion of the audits in progress and the developments in the enquiries of the investigating judges.

The Foundation, Coordinamento delle Associazioni per la Difesa dell'Ambiente e la Tutela dei Diritti di Utenti e Consumatori ("CODACONS") and the Associazione Difesa Consumatori ed Utenti Bancari, Finanziari ed Assicurativi ("ADUSBEF") all intervened in both lawsuits in support of the Bank's positions.

As regards the action brought by BMPS against Antonio Vigni and Deutsche Bank AG, on 19 December 2013, a settlement agreement was reached between the Bank and Deutsche Bank AG regarding, inter alia, also the claim for damages. It is worth noting that this settlement agreement is limited to the internal liability share attributable to Deutsche Bank AG. In the

action the Bank specified that, as a result of the transaction with Deutsche Bank AG, it obtained an economic benefit of Euro 221 million, accordingly asking the judge to take such amount into account in the determination of the quantum of the damages due by the defendant Vigni compared to the overall damage incurred thereby, subject to prior determination of the liability share ascribable in abstract to Deutsche Bank AG.

Accordingly, BMPS' liability action brought against Antonio Vigni as well as any other claim against other parties jointly liable with reference to the "~~"~~Santorini~~"~~" transaction remained unaffected. Such latter proceeding has ended, in the first instance, with the conviction of Antonio Vigni and compensation for pecuniary damage in favour of the Bank. With appeal suit, Mr. Vigni appealed the decision and introduced the appeal proceeding which was concluded on 9 January 2018 with a judgment ordering the counterparty to pay an amount of Euro 50 million plus burdens provided by law. Antonio Vigni appealed against the implementation of the ruling of the Court of Appeal, which was also appealed before the Court of Cassation.

It is worth noting that Nomura, at the same date – but after the institution of the abovementioned corporate liability and damage action by the Bank before the Courts of Florence – instituted an action for declaration before the English Commercial Court (2013 Folio 292) seeking, inter alia, the declaration of the validity of the contracts relating to the restructuring of the "Alexandria" notes and the lack of Nomura's contractual liability or the lack of unjust enrichment. The Bank requested this case to be stayed in light of the risk of partial overlapping with the proceedings already instituted in Italy which, by admission of the same Nomura, have been instituted before the English one.

The Commercial Court did not uphold this request and accordingly the trial continued. The Bank appeared for these proceedings on 12 March 2014 enforcing the invalidity and ineffectiveness of the agreements relating to the transactions associated with the restructuring of the "Alexandria" notes seeking the restitution of the amounts quantified as Nomura's unjust enrichment, plus interest quantified in the measure of the ordinary trade receivable rates, and not to be held bound to pay any other amounts, or by any other obligations in respect of the aforementioned contracts, the full restitution of the amounts paid for the performance thereof.

It is worth noting that, in the context of the closing of the Alexandria transaction which occurred on 23 September 2015, the damage claim launched by the Issuer against Nomura in March 2013 before the Court of Florence has been settled. The settlement refers only to Nomura's liability share, without any prejudice to the corporate liability action against the former Chairman and former General Manager, and without prejudice to any other BMPS claim against other parties, external to Nomura, possibly jointly liable with respect to the "Alexandria" transaction. The settlement agreement also closes the proceeding brought by Nomura before the English court.

The liability action then continues against the former Chairman (who sued Mr. Baldassarri) and the former General Manager. Nomura remained part of the trial since it was addressee of indemnity requests by the former Chairman.

The case has been closed by the Court of Florence (decision n. 2755/2017, on 7 August 2017) as a consequence of the joining by BMPS as damaged party in the criminal proceeding pending before the Court of Milan. The Bank promoted the social responsibility action, authorized in the past by the shareholders' meeting, by starting a new civil proceeding, which is now pending before the Court of Florence.

Besides adhering to the actions brought by the Bank, the Foundation also instituted two independent suits, on one side, against Mr. Mussari, Mr. Vigni and Nomura and, on the other side, against Mr. Vigni and Deutsche Bank ~~AG~~, seeking in both cases a declaration of liability

of the defendants pursuant to article 2395 of the Italian Civil Code for the direct damage allegedly suffered by the Foundation for having subscribed for BMPS' capital increase approved in 2011, at a price different from that which would have been correct, had the "Alexandria" and "Santorini" restructuring been duly represented in BMPS's financial statements.

As regards the proceeding instituted by the Foundation in respect of the "Santorini" transaction (in the context of which it asked for the conviction of the defendants to compensate an amount of Euro 333.6 million on account of pecuniary damage and Euro 47.5 million on account of non-pecuniary damage), Mr. Vigni has been authorised to sue the Bank by virtue of an indemnity undertaking (in respect of third party claims) allegedly undertaken by the Bank in his favour in the context of the consensual termination agreement of the directorship. The Bank, appearing for the proceeding to rebut the claims against it, preliminarily objected to the lack of jurisdiction of the Courts of Florence, deeming competent the Courts of Siena as the labour judge. Mr. Vigni adhered to such objection and hence relinquished the case against the Bank. The Judge then ordered the dismissal of the case between Mr. Vigni and the Bank. To the extent known to the Bank, the proceeding is currently pending between the Foundation and the defendants.

As regards the proceeding instituted by the Foundation in respect of the "Alexandria" transaction (in the context of which it asked for the conviction of the defendants to compensate an amount of Euro 268.8 million on account of pecuniary damage, then increased to Euro 329 million in accordance with the conclusions of the plaintiff's technical advisor, and Euro 46.4 million on account of non-pecuniary damage): (i) Mr. Vigni has been authorised to sue the Bank by virtue of the aforementioned indemnity undertaking (in respect of third party claims) allegedly undertaken by the Bank in his favour in the context of the consensual termination agreement of the directorship relation; (ii) Mr. Mussari has been authorised to sue the Bank as liable, pursuant to article 2049 of the Italian Civil Code, for the fact that some managers are allegedly liable for the realisation of the transaction carried out with Nomura. The Bank was then served the writs of summon in its capacity as third party sued by the aforementioned defendants in the proceedings autonomously brought by the Foundation and appeared for trial rebutting the requests filed against it. Furthermore, with subsequent authorised brief, Nomura extended its requests against the Bank, asking to determine the liability share ascribable to the latter and to be held harmless thereby for the liability share exceeding that ascribable thereto. However, the settlement agreement entered into between the Bank and Nomura on 23 September 2015 provides - inter alia – for such request to be relinquished.

Even in this case Mr. Vigni relinquished the trial against the Bank as a result of the functional incompetence objection of the Courts of Florence, while the recourse/indemnity action brought by Mr. Mussari against the Bank continued. Following the technical appraisal, the judge scheduled the hearing for the specification of the final conclusion on 18 July 2019, inviting the parties to refer to the findings of the technical appraisal.

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In the event that the conducts of the management in office at the time of events were relevant under a criminal point of view and in the context of any actions already instituted, the Bank also assessed whether to appear as the civil plaintiff at the criminal proceedings seeking restitutions and/or compensations (pursuant to article 185 and 187 of the Italian Criminal Code). Specifically, the Bank appeared as the civil plaintiff, in the context of the criminal proceedings pending before the Courts of Milan – in which the Nomura, FRESH 2008, Santorini, Alexandria/Nomura, Chianti Classico cases have been combined – against Vigni, Mussari, Pirondini and Baldassarri seeking to obtain compensation for all pecuniary and non-

pecuniary damages, however, with the order dated 6 April 2017 it has been excluded on the assumption of its joint liability with the defendants.

On 1 October 2016, a decree ordering a trial before the Courts of Milan – second criminal section for the hearing of 15 December 2016 was issued.

At the hearing of 15 December 2016 before the second criminal section of the Courts of Milan, subsequent to the request as civilly liable parties of the Banks BMPS, Nomura, Deutsche Bank, around 1,500 civil plaintiffs sued the Bank as a civilly liable party in respect of the crimes charged to the indicted former directors and managers.

In the course of the proceedings, by order of the Courts some civil plaintiffs were excluded. ~~As of the date of this Prospectus~~As at 30 September 2018, civil plaintiffs that appeared against the Bank were in aggregate around 1,243.

As at the date of ~~the~~this Prospectus, a precise monetary figure relating to the overall compensatory requests and accordingly the economic burden the Bank will have to bear cannot be predicted, since many civil plaintiffs' requests are not quantified and such quantification shall wait for the developments of the trial. However, also with the support of its experts, the Bank considers the overall amount reserved for the proceedings to be in line with its internal policies.

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

In relation to such proceeding, in which the Bank is identified as the offended person, the first hearing was held on 5 July 2017, during which several hundred individuals and some professional associations requested to join the proceeding.

Lastly, the Issuer has been informed that Fondazione MPS has also initiated two civil actions against the members of its deputation (Deputazione) and the superintendent (Provveditore), in charge at the time of the events, and several banking institutions in relation to the loan agreement signed on the occasion of the participation in the Issuer's capital increase carried out in 2011 and some advisors also in view of the subscription of the Bank's capital increase completed in 2011.

As at the date of this Base Prospectus, therefore, it is not possible to exclude that the Issuer may be involved in the above-mentioned proceedings initiated by Fondazione MPS, or in other initiatives promoted in civil courts for the purpose of compensation for the same transactions carried out in 2011 by Fondazione MPS itself.

Civil Proceedings

(A) *Civil actions instituted by shareholders in the context of the 2008, 2011, 2014 and 2015 capital increases*

It should be noted that certain investors/shareholders of the Bank have started proceedings aimed at obtaining compensation for the damages incurred thereby due to the alleged

inaccurate disclosure given by the Issuer in the context of the 2008, 2011, 2014 and 2015 capital increase transactions and, in any case, as regards the alleged inaccuracy of the price sensitive information given from 2008 to 2015~~, as~~. As at ~~the date of this Prospectus~~31 December 2018, have filed no. 30 claims for damages before the different Courts. The plaintiffs in these civil actions are suing the Bank mainly seeking a declaration of the Bank's liability under article 94 of the Consolidated Finance Act and the cancellation of the subscription agreement of the capital increases on the basis of wilful misconduct and/or essential error under the Italian Civil Code. The overall petitum of the abovementioned proceedings amounts to around Euro 764 million.

As at ~~the date of this Prospectus~~31 December 2018, various claims have been brought by investors individually, through consumer associations or legal advisers (~~834~~903, of which ~~124~~69 intervened in the proceedings instituted by Marangoni Arnaldo and described below) for a total of around Euro 654 million of the claimed amount, where quantified, referred to alleged losses associated with the share capital transaction, alleged inaccuracy of the information contained in the prospectuses and/or financial statements and/or the price sensitive information given by BMPS from 2008 to 2011 about 10 per cent. of such requests have then turned into civil proceedings (mostly with the intervention in the proceeding promoted by a sole shareholder).

Such claims have been brought individually or collectively through two professionals and ADUSBEF and although heterogeneous, they appear reasoned by generic references to the alleged violation, by the Bank, of the banking legislation with reference to the matter of disclosure and therefore have been rebutted by the Bank since deemed generic, ungrounded, unsupported by suitable documentary evidence and in some cases~~,~~ time barred. As at ~~the date of this Prospectus~~31 December 2018, the amount of the residual petitum claimed by plaintiffs who did not bring legal actions is equal to around Euro 591 million.

In addition, ~~as at 30 September 2018,~~ there were also ~~53~~59 threatened litigations relating to the capital increase 2014-2015 for an amount requested equal to approximately Euro ~~16~~17 million (and, therefore, overall equal to Euro ~~606~~607 million~~.~~ as at the date of this Base Prospectus).

