

PRESS RELEASE

MPS GROUP: AMOUNT OF DEFERRED TAX ASSETS (DTAs) REVISED

NO IMPACT ON CAPITAL RATIOS AND ON OPERATING RESULTS

**DTAs (RECORDED AND NOT RECORDED IN THE BALANCE SHEET) REMAIN AN
IMPORTANT ASSET FOR THE GROUP**

Siena, 9 January 2020 – Banca Monte dei Paschi di Siena (“BMPS”) announces that, following the final approval of the 2020 Budget Law (L. 160/2019), and as anticipated in the 30 September 2019 results, it has revised the amount of DTAs recorded in the balance sheet (EUR 3.1 billion as at 30 September 2019), in order to take into account the effects on future taxable income deriving from the reintroduction of the “ACE – Aiuto alla Crescita Economica” fiscal benefit and from the evolution of the macroeconomic scenario.

The reintroduction of ACE¹ entails an important prospective tax benefit for the MPS Group through the decrease of taxable income but, at the same time, decreased taxable income determines a lower capacity for future reabsorption of DTAs (particularly those on non-convertible fiscal losses), with the consequent write-down of DTAs recorded in the balance sheet².

Similarly, the revision of the multiannual economic and financial internal estimates, carried out also to take into account the evolution of the macroeconomic scenario seen in the second half of the year (chiefly expected evolution of interest rates, industrial production and household consumption indicators and consensus on GDP growth estimates), leads to a reduced future expected taxable income compared previous estimates and therefore to a further write-down of DTAs recorded in the balance sheet.

Based on preliminary estimates, the overall negative impact for the MPS Group deriving from the revised amount of DTAs has been quantified at approximately EUR 1.2 billion and will be accounted for under item “Taxes on profit (loss) from continuing operations”, with a corresponding negative impact on the net result for the fourth quarter of 2019. However, no impacts are expected in terms of capital ratios, since recorded DTAs are already deducted directly from regulatory capital; therefore, the Group’s operational and commercial capacity and its solvency are unchanged.

¹ The 2020 Budget Law (L. 160/2019) has essentially reinstated the ACE scheme (which had been suppressed last year) with effect from 2019, albeit with a notional yield reduced to 1.3%; the basis of this benefit is still determined by the amount of the net equity increases from 2011 to date, capped to net book value.

² Deferred tax assets are recognised after verifying the existence of foreseeable future taxable income sufficient to absorb them (so-called Probability Test).

The revision of the amount of DTAs, effected for the above-mentioned reasons, has no impact on the operating results of the MPS Group. The positive performance of core business indeed allows for an estimated Net Operating Result for FY2019 (before non-operating items and taxes) that is largely in line with the previous financial year, recovering the negative gap recorded in the first three quarters of the year with respect to the same period of 2018.

Following the revision of the amount of DTAs recorded in the financial statements, the amount of DTAs not recorded in the balance sheet assets increases from approximately EUR 1.8 billion in September to approximately EUR 3 billion. This amount constitutes a potential asset for the Group, imprescriptible according to current tax legislation, the recognisability of which in the balance sheet assets will be assessed at future balance sheet dates based on the Group's income prospects and the tax legislation in force from time to time.

Given the significant amount of tax losses recorded in previous years, the evaluation of the amount of MPS Group's DTAs is extremely sensitive to changes in tax legislation (such as ACE, due to the capital increases effected since 2011) and to the evolution of future taxable income estimates.

DTA estimates were carried out by the Group with the same model used in recent years and taking into account ESMA's recommendations on the accounting treatment of DTAs on fiscal losses.

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

For further information:

Banca Monte dei Paschi di Siena

Media Relations

Tel. +39 0577 296634

ufficio.stampa@mps.it

Investor Relations

Tel: +39 0577 299350

investor.relations@mps.it