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Please find below a description of the four most relevant disputes brought by shareholders and/or investors of the Bank, in relation to which the aggregate petita is equal to around Euro 688 million.

(i) *Legal dispute Banca Monte dei Paschi di Siena S.p.A./Portatori dei Titoli FRESH 2008.*

Certain holders of FRESH 2008 securities (for the description of which, please see "Major Events" –"FRESH 2008" of this Prospectus) expiring in 2099 summoned BMPS, Mitsubishi UFJ Investors Services & Banking Luxembourg S.A. (which replaced the bank issuing the debenture loan Bank of New York Mellon Luxembourg), the English company J.P. Morgan Securities Ltd. (currently J.P. Morgan Securities plc) and the American company J.P. Morgan Chase Bank N.A. (which entered into a swap agreement with the debenture loan issurer) before the Court of Luxembourg asking the court to ascertain that the Burden Sharing Decree does not apply to FRESH 2008 securities' holders and, consequently, to declare that said bonds cannot be forcibly converted into shares, and to declare that these bonds shall continue to remain valid and effective in accordance with the terms and conditions for the issue thereof, as these are governed by the Luxembourg Law, and finally asking the court to declare that, without the conversion of FRESH 2008 securities, BMPS is not entitled to obtain from JP

Morgan the payment of Euro 49.9 million to the detriment of FRESH 2008 securities' holders. The ~~Court of Luxembourg~~proceeding is ongoing and the Bank has not ~~yet confirmed the dates of the hearings~~made any provisions for risks and charges.

For the sake of completeness, it should be noted that, following the commencement of said proceedings, on 19 April 2018, the Bank filed an action before the Court of Milan against J.P. Morgan Securities Ltd (currently J. P. Morgan Securities plc) and J.P. Morgan Chase Bank N.A. London Branch as well as the representative of FRESH 2008 securities' holders and Mitsubishi Investors Services & Banking (Luxembourg) S.A. asking the court to ascertain that the Italian court has sole jurisdiction to decide on the usufruct/life interest agreement and company swap agreement entered into by the Bank with the first two defendants within the scope of the 2008 capital increase. Consequently, the Bank asked the court: (i) to ascertain the ineffectiveness of the usufruct/life interest agreement and company swap agreement which provide for payment obligations vis-à-vis JP Morgan Securities Ltd (currently J. P. Morgan Securities plc) and J.P. Morgan Chase Bank N.A. after the entry into force of Decree 237; (ii) to ascertain that the usufruct/life interest agreement is ineffective and/or has been terminated and/or has expired or, subordinately; and (iii) to ascertain that the usufruct/life interest agreement has been terminated due to the capital deficiency event of 30 June 2017. The first hearing was held on 18 December 2018 and the Judge, deeming existing the prejudicial issue raised by the defendants in relation to the jurisdiction and considered the existence of a dispute with the same petitum and legal issue pending before the Court of Luxembourg, has granted the parties time limits to replicate against the ritual objections and has adjourned the hearing to 16 April 2019 to discuss the controversial issue.

(ii) *Dispute Banca Monte dei Paschi di Siena S.p.A. / Marangoni Arnaldo +124*

In July 2015, Arnaldo Marangoni sued the Bank claiming to have purchased shares between 2008 and 2013, both during the 2008 and 2011 capital increases, and on the electronic stock market on the basis of the alleged false disclosure given by the Bank on its capital, economic, financial, profit and management situation. During the trial through voluntary intervention, another 124 individuals came forward with the same contestations (although the respective positions are not fully homogeneous). The 69 interveners requested: (i) the declaration of falsehood of the individual financial statements, quarterly and semi-annual reports, the 2008 and 2011 capital increase prospectuses, and the price sensitive press releases relating to 2008, 2009, 2010, 2011 and 2012 of BMPS and, accordingly, (ii) BMPS conviction to pay pecuniary and non-pecuniary damages for a petitum equal to around Euro 97 million (petitum then decreased to around Euro 89 million).

On 25 January 2018, the Judge rejected the counterclaims on the preliminary questions, postponing the proceedings to 13 February 2018. At the hearing the Issuer filed a reservation to appeal the non definitive judgment of the Court of Milan and the Judge postponed the proceedings to the hearing to be held on 18 December 2018. ~~At the hearing, the Court reserved its decision on the evidence~~At the hearing, the Court ordered a technical appraisal (consuleza tecnica d'ufficio) to identify any omission of information and determine any related damage arising thereof. The hearing was postponed to 19 February 2019 for the appointment and oath of the technical expert . During such hearing the expert's questions were discussed and clarified. The start of the technical expert's appraisal was scheduled for 1 April 2019, while the proceedings were postponed to the hearing of 19 November 2019.

(iii) *Dispute Banca Monte dei Paschi di Siena S.p.A. / Coop Centro Italia S.c.p.a.*

By writ of summon dated 26 July 2016, Coop Centro Italia s.c.p.a. sued the Bank, together with CONSOB, before the Court of Florence (section specialised in corporate matters), for the hearing of 20 January 2017, claiming damages for an aggregate of Euro 85.5 million - then determined as 103.4 million during the trial - due to an alleged falsehood of the prospectuses

relating to the Bank's 2008, 2011 and 2014 capital increases in which the company participated.

Specifically, the opponent claimed damages for Euro 20.3 million in respect of the 2008 capital increase and Euro 9.2 million for the 2011 capital increase, for contractual liability pursuant to article 1218 of the Italian Civil Code, as well as article 94, subsection 8 of the Consolidated Finance Act or article 2049 of the Italian Civil Code in relation to the actions of its then officers and employees, as well as, always pursuant to article 1218 of the Italian Civil Code and article 94, subsection 8 of the Consolidated Finance Act, for Euro 56 million, jointly and severally – or subordinately each to the extent of pertinence – with CONSOB, liable pursuant to articles 2043 and 2049 of the Italian Civil Code for the actions of the authority and those of its commissioners and officers, with regard to the 2014 capital increase, the above in respect of the capital losses incurred as well as the loss of profit determined during the trial. On the hearing of 12 October 2017~~,~~ the judge reserved his position in relation to the preliminary requests.

Following the hearing held on 12 October 2017, the judge resolved upon a technical appraisal and the relevant technical operations started on 30 October 2018. The hearing has been postponed to 23 May 2019 for the technical appraisal. With an application deposited on 15 January 2019, the technical experts asked the judge whether to involve the bondholders which took part to the technical appraisal or not. By order dated 17 January 2019, the judge reserved the right to decide on this point and suspended the technical assessment.

(iv) *Dispute Banca Monte dei Paschi di Siena S.p.A. / Coofin S.r.l.*

By writ of summon dated 26 July 2016, Coofin S.r.l. sued the Bank, together with CONSOB, before the Courts of Florence (section specialised in corporate matters), at the hearing of 20 January 2017, claiming overall damages of Euro 51.6 million - then determined as Euro 61.4 million during the trial - due to alleged falsehood of the prospectuses relating to the Bank's 2008, 2011 and 2014 capital increases in which the company participated.

Specifically, the opponent claimed damages for approximately Euro 11.5 million for the 2008 capital increase and Euro 6.1 million for the 2011 capital increase, for contractual liability pursuant to article 1218 of the Italian Civil Code, as well as article 94, subsection 8 of Legislative Decree No. 58/98 or article 2049 of the Italian Civil Code in relation to the actions of its then officers and employees, as well as, always pursuant to article 1218 of the Italian Civil Code and article 94, subsection 8 of Legislative Decree No. 58/98, for Euro 34 million, jointly and severally – or subordinately each to the extent of pertinence – with CONSOB liable pursuant to articles 2043 and 2049 of the Italian Civil Code for the actions of the authority and those of its commissioners and officers, with regard to the 2014 capital increase, the above in respect of the capital losses incurred as well as the loss of profit determined during the trial. During the hearing held on 13 March 2018 the Court reserved its position in relation to the admission of preliminary evidence. ~~The~~ Following the hearing set for 13 March 2018, ~~was~~the Court then postponed to 6 December 2018 for the admission of preliminary evidence and by a separate order postponed to a hearing on 5 March 2019 the discussion of the exception for the expiration of time objection filed by the Bank and aimed at obtaining the authorisation to produce as evidence the CONSOB note dated June 2017 on the effectiveness of pro-forma. The hearing for discussion of the exception for the expiration of time objection was scheduled to be held on 10 October 2018. Following the replacement of the judge, the hearing of 10 October 2018 was automatically postponed to 5 March 2019; nothing was ordered with regard to the hearing for the clarification of the conclusions of 6 December 2018, which was not held. By decree of 26 February 2019, the judge scheduled the hearing to 25 February 2021, while by decree of 28 February 2019 the hearing to discuss the application for remittance in terms formulated by the Bank was postponed to 13 June 2019.

(v) *Dispute Banca Monte dei Paschi di Siena S.p.A./ Alken Fund Sicav and Alken Luxembourg S.A.*

The counterparties (the "*Funds*") with a writ of summons notified on 22 November 2017 filed a suit before the Court of Milan against the Issuer, Nomura International, Giuseppe Mussari, Antonio Vigni, Alessandro Profumo, Fabrizio Viola and Paolo Salvadori asking to ascertain and declare: (i) an alleged liability of BMPS pursuant to article 94 of the Consolidated Finance Act and for the conduct of Mussari, Vigni, Profumo and Viola pursuant to article 2395 of the Italian Civil Code for the misconducts made with respect to the plaintiffs; (ii) an alleged liability of Mussari and Vigni in relation to the investments made by the Funds in 2012 on the basis of untrue information; (iii) an alleged liability of Viola, Profumo and Salvadori in relation to the investments made by the Funds after 2012 and (iv) an alleged liability of Nomura pursuant to article 2043 of the Italian Civil Code and as a consequence to condemn jointly BMPS and Nomura to reimburse the material damages equal to Euro 423.9 million to Alken Funds Sicav and Euro 10 million for minor management fees and reputational damages to the management company of Alken Luxembourg S.A. and Mussari and Vigni, jointly with BMPS and Nomura, for the damages arising out from the investments made in 2012 and Viola, Profumo and Salvadori, jointly with BMPS and Nomura, for the damages following 2012. The counterparties requested also to condemn the defendants to reimburse the non-material damages, following the determination of the crime of false corporate communications.

The first hearing, initially scheduled for 18 September 2018, has been deferred to 11 December 2018, and the Issuer entered an appearance within the established deadline and submitted its defence arguments. It is to be noted that three natural persons have entered an appearance with separate statements of defence seeking damages for a total amount of approximately Euro 0.7 million. At the hearing held on 11 December 2018, the Court reserved its decision on the prejudicial exceptions raised by the parties. The Court, lifting its reservation and in acceptance of the objections raised by all the defendants, declared the summons of Alken null and void due to the failure to specify the dates on which shares have been purchased, granting the claimants time limits to complete the claims within 11 January 2019. Conversely, the Court considered Alken's claims raised in connection with the alleged incorrect accounting ~~of the receivables~~entries sufficiently specific and rejected the objection of invalidity relating to the appearance documents. The first hearing, therefore, has been deferred to 30 January 2019.

(vi) *Dispute Banca Monte dei Paschi di Siena S.p.A. / Bentivoglio Roberto + 3*

By writ of summons served on 15 November 2017 four natural persons, in their capacity as shareholders of BMPS, summoned the Bank and two other banks (also parties to the criminal proceedings) before the Court of Milan, seeking that the defendants be jointly ordered to pay compensation for damages allegedly suffered and amounting to Euro 21.5 million for financial damages and Euro 0.9 million for non-financial damages.

In particular, based on the information provided by the Bank as of 6 February 2013, and the facts and accusations made in criminal proceedings before the Court of Milan against former representatives of the Bank and the other defendants (proceeding from which they have been stricken off as civil parties), the plaintiffs claimed compensation for the financial damage arising from the depreciation in value of the BMPS shares they possessed as of 31 December 2007 compared to the value of the shares as at 6 February 2013, the date on which the statement reporting the presence of errors in the Bank's financial statements for the previous financial years was published.

The parties raised such objections pursuant to articles 2049 and 2622 of the Italian Civil Code, for misleading company statements and other offences committed by the defendants' executives and for offences punishable under Legislative Decree 231/2001. The plaintiffs also claimed non-financial damages under article 185 of the Italian Criminal Code and 2043 of the Italian Civil Code. The hearing, initially scheduled on 10 April 2018, was held on 11

September 2018. The Bank entered an appearance within the established deadline objecting to plaintiff's claims. The next hearing was scheduled for ~~15 January~~25 June 2019.

Dispute York and York Luxembourg funds / BMPS, Alessandro Profumo, Fabrizio Viola, Paolo Salvadori and Nomura International plc

After the end of the 2018 financial year, by means of a writ of summons notified to the Bank on 11 March 2019, the York and York Luxembourg funds sued the Issuer, Nomura International plc, Alessandro Profumo, Fabrizio Viola and Paolo Salvadori in front of the Court of Milan - section specialized in corporate matters – requesting that the defendants to be jointly ordered to pay damages amounting to a total of Euro 186.7 million and – subject to an incidental finding that the offence of false corporate communications has been committed- to pay compensation for non-monetary damages to be paid on an equitable basis pursuant to Article 1226 of the Italian Civil Code, plus interest, revaluation, interest pursuant to Article 1284, paragraph 4 of the Italian Civil Code and compound interest pursuant to Article 1283 of the Italian Civil Code.

The plaintiffs' claim is based on alleged losses incurred as part of its investment transactions in BMPS for a total of Euro 520.30 million carried out through the purchase of shares (investment of Euro 41.4 million by York Luxembourg) and derivative instruments (investment of Euro 478.9 million by the York funds). The plaintiffs quantified their comprehensive losses at Euro 186.7 million.

Such transactions began in March 2014, when Fabrizio Viola and Alessandro Profumo respectively held the positions of Chief Executive Officer and Chairman of the Bank. The plaintiffs charge alleged unlawful conduct by the Bank's top management that would have distorted the financial representation of the financial statements by substantially modifying the assumptions on which the valuation of the financial instruments issued by the Bank is based.

The first hearing is scheduled to be held on 29 January 2020; the Bank will take legal action in the manner and within the time limits required by law.

Disputes relating to securities subject to the Burden Sharing

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

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

Disputes deriving from ordinary business

While carrying out its ordinary business, the Group, similarly to the other banking groups, is involved in various judicial proceedings concerning, inter alia, allegations in the matters of: claw-back, compound interest, placement of bond securities issued by governments and companies then defaulted, placement of schemes and financial products, which, the latter types

show a consistent overall decrease and are not material in terms of petitum and related civil funds.

With respect to the proceedings regarding bankruptcy claw backs, the reform that has been implemented since 2005 has reduced and limited the scope of insolvency claw backs, especially those concerning direct payments in accounts. For those still eligible for proposal – or already pending at the date of entry into force of the reform – the Bank uses all available arguments to defend its position.

With respect to disputes concerning compound interests, interest and conditions since 1999 there has been a progressive increase of claims brought by account holders for the retrocession of interest expenses due to quarterly compound interest. In such cases, plaintiffs also contest the legality of the interest rate and the calculation method for the fees. In this latter respect, the interpretation introduced by the Supreme Court's, with effect from 2010 in the matter of usury - on the basis of which the maximum overdraft fees, even before the entry into force of Law 2/2009, had to be taken into account in the calculation of the global effective rate (GER), in contrast with the guidance of the Bank of Italy – is frequently the basis for lawsuits brought by customers. Most of the cases involve claims related to the balances of current accounts, but increasingly frequent are disputes concerning compound interests, referring to the legitimacy of the so–called "“French compound interests"” of mortgage loans, and the violations of Law 108/1996 on usury, on maturing loans.

In the matter of compound interests, the reform of article 120 of the ~~Consolidated~~Italian Banking Act, as amended first by Law No. 147 of 27 December 2013 and, then, by Law no. 49 of 8 April 2016, introduced relevant novelties in the matter of computation of interests and prohibition of their capitalisation (such as, inter alia, the provisions according to which: (i) interests accrued in a current account or in a payment account (both in favour of the Bank and in favour of the account holder) are calculated with the same frequency in any case not lower than one year and that (ii) accrued interests do not give rise to further interests, except for delay interests, and are calculated exclusively on capital and, in case of opening of credit lines settled in the current account, for overdrafts even in the absence of a credit line or in excess of the credit line).

As previously highlighted, against the estimates made regarding the risk of losing the judgments referred to in this paragraph, the provisions made for legal disputes described herein fall within the overall provision for risks and charges highlighted above.

Civil disputes arising in connection with the ordinary business of the Issuer

Please find below the most relevant proceedings in terms of petitum and relating state of the case.

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

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

SNIA contested the Bank, in its capacity as an indirect shareholder and a member of a shareholders' agreement of the controlling entity, about having a controlling and coordinating position over it and having adopted such conduct which would have caused damages to the

company's assets, and, specifically: 1) the design and realisation of a distraction spin-off of the company, to the detriment of the shareholders and the creditors of the company; 2) the drafting and approval of untrue financial statements starting from financial year 2000, and, in particular, the drafting and approval of the financial statement 2002, since it was allegedly untrue and considered as a reference capital representation for the purpose of the spin-off, and the subsequent financial statements; 3) the origination of environmental damage claims by the Ministry of Environment and for Protection of the Land and Sea and the Ministry of Economy and Finance and of two distinct administrative managements (Commissioner of the Lagoon of Grado and Marano and Commissioner of the Sacco River; the "Administrative Managements"), now dissolved, and exercised in the context of the admission to liability in the insolvency procedures of SNIA and one subsidiary. During the trial, in support of the plaintiff's requests, the aforementioned Ministries appeared ad adiuvandum.

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

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

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

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

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

At the hearing of 19 July 2016, relating to the appeal filed by the Ministries, the Court of Appeal – having acknowledged the pending of the "parallel" proceeding brought by SNIA S.p.A.'s extraordinary administrators – deferred the hearing to 4 October 2016 for the purpose of combining the two appeals. The first hearings were set, respectively, for 15 July and 4 October 2016. In the course of the latter hearing, the Judge ordered that the appeals be combined and deferred, through reserve, its decision on the request to suspend the execution of the first instance decision. On 21 October 2016, the Court lifted its reservation and suspended the execution of the appealed decision. The next hearing was set for 20 June 2018 for closing arguments. On 20 June 2018, the trial was postponed to 23 January 2019. ~~As at the date of this Prospectus,~~At the hearing held on 23 January 2019, the panel reserved its decision on the referral request for negotiations as the Bank authorised (but not yet formalised) a

settlement agreement which provides for the abandonment of the legal action against the Bank and the compensation of the expenses. The proceedings have been postponed for the same reasons on 15 June 2019. The judgment is still in reserve.

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

With decision no. 3447/2016, the TAR voided the ministerial measure and convicted the Ministry to pay trial expenses. The appeal has been filed without requesting the appeal decision to be stayed and, as of the date of this Prospectus, the public hearing on the merits has not been scheduled yet.

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

This action, where BMPS is sued together with other credit institutions and companies, concerns the declaration of alleged monetary and non-monetary damages suffered by the plaintiff company after an alleged illegitimate reporting to the central credit bureau. The action is currently in the investigation phase and the Judge, having ordered the renewal of the expert appraisal, withheld the case also to allow the parties to assess possible settlement agreements. The relating petitum is equal to Euro 157 million. With such claim it has been requested to condemn jointly the defendants, proportionally with reference to their conducts. The defence of the Issuer is that the bad financial situation of Fatrotek S.r.l. justified the actions taken by the Issuer. The hearing was scheduled for 31 May 2018 where the expert nominated by the Judge was to be sworn in.

During the hearing held on 31 May 2018, the Court reserved to decide over several procedural issues of the defendants preliminary to the expert witness' appointment and swearing. On 5 June 2018, the company was declared bankrupt. The Court scheduled the hearing on 7 December 2018 for the appointment of the expert witness. Pending the proceedings, Fatrotek S.r.l. bankruptcy receiver rejoined the proceedings which will continue at the aforementioned hearing.

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

The action concerns the claim for damages brought by the bankruptcy receivership of the company for certain banking transactions in the context of the capital increase carried out in 2007 by the subsequently failed company. In particular, the receivership complained about the merely fictitious nature of the capital increase, since, as a consequence of a series of accounting movements, the amount destined thereto would have been transmitted to the company's accounts only formally, without turning into an effective capital increase.

During the trial an expert appraisal has been ordered at the end of which the expert appointed by one of the parties deemed established and documented a damage of around Euro 2.8 million, but does not specify whether such damage is to be ascribed to a conduct of the Bank or whether,

instead, the damage is caused by the failed company directors against all creditors through the continuation of the business.

The defence of the Issuer has been structured with a number of arguments based on both facts and law provisions and aimed at highlighting the lack of grounds of the claims made by the bankruptcy procedure due to the absence of any link between the actions that brought to the default and the conduct of the Bank.

During the course of the technical consultancy requested by the Court the claims of the counterparty, aiming at demonstrating the link between the capital increase and the subsequent actions that would have made the insolvency worse – and where the Issuer had operated as a mere performer – have been repeatedly challenged by the technical consultant of the Bank.

During the official technical consultancy, the consultant appointed by the Court accepted almost all the arguments raised by the Bank and highlighted that the counterparty's request, in the way it had been made, had no grounds from the perspective of a compensation since no damage had been suffered. As of the date of this Prospectus, the ~~Court is about~~hearing has been postponed to ~~rule.~~

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

This action was brought by the bankruptcy receivership of the company against the former directors and statutory auditors of the subsequently failed company and against the Bank together with other credit institutions for the compensation of alleged damages, quantified in the difference between the procedure's assets and liabilities, deriving, inter alia, from a pool loan granted by lending institutions which would have delayed the emergence of the insolvency state of the subsequently failed company, worsening its state of financial distress. The case is under preliminary investigation and a tax expert nominated by the judge has been admitted. The petitum is equal to Euro 90 million.

BMPS duly appeared for trial filing preliminary and prejudicial counterclaims relating to the lack of territorial competence and lack of active legitimacy and, in the merit, asking for the claims brought by the plaintiff to be rejected on the grounds that were inadmissible and/or not grounded, and thirdly and on a subordination basis, the reduction of the potential condemn to reimburse, on the basis of the different degree of negligence, pursuant to article 2055 second paragraph of the Italian Civil Code.

The ~~next~~following hearing ~~will be~~has been held on ~~14 February~~18 June 2019~~ also to examine the technical expertise~~.

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

By writ of summon dated 15 July 2016, Riscossione Sicilia S.p.A. sued the Bank before the Courts of Palermo for contractual liability seeking the conviction of the Bank to the payment of Euro 106.8 million.

Riscossione Sicilia S.p.A.'s claim, as set out in the writ of summon, falls within the realm of the complex relations between the Bank and the plaintiff, originating 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 BMPS in Monte Paschi Serit S.p.A. (then Serit Sicilia S.p.A.).

Specifically, Riscossione Sicilia S.p.A., in relation to the contractual provisions relating to such disposal, asked for the Bank's conviction, under its contractual liability for alleged contingent liabilities of Monte Paschi Serit S.p.A./Serit Sicilia S.p.A..

The Bank duly appeared for trial filing a counterclaim against Riscossione Sicilia S.p.A.. As of the date of this Prospectus the proceedings is in the preparatory phase and the Court admitted the technical appraisal which commenced its operations on 4 September 2018. The Court scheduled the ~~next~~following hearing on 18 February 2019 which was then postponed to 13 May 2019.

With the petition filed on 30 November 2016 the BMPS asked the Courts of Palermo to order Riscossione Sicilia S.p.A to immediately pay the amount of Euro 40 million, plus interest and expenses, due to the failed payment by the defendant of certain overdue instalments relating to two loan agreements. With decree issued on 17 January 2017 the Courts of Palermo ordered Riscossione Sicilia to pay the plaintiff the amount of Euro 40.7 million. The petition, together with the decree and the writ of execution for the amount for which interim execution was granted, has been notified to Riscossione Sicilia on 8 February 2017.

With writ of summon notified on 11 March 2017, Riscossione Sicilia filed an appeal against such injunctive relief asking for the withdrawal thereof and, as cross-claim, the conviction of the Bank to the payment of an amount of around Euro 66 million.

At the basis of its appeal Riscossione Sicilia S.p.A alleged to be owed the amount of Euro 106.8 million by the Bank by virtue of some representations and warranties contained in two share assignment agreements with which the BMPS had assigned to Riscossione Sicilia the full share capital of the company Serit – Sicilia S.p.A.. In the writ of summon, Riscossione Sicilia acknowledged the circumstances according to which its requests are already the subject matter of another action pending before the same Courts.

BMPS duly appeared for trial asking for the rejection of the opponent's claims. By order dated 26 January 2018, the judge (i) rejected the counterparty requests and (ii) accepted the Bank's request to grant provisional execution of the injunction for the entire amount. At the hearing of 12 June 2018, the judge ordered to join the counterclaim made to the injunction with the aforementioned proceeding and postponed the hearing to 5 November 2018. At the hearing of 5 November 2018, the judge postponed the discussion pursuant to article 281-sexies Italian Civil Procedure Code to 24 September 2019.

For the sake of completeness~~,~~ it is highlighted that, on 19 October 2017 Riscossione Sicilia S.p.A. appealed against the decision issued by the Court of Palermo on 6 October 2017 – by which the court rejected the injunction pursuant article 700 of the Italian Civil Procedure Code promoted by Riscossione Sicilia S.p.A. against the suspension of the credit facility notified by the Bank.

On 12 January 2018, the hearing for the discussion was held and on 26 January 2018, the Court rejected the claim for Riscossione Sicilia S.p.A..

On 10 May 2018, the Regional Department of Economy of Sicily filed an injunction pursuant to article 700 of the Italian Civil Procedure Code against BMPS and Riscossione Sicilia S.p.A. before the Court of Palermo, requesting that BMPS to be prohibited from suspending the concessions in order to allow Riscossione Sicilia S.p.A., in its capacity as tax collecting agent, to transfer the amount equal to approximately Euro 68.6 million to be paid as taxes to the Sicilian Region. The Bank duly appeared for trial~~-~~and the Court, with an order dated 28 June 2018 rejected the injunction.

On 17 July 2018, the Assessorato of Economy of Sicily notified the Bank of an injunction pursuant to article 2 of Royal Decree No. 639/1910 and an injunction to return the above-

mentioned amount of Euro 68.6 million pursuant to article 823 of the Italian Civil Code within 30 days. The Bank challenged such an injunction requesting the suspension of its effectiveness. In this respect, the first hearing has been scheduled on 12 December 2018. The Court, with an order dated 24 August 2018, rejected the request for the suspension, specifying that the injunction can be executed on the money standing to the credit of the account opened by Riscossione Sicilia S.p.A.. Upon the filing of a request by the defendant to sue Riscossione Sicilia S.p.A., the Court of Palermo has deferred the first hearing, initially scheduled on 12 December 2018, to 20 March 2019.

For the sake of completeness, it is to be noted that BMPS has also promoted an administrative trial before the Regional Administrative Court of Sicily – office of Palermo seeking the declaration of nullity and the voidance of the injunction issued by the Assessorato of Economy of Sicily on 17 July 2018 pursuant to article 2 of Royal Decree No. 639/1910.

The appeal aims at challenging such injunction in which is stated that "as alternative, pursuant to article 823, paragraph 2, of the Italian Civil Code, order to Banca Monte dei Paschi di Siena itself (…) to provide, within 30 days from receipt of the present, for returning to the Region of Sicily the amount of Euro 68,573,105.83, plus interest at the rate established by special provisions for late payment in commercial transaction, as required by article 1284, paragraph 4 of the Italian Civil Code".

Following the notification of the appeal on 16 October 2018, BMPS has filed the appeal itself on 12 November 2018 without contextually asking for the scheduling of the hearing (such request may be presented within 12 November 2019).

The Assessorato of Economy of Sicily duly appeared for trial assisted by the government lawyer on 15 November 2018.

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

Edilgarba sued BMPS complaining about the BMPS' non-fulfilment of the obligations deriving from the land loan agreement entered into on 13 September 2006 between Edilgarba and Banca Antonveneta (subsequently BMPS). Edilgarba seeks compensation for alleged damages incurred (quantified at around Euro 28.5 million), as well as the damages to its image and commercial reputation (quantified as a minimum of Euro 3 million).

During the trial an expert appraisal had been ordered, and then supplemented, which established that the actual damage deriving from the transaction incurred by Edilgarba, which shall take into account the costs borne by the plaintiff, is equal to Euro 12 million, the receivable owed to the same bank by the funded company to Euro 10.6 million and the value of a mortgaged area estimated as Euro 6.6 million at the time of the renegotiation of the mortgage is to date equal to Euro 2.6 million. The petitum amounts to around Euro 31.5 million. ~~As of the date of this Prospectus, the Court is about to rule.~~

By decision filed on 7 January 2019, the Court, in partial acceptance of the plaintiff's claims and in partial acceptance of the Bank's claims, ordered the Bank to pay the plaintiff the amount of Euro 1.6 million, plus revaluation, interest and litigation costs being partially compensated. The Bank has appealed against the decision with a request for suspension of the provisional enforceability. With regard to the request for suspension, the hearing has been scheduled to be held on 13 March 2019. With regard to the appeal proceedings, a hearing for collective bargaining will be held on 22 May 2019.

(G) *Civil dispute instituted by Mr. Giosuè Pagano and Lucia Siani pending before the Court of Appeal of Salerno*

By decision of 12 March 2012, the Court of Salerno rejected the plaintiffs' requests, that asked for the conviction of BMPS and for the compensation of Euro 30 million and Euro 15 million in favour of the plaintiffs, for alleged liability of the Bank for the bankruptcy of a company, of which the plaintiff was the sole director and the other plaintiff the guarantor. The plaintiffs filed an appeal against such decision repeating the requests filed in the first instance proceeding and asking for the decision to be reformed and for the Bank to be convicted to the compensation for damages, to be liquidated in Euro 30 million and Euro 15 million.

By order of 14 October 2013, after retaining the case at the hearing of 3 October 2013, the Court of Appeal of Salerno rejected the suspension request of the enforceable nature of the first instance decision and set for closing arguments the hearing of 6 October 2016, subsequently postponed to 8 November 2018. Further to this hearing, the Court is about to rule. On 1 March the Court of Appeals of Salerno filed its decision, rejecting the appeal in its entirety.

(H) *Civil dispute instituted by Formenti Seleco S.p.A. in extraordinary administration before the Courts of Monza*

Formenti Seleco S.p.A. in extraordinary administration instituted a proceeding – against a group of banks, amongst which is the Issuer – seeking compensation for damages associated with abusive granting of credit. The petitum in this action is around Euro 45 million. The Courts di Monza, with procedural justification, rejected the plaintiff's claims. Subsequently, Formenti Seleco appealed the decision before the Court of Appeal of Milan which, in turn, rejected the plaintiff's claims. The latter appealed the decision before the Supreme Court which, with decision 11798/2017, confirmed the decision of the Court of Appeal of Milan, upholding only in part the appeal reason relating to the sharing of first instance trial expenses; the Court accordingly referred the case to the Court of Appeal of Milan for the sole decision on expenses ~~with the relevant hearing scheduled for 22 November 2018.~~. The measure of the Court of Appeal rejecting the principal request for conviction of the Bank, (with others) to the payment of the amount of Euro 45.6 million has then become definitive. By a decision published on 13 March 2019, the Court of Appeal ordered Formenti Seleco to pay all the costs of both instances, upholding the claims of all the defendant banks, including BMPS.

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

In this action, the directors of failed Zenith S.p.A. – sued by the bankruptcy receiver with liability action pursuant to article 146 of Bankruptcy Law – in turn summon to court the Bank and other credit institutions seeking a declaration of their exclusive and/or joint liability, since they would have substituted themselves to the directors carrying out actions allowing for the return and/or acquisition of guarantees for the considerable amount of credits claimed. The action, after the judge has rejected investigation requests, has been deferred to 11 December 2018 for closing arguments. As at the same date, the judgment has been interrupted by the death of one of the plaintiffs. The petitum is equal to around Euro 26.5 million.

~~Civil dispute instituted by Congregazione Religiosa delle Suore Ancelle Divina Provvidenza before the Courts of Trani~~

~~The petitum for this action is equal to around Euro 20 million and concerns complaints on the terms and interests applied to current accounts relations. At the hearing held on 3 May 2017 closing arguments have been filed and the judge retained the case to prepare a settlement agreement to be proposed to the parties. At the hearing of 3 May 2017, already set for the clarification of conclusion, the judge reserved the decision upon a possible settlement proposal to be submitted to the parties. However, the judge lifted the reserve and decided not to submit~~

~~to the parties any settlement proposal. As a consequence, the judge scheduled the hearing for specification of a final conclusions on 3 October 2018. The Court reserved its decision.~~

(K) *Civil dispute instituted by the receivership of CO.E.STRA. S.p.A. before the Courts of Florence*

On 4 December 2014, CO.E.STRA. S.p.A., within the context of the arrangement with creditors procedures, served a writ of summon to the Bank and the other banks participating in a pool to ascertain and declare their contractual or non-contractual liability in relation to the restructuring agreement signed by CO.E.STRA. S.p.A. on 30 November 2011, with subsequent request for joint liability of the banks with respect to the alleged damages suffered for having caused/worsened the distress of CO.E.STRA. S.p.A., quantified by the latter in Euro 34.6 million.

The order of the judge has been challenged before the Supreme Court on the basis of lack of competence pursuant to article 42 of the Italian Code of Civil Procedure. The hearing was held on 12 April 2018 in private and the Supreme Court referred the proceedings to a public hearing held on 5 February 2019. As at the date of this Base Prospectus, the decision on the lack of competence is still pending as the judge has deemed appropriate to wait for the solution of the same legal issue raised in a different proceeding which might be ruled by the United Sections of the Supreme Court.

~~As of the date of this Prospectus, the Issuer is waiting for the judgment to be notified by the Court.~~

(L) *Action brought by Procedura amministrazione Straordinaria Impresa S.p.A.*

With a writ of summons notified on 11 November 2016, Amministrazione Straordinaria Impresa S.p.A. summoned the Bank, together with other banks participating to a pool (BMPS share 36.48%), to ascertain and declare the responsibility of the Bank, the members of the board of directors of Impresa S.p.A. and the auditing company and to order them to jointly pay a compensation for the damages allegedly suffered by the company for an amount of Euro 166.9 million. The hearing for the first appearance of the parties was held on 31 October 2017.

Together with the defendants of the other banks of the pool, the preliminary objection of nullity of the writ of summons was raised; however, the judge postponed any evaluation in this regard at the time of the decision by the board of directors.

In the proceeding, the pleadings pursuant to Article 183, paragraph 6, of the Italian Code of Civil Procedure were duly filed and at the sof 29 October 2018, the judge reserved to decide on the investigating request of the plaintiff.

(M) *Action brought by BMPS before the Courts of Rome against CODACONS et alios.*

By writ of summon of 5 March 2014, BMPS instituted before the Court of Rome a legal action against CODACONS, its legal representative and an external consultant of this association seeking their joint conviction to compensate the damages that have been and may be suffered (in future) by the Bank as a result of various conducts unjustly detrimental to the Bank's reputation. In particular, among the unlawful conducts at the basis of the action, there would be CODACONS publication of multiple press releases since the beginning of 2013, in which it claimed that the Bank had applied erroneous accounting treatment to the transactions related to the restructuring of the "Santorini" transaction and the "Alexandria" notes, as well as the unlawful resorting to the State aid procedure executed through the New Financial Instruments. Pecuniary damages of Euro 25 million and non-pecuniary damages of Euro 5 million have been claimed. The first hearing, set in the writ of summon for 20 November 2014, has been deferred to 14 January 2015. The defendants appeared for trial also raising counterclaims for

damages, quantified by one of the defendants in approximately Euro 23 million and alleging the existence of a conflict of interest in the institution of the judgment such as to legitimate the appointment request of a special receiver pursuant to article 78 of the Italian Civil Procedure Code. The Judge set the next hearing for final argument, on 17 January 2018.

While proceedings were pending, an agreement was entered into between the Bank, on the one hand, and CODACONS and its legal representative, on the other hand, for the mutual waiver of the claims lodged as part of the proceedings as well as the waiver by CODACONS and its legal representative of any claim lodged against the Bank before any civil and criminal judicial authority. The proceedings will continue between the Bank and the Association's external Advisor, originally summoned along with the Association.

By way of a sentence filed on 12 December 2018, the Court partially upheld the requests made by the Bank against the consultant and rejected the counterclaim of the latter. By writ of summon served on 9 January 2019, the counterparty appealed to the Bank for the hearing scheduled for 23 May 2019.

(N) *Civil proceedings commenced by Lucchini S.p.A. in Amministrazione Straordinaria before the Court of Milan vis-à-vis the Bank and other 11 credit institutions and companies.*

By writ of summons served on 23 March 2018 the Extraordinary Administration of Lucchini S.p.A. summoned the Bank and 11 other banks and companies before the Court of Milan, asking that the defendants be jointly sentenced to pay for the damage allegedly suffered and quantified in approximately Euro 350.5 million as main claim, and approximately Euro 261.2 million as subordinate claim.

The Extraordinary Administration's main claim regards the damages caused by the delayed opening of the company's Extraordinary Administration procedure as well as those related to the amounts received by the defendants pursuant to a restructuring agreement. In summary, Lucchini contends that the defendants' liability arises from said restructuring agreement entered into between the parties on December 2011, which, according to the claimant, allowed the contracting parties on the one hand to hide the actual financial distress of the Company, preventing – or rather delaying – the opening of insolvency proceedings, and on the other, to unlawfully interfere with the management of the company's business, which qualifies as an abuse of management and coordination powers under articles 2497 and 2497 sexies of the Italian Civil Procedure Code. The Extraordinary Administration claims that the Banks are liable, not only in respect of said abuse of management and coordination powers, but also in their capacity as de facto directors and for the activities performed and breaches committed by the directors appointed by the Banks under articles 2055 and 2049 of the Italian Civil Code. At the first hearing held on 30 October 2018, the Bank duly appeared presenting its defence. The proceedings were postponed to 9 April 2019.

(O) *Arbitration promoted by Cinecittà Centro Commerciale S.r.l.*

By deed of appointment of the arbitrator, notified on 21 May 2018, Cinecittà Centro Commerciale S.r.l. ("**Cinecittà**") informed the Bank of its intention to enter into arbitration proceedings under the arbitration clause provided for by Article 27 of the regulatory agreement signed between the parties in 2009, contesting the validity of the derivative contracts executed on the basis of the above mentioned agreement and the validity of a settlement agreement entered into between Cinecittà and the Bank in 2016. As a result of this annulment, based both on the alleged violation of the specific sector regulations for derivatives contracts and for violation of the civil regulations governing contractual relations, including article 1972 of the Italian Civil Code for the transaction, Cinecittà requested the board of arbitrators to order the

Bank to pay compensation for the damages suffered by Cinecittà in an amount of not less than Euro 23.1 million plus interest and damages.

At the hearing, held on ~~25~~27 July 2018, the board assigned the parties time limits for pleadings and adjourned the hearing to 10 December 2018, and then officially to 22 January 2019, for the appearance of the parties. The next hearing is scheduled on 27 May 2019 to discuss the preliminary objections.

Complaint to the Board of Statutory Auditors pursuant to article 2408 of the Italian Civil Code

As ~~of~~at the date of ~~this~~the Prospectus, ~~there have not been any~~the board of statutory auditors received several communications and/or complaints ~~pursuant to article~~, one of which named "Complaint in accordance with articles 2408 and 2409 of the Italian Civil Code~~. In 2017 and in the first months of 2018~~" was presented by way of a letter dated 19 February 2019 by the Associazione Buon Governo MPS and by Norberto Sestigiani, Romolo Semplici and Sergio Burrini.

This complaint is set out certain "issues" (BMPS' economic, financial and asset situation as at 31 December 2018; total fines paid by BMPS; performance of the BMPS stock on the stock exchange) and the report concludes with a few requests for verification of the such matters. Furthermore, according to such complaint the current and previous directors of BMPS have not faced "the situation with the necessary determination, trying to take time and thus worsening the situation with a deterioration of the assets and serious damage to all shareholders as well as to the civil parties involved in the two criminal proceedings pending before the Court of Milan [omissis]".

The board of statutory auditors verified the shareholder status of each member. As a consequence, it has been excluded the existence of the conditions set forth in the second paragraph of Article 2408 of the Italian Civil Code.

With regard to the contents of the complaint, the board of statutory auditors, at the end of a detailed investigation carried out on all the points raised by the above-mentioned shareholders of BMPS, concluded that such complaints ~~were~~are not grounded.

Except for the above, the complaints filed with the Board of Statutory Auditors (sometimes for information only) ~~which~~ are not material.

The Board in any case has always verified whether such complaints were grounded so as to eventually take action to solve the relevant issues, especially with regard to internal managerial issues or activities of the Bank not considered fully appropriate.

Anti-money laundering

As at the date of this Prospectus 13 judicial proceedings are pending before the ordinary judicial authority in opposition to sanctioning decrees issued by the MEF in the past years against some employees of BMPS and the Bank (as a jointly liable party for the payment) for infringements of reporting obligations on suspicious transactions pursuant to Legislative Decree No. 231/2007. The overall amount of the opposed monetary sanctions is equal to approximately Euro 4~~,781,362.88~~.8 million of which around Euro 1,~~821,343.12~~450,000.00 million was already paid.

The Bank's defence in the context of such proceedings aims, in particular, at illustrating the impossibility to detect, at the time of events, the suspicious elements of the transactions/ subject matter of the allegations, usually emerging only after an in-depth analysis carried out by the tax police and/or ~~the judicial~~other competent authority. The upholding of the Bank's position may entail the avoidance by the ~~Courts~~judicial authority of the sanctioning measure

imposed by the MEF and, in case the payment of the sanction has already been executed, the recovery of the related amount.

For the sake of completeness~~,~~ it is worth noting that, as at the date of this Prospectus, ~~38~~69 administrative proceedings are pending – in addition to the abovementioned proceedings in respect of which the opposition proceeding are in progress – instituted by the competent authorities for the alleged violation of the anti-money laundering regime. The overall amount of the petitum (amount of money of the individual operations to which these objections refer to) related to the abovementioned administrative proceedings is equal to around Euro 100~~,287,669.29~~.3 million.

Labour disputes

As at the date of this Prospectus the Bank is a party in around ~~630~~650 judicial proceedings both active and passive of labour nature concerning, inter alia, appeals against individual dismissals, declaration requests of subordinate employment relations with indefinite duration, compensation for damages due to professional setbacks, requests for higher positions and miscellaneous economic claims.

Provisions were created to pay the costs associated with these proceedings, based on an internal assessment of the potential risk. The provisions the Bank created regarding this type of litigation are comprised within the "provision for risks and charges" which amounts to around Euro ~~33.1~~30.5 million (Euro ~~34.4~~31.2 million at consolidated level) as at ~~30 September~~31 December 2018.

It has to be further specified that, after the transfer of the back-office activities business unit to Fruendo S.r.l. occurred in January 2014 which concerned 1,064 resources, 634 employees (then were reduced to ~~480~~487 as a results of renouncement/conciliation and deaths) sued the Bank before the Courts of Siena, Rome, Mantua and Lecce seeking, inter alia, the continuation of the employment relationship with the Bank, subject to prior declaration of ineffectiveness of the transfer agreement entered into with Fruendo S.r.l.

As at the date of this Base Prospectus, for one plaintiff a first instance action is pending with a hearing set for ~~13 March~~ 4 October 2019, while for the other 479 first and/or second instance decisions already intervened with an unfavourable outcome for the Bank and consequent entitlement for the same employees to be rehired.

In particular, a first instance ~~judgement~~judgment was already issued for no. 143 employees (by the Courts of Lecce and Rome) that the Bank has already challenged and/or has reserved to challenge by the ritual terms in front of the competent Court of Appeal with hearings scheduled between ~~January~~March 2019 and February 2020. A second instance ~~judgement~~judgment has instead already occurred for no. 336 employees (by the Courts of Appeals of Florence, Rome and Brescia) against which the Bank has already promoted the challenge in front of the Supreme Court (~~the next hearing has been scheduled on 16 January 2019~~as at the date of this Base Prospectus, the schedule of the public hearing by the Supreme Court in relation to all the claims filed is pending).

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

~~1.~~ the transfer of an economic entity, functionally autonomous though not pre-existing, as it was identified by the transferor and the transferee at the time of the transfer, would not

allow for the automatic transfer of employment relationships pursuant to article 2112 of the Italian Civil Code and therefore would require the consent of the concerned workers; and

~~2.~~ the automatic transfer of employment relationships pursuant to article 2112 of the Italian Civil Code would not be permitted and therefore the consent of the concerned workers would be required if, in the case of a transfer of an economic entity carrying out banking back office activities, the transferring Bank would maintain ownership of the applications and IT infrastructure, only granting them to the transferee for use for valuable consideration.

As at the date of this Prospectus, no. 72 ~~employees~~ (later reduced to 31 after ~~No. 25~~ renouncements ~~to be ratified in accordance with the law~~ and ~~no. 16~~ reconciliations) over no. 479 entitled, notified an act of precept by which they have demanded to be reinserted into the labour sole book ~~("~~(“Libro Unico del Lavoro~~")~~”) of the Bank and for restoring their contribution and insurance position, both opposed by the Bank with appeals in front of the labour section of the Court of Siena. At the ~~latest~~ hearings~~, the trials were referred for the discussion on 25 January 2019 and~~ of 15 February 2019 the judge reserved his position.

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

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

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

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

Furthermore, it is worth noting that during 2017, 52 employees of Fruendo S.r.l. (then reduced to 35 following renouncement/conciliation) have sued the Bank before the Court of Siena (with 6 separate proceedings) in order to demand the continuation of the working relationship with the Bank, following the declaration of illegal interposition of workforce ("*illecita interposizione di manodopera*"), so called "*appalto illecito*" (which has no criminal implications) in the context of services disposed through outsourcing from the Bank to Fruendo S.r.l~~., with hearings, as to date, set on 25 January 2019~~. On 26 January 2019, the Court of Siena upheld the motivations brought by the Bank, rejecting the claims raised by the plaintiffs.

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

In such case as well, the potential negative outcome of the proceeding would determine, as of today, the restoration of the employment relationship with the Bank without liabilities for the

previous wage differences, since such appellants were continuously employed with Fruendo S.r.l. and have maintained the wage treatment granted by BMPS in the context of the transfer of the business unit.

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

Sanctioning procedures

Bank of Italy

(A) *Bank of Italy's sanctioning procedures in the matter of anti-money laundering and transparency of transactions and banking and financial services*

Following the Bank of ~~Italy's~~Italy's inspections between September 2012 and January 2013, the supervisory authority launched a sanctioning procedure in April 2013 against the members of the board of directors and Board of Statutory Auditors in office at the time of the events, several officers of the company and BMPS, as jointly liable parties, for irregularities in the transparency of transactions and banking and financial services and lack of fairness in the relations between brokers and clients (article 53, subsection 1, letters b) and d), article 67, subsection 1, letters b) and d), Title VI of the ~~Consolidated~~Italian Banking Act and its implementing regulations) in particular with reference to the repricing modalities of credit assets and the definition of fee structures resulting from the removal of the maximum overdraft fee for loans and overdrafts. Furthermore, a sanctioning procedure against BMPS for irregularities concerning anti-money laundering and, in particular, for lack of customer due diligence, was also launched.

As regards the sanctioning procedure in the matter of anti-money laundering, the Bank of Italy deemed concluded the procedure, without imposing any sanctions.

In relation to the transparency of transactions and banking and financial services, the Bank of Italy imposed Euro 130,000 in sanctions against the former General Manager of BMPS and former Chief Compliance Officer in office in the reference period. The Bank has not appealed the decision and has proceeded with the payment of sanctions as a jointly liable party. The former Chief Compliance Officer has appealed the decision of the Regional Administrative Court of Lazio ~~(TAR).~~. On 26 February 2016, the Bank filed with the Court of Siena a recourse action against the former General Manager Antonio Vigni. On 14 November 2016, the Courts stayed the action until the definition of the appeal proceeding instituted by Mr. Vigni against the sanctioning procedure, deeming a prejudicial correlation existing between the two disputes.

CONSOB

(B) *CONSOB's sanctioning procedures for failed compliance with the provisions in the matter of a public offer of financial instruments and rules concerning the provision of investment services*

Subsequent to investigations carried out in 2012, on 19 April 2013 CONSOB notified the opening of two proceedings concerning failed compliance with (1) the provisions in the matter of a public offer of financial instruments (article 95, subsection 1, lett. c), of the Consolidated

Finance Act and article 34-*decies* of the Issuer's regulation) with reference to the conduction of the public offer of the product "Casaforte classe A" as part of the "Chianti Classico" transaction; and (2) the rules concerning the provision of investment services (article 21, subsection 1, lett. a) and d), and subsection 1-*bis*, lett. a), of the Consolidated Finance Act; article 15, 23 and 25 of the Joint Regulation Bank of Italy/CONSOB of 29 October 2007; article 39 and 40 of CONSOB regulation no. 16190 of 29 October 2007; article 8, subsection 1, of the Consolidated Finance Act). Specifically, as regards the procedure in sub (2), objections have been raised concerning: (i) irregularities relating to the conflict of interest regime; (ii) irregularities relating to the suitability assessment of transactions; (iii) irregularities relating to pricing procedures of products issued thereby; and (iv) disclosure of untrue or partial data and information.

The violations have been charged by CONSOB mainly against the members of the Bank's board of directors and Board of Statutory Auditors in office at the time of events, as well as against certain company officers. The Bank, as jointly liable party for the payment of sanctions, pursuant to article 195, subsection 9, of the Consolidated Finance Act, intervened in the various phases of the proceeding, transmitting to the supervisory authority accurate counterclaims for each allegation.

~~As regards the first proceedings in sub (1), with resolution no. 18850 of 2 April 2014, CONSOB closed it imposing pecuniary administrative sanctions for an aggregate amount of Euro 43,000, on the General Manager then in office and some managers of the Issuer's~~Issuer's corporate structures and did not find any violation on the side of the members of the board of directors and Board of Statutory Auditors in office at the time of events. The measure has not been challenged by the Bank.

As regards the second proceedings in sub (2), with resolution no. 18856 of 9 April 2014, CONSOB closed it imposing pecuniary administrative sanctions for an aggregate amount of Euro 2,395,000 on officers and managers of the Bank's corporate structures. The measure has been appealed by the Bank before the Court of Appeal of Florence, which substantially denied the objections submitted by the same Bank and some sanctioned persons, with the sole exception of the upholding of one single objection relating to the position of a manager addressee of a sanction equal to Euro 3,000. After this the overall sanctions amount has been reduced to Euro 2,392,000. The appeal with the Supreme Court is pending.

Both measures have been notified to the Bank, in its capacity as joint obligor, and the total amount of sanctions has been paid thereby in light of the joint obligation provided for by article 195, subsection 9, of the Consolidated Finance Act in force at the time.

~~The Bank commenced the preparatory activities to the exercise of the recourse actions under the terms of law, evaluating the filing thereof in relation to the bringing of appeals by the individuals subject to sanctions against the measures and also in relation to the position of those individuals found to have acted with wilful misconduct or gross negligence, those in respect of which a corporate liability action has been brought, there are indictment requests in the context of criminal proceedings or significant disputes are pending.~~

As regards the proceedings in sub (1), a recourse action has been brought against Mr. Vigni; the action, instituted before the Courts of Siena, has been deferred to 12 December 2018 following the failure of the assisted negotiation procedure. As at the date of this Base Prospectus, the proceedings are on-going; the next hearing is scheduled to be held on 11 September 2019

As regards the proceedings in sub (2), a recourse action has been brought before the Courts of Siena against Mr. Mussari, Mr. Vigni and Mr. Baldassarri; on 23 April 2017, the action has

been stayed until the ruling on the appeal proceedings brought by the defendants against the sanctioning measure.

AGCM

(C) *Competition and Market Authority ("AGCM") Proceedings I794 of the AGCM – Remuneration of the SEDA service*

On 21 January 2016, the AGCM opened proceedings I794 against ABIthe Italian Banking Association (ABI) in respect of the remuneration of the SEDA service. Such proceeding was subsequently extended (on 13 April 2016) to the eleven most important Italian banks, amongst which was BMPS. According to AGCM the interbank agreement for the remuneration of the SEDA service may represent an agreement restricting competition pursuant to article 101 of the Treaty on the Functioning of the European Union, since it would imply "the absence of any competitive pressure", with a consequent possible increase in overall prices to be borne by enterprises, which may be in turn charged to consumers.

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

BMPS challenged the measure before the TAR, the appeal has been filed and notified and the order setting the hearing is being awaited. The appeal does not suspend the execution of the measures provided by the authority.

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

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

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

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

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

2018 the Court reserved its decision. Meanwhile, the Bank has taken action to reimburse its customers previously referred to DPI, who have purchased diamonds from the latter and intend to exit from their investment. By a decision published on 14 November 2018, the Regional Administrative Court of Lazio (TAR) rejected the appeal of BMPS and confirmed the AGCM sanctions; the Bank ~~is evaluating~~, following proper evaluations of the legal grounds of the events, has decided not to ~~determine~~appeal against such decision which, consequentely, became the ~~best approach to take~~final judgment.

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

Privacy

In April 2015 the tax police, lieutenant unit of Sant'Angelo dei Lombardi, served on BMPS two formal written notices for the alleged violation of articles 161 and 162, subsection 2-bis of Legislative Decree No. 196/2003 relating to the Data Protection Code inviting to pay a reduced sanction equal to Euro 128,000; the notice was served on the Bank in its role as "data controller" in the context of the activity carried out by a former financial advisor, against whom a criminal proceeding was instituted for the crimes committed during such activity, as well as jointly liable party. BMPS asked the data protection authority to dismiss the proceedings because the alleged events were ascribable only to the personal liability of the financial advisor without any involvement of the Bank in any respect whatsoever. As at the date of this Prospectus, the proceeding is still in progress. The maximum applicable sanction, should the authority deem the verifications grounded, amounts to Euro 624,000.

The tax police, lieutenant unit of Molfetta, in May 2015 served on the Bank a formal written notice for the alleged violation of articles 33 and 162, subsection 2-*bis* of Legislative Decree 30 June 2003, No. 196, "Data Protection Code". The administrative offence element of the proceedings provides for a maximum sanction of Euro 240,000. The notice was served on the Bank as joint obligor for the facts ascribable to an employee, who was charged with having processed customers' personal data omitting to comply with the security measures provided for by article 33 of the aforementioned "Code". On 4 June 2015, the Bank sent the data protection authority a defensive brief in which it requested the dismissal of the proceeding due to it being unrelated to the events. As at the date of this Prospectus, the proceeding is still in progress.

Judicial proceedings pursuant to Italian Legislative Decree 231/2001

In the context of a proceeding instituted by the public prosecutor's office at the Court of Forlì against several natural persons and three legal persons for money laundering and obstacle to the exercise of public supervisory functions, the Bank was charged with three administrative offenses from crime: obstruction of the exercise of public supervisory functions pursuant to article 2638 of the Italian Civil Code, money laundering pursuant to article 648-bis of the Italian Criminal Code and transnational criminal association (article 416 of the Italian Criminal Code).

In particular, the public prosecutor believes that the employees of the Forlì branch of the Bank, subject to the direction and supervision of people in senior positions within the Bank, have committed, in the interest and to the advantage of the Bank, the above described crimes.

According to the indictment, the commission of these offenses would have been possible due to the breach of the direction and supervision obligations for the adoption and effective implementation by the Bank, prior to the commission of such offenses, of an organisation, management and control model suitable to prevent crimes such as those at hand.

BMPS' activities, subject to disputes, which are within the time period 2005-2008, relate to operations carried out by the branch of Forlì, on behalf of the Cassa di Risparmio of San Marino, on a management account opened with the Bank of Italy – Branch of Forlì on behalf of BMPS.

In consideration of the particular location within the Republic of San Marino, the Cassa di Risparmio of San Marino had in fact required the Forlì branch of BMPS to use such account to meet its cash demands, through the cash deposit/withdrawal operations at the relevant branch of the Bank of Italy.

Such operations, characterised by a strong movement of cash, and the anomalies charged by the judicial authority on the registration in the single digital archive (Archivio Unico Informatico – - "AUI") of the relating transactions, which at that time, considering unequivocal legislation on the relations between Italy and the Republic of San Marino, led BMPS to consider the Cassa di Risparmio of San Marino as a "licensed intermediary", representing the basis of the allegations against to Bank.

According to the judicial authority, such operations would have been put in place to prevent the identification of the criminal origin of such amounts, as well as the traceability of all hidden exchange operations related to illicit amounts.

In particular, the employees of the Forlì branch have been jointly charged with the crime of obstructing the functions of public supervisory authorities, money laundering, violation of the Italian anti-money laundering regime and criminal association in relation to the transnational crime pursuant to Law 146/2006, the commission of which is assumed to have been permitted because of the breach of the direction and supervision obligations by the Bank in the alleged absence of a suitable and effective organisational model.

The conduct put in place by employees, according to the opinion of the judicial authority, would have permitted to conceal the commission of money laundering offenses, not to acquire accurate information on the actual beneficiaries of such transactions nor on the real characteristics, purpose and nature of the related accounting movements with effects on the recordings in the AUI. The Bank's defence in these proceedings seeks to prove the non-existence of the crimes at the basis of the allegations against it and to demonstrate the adoption and effective implementation, yet at the time of events of an organisation, management and control model suitable to prevent crimes such as those at hand.

The PHJ at the Court of Forlì ordered the indictment of the defendants, amongst which was BMPS, for profiles of administrative liability of entities. Following a preliminary issue concerning territorial jurisdiction with the Court of Rimini, at the hearing of 1 December 2017 the proceeding was postponed (i) to 5 June 2018 for the discussion of preliminary issues and (ii) to 17 April 2019 for the continuation of the proceeding.

Following the compulsory charges ordered by the judge of the preliminary investigation of Milan for the crimes of false corporate communications and market manipulation, the Bank has been included in the register of the suspects for the administrative offences pursuant to article 25-ter, lett. b) and article 25-sexies of Legislative Decree 231/2001.

In such matter, relating to the process of accounting of the "Santorini" and "Alexandria" transactions following the restatement occurred in 2013, the public prosecutor's office at the Court of Milan requested to drop the charges made in respect of Mr. Profumo, Mr. Viola and

Mr. Salvadori. Such request was not granted. The abovementioned officers have been charged along with the Bank, as administrative accountable entity pursuant to Legislative Decree 231/2001.

At the preliminary hearing of 29 September 2017, to the pending proceeding against the Bank as administrative accountable entity was merged in the one pending against the individuals.

Following the preliminary hearing the PHJ recognised that there were no grounds for the issuing of a judgment not to proceed and it has declared the referral to trial of Mr Viola, Mr Profumo and Mr Salvadori and BMPS (as entity indicted pursuant to Legislative Decree 231 of 2001).

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

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

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

By order issued at the hearing held on 19 November 2018, the Court rejected the ~~claim for~~objections relating to the lack of territorial competence previously raised by the defending counsels and, consequently, the discussion of the case started and the next hearing has been scheduled on 18 March 2019, reserving a decision with respect to the request of a conservative seizure against Mr. Profumo and Mr. Viola raised by certain parties. By order issued on 3 December 2018, the Courts rejected the request.

The petitum relating to this proceeding, where quantifiedAdministrative offences pursuant to Legislative Decree 231/2001 challenged in ~~connection with~~ relation to the ~~filing~~sale of ~~damaged civil parties,~~investment diamonds based on allegedly self-laundering crime (Article 648-ter of the Italian Criminal Code)

On 19 February 2019, the Bank was ~~approximately~~served by the judge for preliminary investigations of the Court of Milan with a decree of preventive seizure relating to the diamonds case reported hereby. The decree was notified to numerous natural persons, two diamond companies (Intermarket Diamond Business S.p.A. and Diamond Private Investment S.p.A.), as well as five banking institutions, including the Issuer, leading to the preventive seizure against the Issuer of the profit arising from the crime of continued aggravated fraud, for the amount equal to Euro ~~76~~35.5 million. The Issuer was also notified of a decree of preventive seizure for equivalent pursuant to article 53 Legislative Decree 231/2001 in relation

to the crime of self-money laundering, for an amount equal to Euro 195,237.33. As at the date of the Base Prospectus, three employees of the Issuer are involved in this case, but identification of any other natural persons belonging to the BMPS structure is ongoing. The Issuer submitted a request for review of the above mentioned precautionary measure.

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

Tax disputes

The Bank and the main Group companies are involved in a number of tax disputes. As at ~~the date of this Prospectus around 60~~ 31 December 2018 around 115 cases are pending, for a total amount at consolidated level of approximately Euro ~~130~~141 million for taxes ~~and~~, sanctions~~.~~ and interests set out in the relevant claim (of which Euro 121 million relating to the Bank). The value of disputes also includes that associated with tax verifications closed for which no dispute is currently pending since the tax authority has not yet formalised any claim or contestation.

Pending disputes with a likely unfavourable outcome are of a limited number and amount (approximately Euro 10 million) and are guarded by adequate allocations to the overall provisions for risks and charges for approximately Euro 35 million.

Please find below an overview of the most significant pending proceedings in terms of petitum (over Euro 10 million as taxes and penalties), and the main investigations in progress, which may have a potential impact for which there are no proceedings pending.

(A) *Revaluation substitute tax*

On 21 December 2011, two tax assessment notices were served on MPS Immobiliare, with regard to IRES and IRAP, respectively, issued based on the findings of a 2006 tax police audit report.

The dispute regards the correct determination of the calculation base for substitute tax on the payment of the revaluation surplus pursuant to Law 266/2005. The relevant liability (higher taxes and sanctions) is equal to Euro 31 million approximately. On 15 October 2013, the District Tax Court of Florence entirely upheld the arguments presented by the company, completely overruling the above tax claims also in light of similar case law decisions on the matter, some of which have become final after the tax authority's failure to appeal them before the Supreme Court. The tax authority lodged an appeal against the District Tax Committee's decision. Such appeal was rejected on 28 September 2015 by the competent Regional Tax Committee, which confirmed the favourable first instance decision. Against the second instance decision the tax authority filed an appeal before the Court and the Bank filed a counterclaim.

The risk of an unfavourable outcome in the case has been assessed by the company and its advisers as remote.

(B) *Deductibility and pertinence of some costs of the former consolidated company Prima SGR S.p.A.*

BMPS is involved in the proceedings instituted by – at the time of events – the investee company Anima SGR S.p.A. against the allegations moved by the Regional Tax Office of Lombardy against Prima SGR S.p.A. (a company already included in the tax consolidation,

now merged by incorporation into Anima SGR S.p.A.) for lack of competence or pertinence of some costs deducted in tax years 2006, 2007 and 2008.

The Regional Tax Office of Lombardy claimed in aggregate, Euro 20.6 million for taxes and sanctions: (i) for financial year 2006 taxes of around Euro 4.3 million and sanctions of around Euro 5.1 million; (ii) for financial year 2007 taxes of around Euro 2.8 million and sanctions of around Euro 3.6 million; and (iii) for financial year 2008 taxes of around Euro 2.1 million and sanctions of around Euro 2.7 million.

The tax assessment notices were challenged before the Provincial Tax Committee of Milan. In respect of financial year 2006, the proceedings is currently pending before the Supreme Court following the challenge of the judgment pursuant to which the Regional Tax Committee of Lombardia upheld the first instance judgment save for the exception relating to the challenge for wrongful withholding of costs equal to approximately Euro 2.7 million. In relation to financial years 2007 and 2008, the proceedings following the appeal lodged by the Bank against the negative ruling of the Provincial Tax Committee of Lombardy of 21 December 2017 (which upheld the appeal of the Regional Tax Office against the first instance judgment favourable to the bank), is still pending before the Supreme Court.

Furthermore, in respect of financial year 2006, on 2 May 2017, the Regional Direction of Lombardy notified a partial self-protection measure with which, upholding the request brought by the Bank, the sanctions relating to one of the allegations in the dispute have been disregarded and overall sanctions have been re-determined, for an amount of around Euro 3.9 million (instead of 5.1 million). Accordingly, net of the taxes already paid on a definitive basis, for around Euro 0.6 million, with reference to one allegation which was not challenged during the trial, the overall amount due to taxes and sanctions is reduced from Euro 20.6 million to Euro 18.8 million.

According to BMPS and its consultants, the risk of a negative outcome for this dispute shall be qualified as likely in respect of Euro 1.8 million and possible in respect of Euro 17 million.

(C) *Deductibility of the capital loss posted by the former consolidated company AXA MPS Assicurazioni Vita in respect of the securities held thereby in Monte Sicav*

BMPS is involved in the legal action instituted by the investee company AXA MPS Assicurazioni Vita (a company already included in the tax consolidation) against the complaints lodged by the Regional Tax Office of Lazio regarding the tax treatment of the write-downs carried out in respect of the units held in the Luxembourg-based open-ended investment company Monte Sicav.

In particular, the Tax Office claimed that the qualification of the securities issued by Monte Sicav Equity was not correct (i.e. series or mass issued securities), and that such securities should have instead been qualified as equity interests and consequently been governed by the relevant regime. More specifically, the auditors maintained that the adjustments in value of Monte Sicav Equity's securities could not be entirely deducted in the financial year during which they had been posted, *i.e.* 2004, as was done by the company.

As a consequence, the Regional Tax Office of Lazio included the entire amount of value adjustments posted and deducted by AXA MPS Assicurazioni Vita within the tax base, claiming that the company shall pay higher taxes and sanctions for Euro 26.2 million.

The tax claims were challenged by AXA MPS Assicurazioni Vita and BMPS before the District Tax Committee of Rome, which has entirely rejected the petitions lodged by the two companies. Such decision was further confirmed on appeal, when the first instance judgment

was totally upheld by the Regional Tax Committee of Lazio. The proceedings are currently pending before the Supreme Court.

BMPS and its advisers believe that the risk of a negative outcome in the case can be qualified as likely for Euro 3 million and possible for Euro 23.2 million.

Without prejudice to the *petitum* limits of these legal actions, it should however be noted – in light of the similarities of claims with those described above – that, in line with the claims relating to tax period 2004, the tax authority claimed that the value adjustments posted by AXA MPS Assicurazioni Vita for Monte Sicav's shares could not be deducted entirely for the tax period 2003 either. The tax claim was challenged by AXA MPS Assicurazioni Vita before the District Tax Committee of Rome, which entirely rejected the petition. The first instance judgment was promptly challenged but in its decision of 26 May 2015 (filed on 17 June 2015) the competent Regional Tax Committee rejected the appeal. These proceedings are also pending before the Supreme Court.

BMPS and its advisers believe that the risk of a negative outcome in the case is to be qualified as likely for Euro 1 million and possible for around Euro 6.5 million.

It is worth noting that the impact on BMPS of the liabilities (if any) arising from the above proceedings depends on the involvement (if any) of BMPS deriving from the guarantee clauses set out in the assignment agreements of AXA MPS Assicurazioni Vita.

(D) *Maritime leasing*

MPS Leasing & Factoring S.p.A. has been served a number of tax assessment notices regarding the previous use of maritime leasing agreements, which can be qualified as a typical case of "abuse of rights". In such notices, the tax authority included the difference between the ordinary rate currently in force and the VAT flat-rate within the tax base, as clarified by Ministerial Circular no. 49/2002. The proceedings pending to date regard tax years 2004 to 2010 (excluding 2005, in respect of which a final decision has been taken), for an amount of approximately Euro 11.6 million. As at the date of this Prospectus the judgments handed down at the various stages of the dispute for years 2004 to 2010, were favourable to the company, except for year 2006, in respect of which the petition was partially upheld on appeal. The company and its advisers believe that there is a remote risk of a negative outcome in the case in respect of all disputes in general. With regard to the claims for year 2006 alone, upheld by the Appeal Court and regarding a potential liability (in terms of taxes and sanctions) of approximately Euro 165 ~~thousand~~,000, the risk has been deemed to be possible.

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With the exception of the foregoing, during the 12 months preceding the date of this Prospectus, there were no governmental proceedings, legal or arbitration (including proceedings pending or threatened of which BMPS is aware) that may have or has had in the recent past a material impact on the financial situation or the profitability of the Issuer."

4. MANAGEMENT OF THE BANK

4.1 On page 356 of the Base Prospectus, the section headed "*Management of the Bank*", shall be deleted and replaced as follows:

"**MANAGEMENT OF THE BANK**

Board of Directors

The board of directors was appointed by the ordinary shareholders' meeting of 18 December 2017 and such appointment will expire on the date of the shareholders' meeting approving the financial statements for the year ending on 31 December 2019.

The board of directors is currently made up as follows.

Name	Position	Date of birth	Position held
Stefania Bariatti (*)	Chair	28 October 1956	Vice President of the Board of Directors of SIAS S.p.A. Sole Director of Canova Guerrazzi s.s. Vice President and member of the Board of Directors of the Italian Banking Association
Antonino Turicchi	deputy chair	13 March 1965	Advisor to Autostrade per l'Italia S.p.A. Director of Leonardo S.p.A. Chair of the Board of Directors of STMicroelectronics Holding N.V. Manager of Direzione VII – Finanze e privatizzazioni del Dipartimento del Tesoro del Ministero dell'Economia e delle Finanze
Marco Morelli	chief executive officer	08 December 1961	Director and member of the Board of Directors

			of the Italian Banking Association Vice President of the Board of Directors of Fondazione Onlus Gino Rigoldi
Maria Elena Cappello (**)	Director	24 July 1968	Director of Prysmian S.p.A. Director and member of the Sustainability committee of Saipem S.p.A. Director and member of the related party committee of TIM S.p.A.
Marco Giorgino (**)	Director	11 December 1969	Chair of the Board of Directors of Vedogreen S.r.l. Director of REAL STEP SICAF S.p.A. Director of Luxottica S.p.A. Statutory Auditor of RGI S.p.A.
Fiorella Kostoris (**)	Director	5 May 1945	
Roberto Lancellotti (**)	Director	21 July 1964	Director of Datalogic S.p.A.
Nicola Maione (**)	Director	9 December 1971	Chair of the Board of Directors of ENAV S.p.A. Director of Associazione Bancaria Italiana
Stefania Petruccioli (**)	Director	5 July 1967	Director of Dè Longhi S.p.A.

			Director of Interpump Group S.p.A. Director of RCS Media Group S.p.A. Director of Comecer S.p.A. Director of Newton S.r.l. Director of F2A S.p.A. Director of Italian Banking Association
Salvatore Fernando Piazzolla (*)	Director	5 March 1953	
Angelo Riccaboni (**)	Director	24 July 1959	Chair of Fundacion PRIMA Chair of Fondazione Sclavo Director of Fondazione Smith Kline Chair of the Steering committee of Santa Chaira Lab Innovation Center of University of Siena Director of Università degli Studi di Milano – Bicocca
Michele Santoro (**)	Director	28 March 1955	
Giorgio Valerio (**)	Director	13 July 1966	Director and Member of the control and risk committee, the nominating and compensation committee and the Related Party committee of Massimo Zanetti Beverage Group S.p.A.

			Chair of the Board of Directors of Niuma S.r.l. Director of ALP.I S.p.A.
Roberta Casali (**) (***)	Director	25 January 1962	Director of Antirion SGR S.p.A.

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

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

Managers with strategic responsibilities

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

Name	**Position**	**Date of birth**	**Position held**
Marco Morelli	general manager and Chief Executive Officer	08 December 1961	Director and member of the Board of Directors of the Italian Banking Association Vice president of the board of directors of Fondazione Onlus Gino Rigoldi
Giovanni Ametrano	head of performing loan	06 April 1965	Director of MPS Leasing & Factoring S.p.A.
Maurizio Bai	head of network division	23 July 1967	//
Giampiero Bergami	chief commercial officer	27 February 1968	Director of Banca Monte Paschi Belgio S.A.

			Director of Bonfiglioli Riduttori S.p.A.
Vittorio Calvanico	chief operating officer	08 February 1964	Director of MPS Capital Services Banca per le Imprese S.p.A. Director of Ausilia S.r.l.
Pierfrancesco Cocco	chief audit executive	07 June 1954	//
Eleonora Cola	head of retail	18 July 1965	Director of Consorzio Operativo Gruppo Montepaschi S.c.p.a. Director of AXA MPS Assicurazioni Vita S.p.A. Director of AXA MPS Assicurazioni Danni S.p.A. Director of Microcredito di Solidarietà S.p.A.
Ilaria Dalla Riva	chief human capital officer	20 November 1970	Director of Wise Dialog Bank – Widiba S.p.A. Director of MPS Capital Services Banca per le Imprese S.p.A. Director of MPS Leasing

			& Factoring S.p.A. Vice president of the Board of Directors of Consorzio Operativo Gruppo Montepaschi S.c.p.a. Director of CONSEL – Consorzio Elis per la formazione professionale superior S.c.a.r.l. Member of the coordination committee of the Osservatorio Giovani Editori
Fabiano Fossali	head of corporate	22 March 1968	Director of MPS Leasing & Factoring S.p.A.
Fabrizio Leandri	chief lending officer	21 April 1966	//
Ettore Minnella	head of operations	18 September 1960	//
Andrea Rovellini	chief financial officer	15 February 1959	Director of Wise Dialog Bank – Widiba S.p.A. Director of AXA MPS Assicurazioni Danni S.p.A. Director of AXA MPS Assicurazioni Vita S.p.A.

			Director of Nuova Sorgenia Holding S.p.A.
Marco Palocci	head of external and institutional relations	02 December 1960	Vice President of the Board of Directors of Fondazione Banca Agricola Mantovana Member of the Board of Directors of Fondazione Musei Senesi Member of the Board of Directors of Fondazione Banca Antonveneta
Riccardo Quagliana	head of group general counsel	04 February 1971	Vice president of Wise Dialog Bank – Widiba S.p.A. Director of MPS Capital Services Banca per le Imprese S.p.A. Director of Conciliatore bancario finanziario
Leonardo Bellucci	chief risk officer	21 February 1974	//
Lucia Savarese	head of non-performing loan	30 March 1964	Director of MPS Capital Services banca per le Imprese S.p.A.

Federico Vitto	head of wealth management	14 November 1968	Chair of MPS Fiduciaria S.p.A. Director of AXA MPS Assicurazioni Danni S.p.A. Director of AXA MPS Assicurazioni Vita S.p.A. Managing director of ASSIOM Forex servizi S.r.l. Director of AXA MPS Financial Designated Activity Company (DAC)
Ettore Carneade	head of compliance area	16 June 1961	//
Nicola Massimo Clarelli	chief financial reporting officer	22 October 1971	//

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

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

Name	**Title**	**Position held**
Elena Cenderelli	Chair	chair of the board of statutory auditors of AXA MPS Assicurazioni Vita S.p.A. chair of the board of statutory auditors of AXA MPS Assicurazioni Danni S.p.A.

Raffaella Fantini	Auditor	auditor of SO.G.IM S.p.A. auditor of ICCAB S.r.l. auditor of Ecuador S.p.A. auditor of Società Immobiliare Minerva S.r.l. auditor of BP Real Estate S.p.A. auditor of Coni Servizi S.p.A. auditor of Istituto Nazionale previdenza giornalisti italiani
Paolo Salvadori	Auditor	chair of the board of statutory auditors of SEVIAN S.r.l. chair of the board of directors of AXA Italia Servizi S.c.p.a. chair of the board of statutory auditors of Italia Due Ponti S.p.A. chair of the board of statutory auditors of MA Centro Inossidabili S.p.A.
Daniele Federico Monarca	alternate auditor	auditor of ICM S.p.A. director of Blue Financial Communication S.p.A. chief executive officer of Pigreco Corporate Finance S.r.l. chair of the board of statutory auditors of ADVALORA S.p.A. auditor of Fiera Milano S.p.A. director of Il cielo in una stanza S.r.l. chair of the board of directors Consaequo Partners S.r.l."

Claudia Mezzabotta	alternate auditor	chair of the board of statutory auditors of Carrara S.p.A. auditor of Sabre Italia S.r.l. auditor of AVIO S.p.A. single auditor of RES – Research for enterprise systems S.r.l. chair of the board of statutory auditors of Fultes S.p.A. auditor of Quadrifoglio Piacenza S.p.A. in liquidazione single auditor of GE Lighting S.r.l. auditor of Pentagramma Perugia S.p.A. auditor of Inalca S.p.A. auditor of Synopo S.p.A. single auditor of Winwin S.r.l. auditor of Pentragramma Piemonte S.p.A. in liquidazione auditor of Ente Nazionale Previdenza e assistenza degli psicologi alternate auditor of Amplifon S.p.A. alternate auditor of Gommauto Ambrosiana S.p.A. alternate auditor of Quadrifoglio Verona S.p.A. in liquidazione alternate auditor of Prysmian S.p.A."

5. GENERAL INFORMATION

5.1 On page 473 of the Base Prospectus, under section "*General information*", the paragraph headed *"Trend information / "* shall be deleted and replaced as follows (track changes show the amendments made):

"**Trend Information / No Significant Change**

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

Since 31 December 2017 there has been no material adverse change in the prospects of the Guarantor and since 31 December 2017 there has been no significant change in the financial or trading position of the Guarantor."

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

"**Documents Available**

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

(a) the by-laws of the Issuer and the constitutive documents of the Guarantor;

(b) the audited consolidated annual financial statements of the Issuer as at and for the years ended ~~31 December 2016~~ 31 December 2017 and 31 December 2018;

(c) the unaudited half-yearly consolidated financial report of the Issuer as at and for the period ended 30 June 2017 and 30 June 2018;

(d) the consolidated unaudited interim financial report of BMPS as at 30 September 2017 and 30 September 2018;

(e) the audited financial statements of the Guarantor as at and for the years ended 31 December 2016 and 31 December 2017:

(f) the auditors' reports for the Issuer for the financial year ended ~~31 December 2016 and for the year ended~~ 31 December 2017 and 31 December 2018;

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

(h) a copy of this Prospectus;

(i) any future offering circular, prospectuses, information memoranda and supplements to this Prospectus including Final Terms and any other documents incorporated herein or therein by reference;

(j) each of the following documents (as amended and restated from time to time, the "Programme Documents"), namely:

- Guarantee;
- Subordinated Loan Agreements;
- Master Assets Purchase Agreement;
- Cover Pool Management Agreement;
- Warranty and Indemnity Agreement;
- Master Servicing Agreement;
- Asset Monitor Agreement;
- Quotaholders' Agreement;
- Cash Allocation, Management and Payments Agreement;
- English Account Bank Agreement;
- Covered Bond Swap Agreements;
- Asset Swap Agreements;
- Mandate Agreement;
- Deed of Pledge;
- Deed of Charge
- Intercreditor Agreement;
- Guarantor Corporate Services Agreement;
- Programme Agreement; and
- Master Definitions Agreement