MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

BOARD APPROVES RESULTS AS AT 30 JUNE 2018:

289 MILLION NET PROFIT FOR THE FIRST HALF OF THE YEAR

POSITIVE TREND OF COMMERCIAL ACTIVITY AND CONCURRENT ASSET QUALITY IMPROVEMENT ARE CONFIRMED

GROSS OPERATING PROFIT FOR THE SEMESTER AT EUR 555 MILLION

- **Positive trend of main economic indicators, already highlighted in 1Q18, continues:**
  - **net interest income increases by 6.4% Q/Q thanks to increased volumes and higher profits from securities, fees and commissions essentially stable (-0.9% Q/Q)**
  - **operating costs up by 1.5% Q/Q; cutbacks expected in 2019 thanks to personnel exits to be carried out by means of the solidarity fund**
- **Loans to customers[1] up by EUR 1.4 billion thanks to increase in new mortgages; current accounts and time deposits increased by EUR 4.1 billion from the end of December 2017**
- **NPE reduction continues, following the completion of the EUR 24.1 billion securitisation process according to the Restructuring Plan timeline:**
  - **ongoing sale of leasing and small-ticket bad loans for a maximum of EUR 3.7 billion (vs. the 2018 Restructuring Plan target of EUR 2.6 billion), with expected closure by the year-end**
  - **UTPs already reduced by EUR 0.9 billion and further EUR 0.8 billion already on the market, vs. a 2018 target of EUR 1.5 billion**
- **Improvement of all the main asset quality indicators confirmed:**
  - **cost of risk for 1H18 at 56 basis points (61 basis points in 1Q18)**
  - **NPE coverage at 56% (bad loans coverage at 69%)**
  - **default rate at 1.6% and danger rate at 13.5% (annualised half-yearly data)**
- **Transitional Common Equity Tier 1: 13.0%, equal to c. EUR 8.4 billion, slightly below vs. the previous quarter for the widened BTP-Bund spread. Total Capital ratio 14.4%**
- **Texas ratio[2] at c. 100%**

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[1] *Current accounts, mortgages and other forms of lending.*

[2] *Gross non-performing exposures / (tangible shareholders' equity + loan loss provisions)*

Siena, 3 August 2018 – Yesterday evening the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. reviewed and approved the results as at 30 June 2018.

Group profit and loss results for the first half of 2018

At 30 June 2018, the Group's **total revenues** stand at **EUR 1,709 million**, a 7.8% Y/Y decrease, due to a contraction in net interest income and fees and commissions and in net profit from trading and financial assets/liabilities measured at fair value through profit and loss. In 2Q18, revenues decline by EUR 45 million Q/Q, mainly on net profit from trading and financial assets/liabilities.

Net interest income at 30 June 2018 is **EUR 870 million**, down 3.7% Y/Y, mainly due to the negative trend of interest-bearing assets and in particular of commercial loans (decreased average volumes and related yields). This trend is partially countered by the lower negative interests resulting from the decreased cost of commercial funding and the reimbursement of more expensive bonds (amongst which those connected to burden-sharing). The 2Q18 result improves Q/Q, mainly thanks to the positive effects of the reduced cost of funding and to the booking of interests on the securitisation transaction notes.

Net fees and commissions are **EUR 810 million**, down 5.6% Y/Y, mainly impacted by the reduced income from payment services (debit and credit cards) following the sale of the merchant acquiring business on 30 June 2017 and from asset management. The trend is down by 0.9% from the previous quarter, which had been positively impacted by one-off proceeds.

Dividends, similar income and profit (loss) on investments, down from 30 June 2017, amount to **EUR 34 million**, mainly for the contribution of AXA-MPS[3]. In 2Q18 this component shows a EUR 10 million reduction vs. 1Q18, partially offset by the EUR 8 million Banca d'Italia dividend.

Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss at 30 June 2018 amounts to **EUR 8 million**, down from the previous year (EUR 43 million) partly due to the reduced profit from trading in 2Q18. In detail, the aggregate is composed of:

- **net profit from trading for about EUR 4 million**, down both Y/Y and Q/Q, mainly for the reduced profits booked by MPS Capital Services, impacted in 2Q18 by the widening BTP-Bund spread;
- **net profit from financial assets and liabilities measured at fair value through profit and loss are negative for EUR 49 million** (at 30 June 2017 the result had been EUR -1 million), ascribable to the negative net results of financial assets and liabilities mandatorily measured at fair value;
- **gains on disposals/repurchases positive for EUR 53 million**, up by EUR 34 million Y/Y, mainly due to capital gains from sold or matured securities. Down from 1Q18.

The following items also contribute to total revenues:

- **net income from hedging for EUR +0.2 million**, up Y/Y but down Q/Q;

[3] *AXA – MPS is consolidated at net equity.*

- **other operating expenses/income negative for EUR 13 million**, vs. EUR +5 million recorded in the first half of 2017 and EUR -8 million booked in 1Q18.

At 30 June 2018 **operating expenses** amount to **EUR 1,154 million**, down by 8.9% Y/Y. 2Q18 is up by 1.5% Q/Q, mainly due to other administrative expenses. Detailed examination of the single aggregates shows that:

- **administrative expenses** stand at **EUR 1,042 million**, reduced by EUR 97 million from 2Q17 (-8.5% Y/Y) and up by EUR 11 million Q/Q. Within the aggregate:
  - **personnel expenses**, at **EUR 734 million**, are down by 8.2% Y/Y (EUR -65 million), mainly due to the headcount reduction achieved with the aid of the 1 May and 1 November 2017 solidarity fund manoeuvres. The trend is largely in line with the previous quarter;
  - **other administrative expenses** amount to **EUR 308 million**, down 9.3% Y/Y due to structural cost-containing initiatives which affected, in particular, real estate, legal expenses linked to credit recovery and ICT (partly following the sale of the merchant acquiring business in June 2017). Expenses recorded in 2Q18 are higher than those of the previous quarter, particularly legal expenses (partly related to loans and loan recovery), local taxes and fees related to the outsourcing of the credit recovery platform, operationally activated on 14 May 2018.
- **Net value adjustments to tangible and intangible assets** at 30 June 2018, equal to **EUR 112 million**, are down vs. 2Q17, which had been impacted by increased impairment of intangible assets (software licences). Down from the previous quarter (-3.5% Q/Q), which had recorded higher write-downs of tangible assets (land and buildings).

As a result of the dynamics described above, **the Group's pre-provision profit** is **EUR 555 million** (EUR 586 million at 30 June 2017), with a 2Q18 contribution reduced by EUR 53 million vs. 1Q18, mainly impacted by: i) the reduced net profit from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss, and ii) increased operating expenses.

At 30 June 2018 the Group reported **net impairment losses on financial assets measured at amortised cost and at fair value through other comprehensive income** for a total of **EUR 247 million**, down by EUR 4.4 billion vs. those recorded for the same period of the previous year, which incorporated provisions booked on the loans subject to securitisation following the review of their realisable value. Down also vs. 1Q18, due to reduced net increases on the coverage of the existing stock of defaulted tickets and to the lower cost of downward NPE flows.

It should be noted that comparisons with 2017 data are purely indicative, as figures are mismatched following the introduction of the new IFRS9 valuation models for the impairment of all debt instrument assets not measured at FVTPL.

The ratio of annualised loan loss provisions at 30 June 2018 over total customer loans reflects a **provisioning rate of 56 bps**.

The Group's **net operating result** for 1H18 **is positive for c. EUR 308 million**, compared to EUR -4,045 million recorded for the same period of the previous year. The following also contribute to the **result for the period:**

- **net provisions for risks and charges for EUR 1 million**, positive net effect of the revaluation of the commitment undertaken to meet the hedging costs of the vehicle as part of the sale of the bad loan portfolio agreed upon on 26 June 2017 with Quaestio, payable by the transferor, partly offset by provisions for commitments undertaken by the Bank for transactions with customers. At 30 June 2017 the balance was negative for 106 million, mainly due to provisions for legal risks;

- **losses on investments for c. EUR -4 million**, for impairments already booked on associate Trixia in 1Q18. In line with 30 June 2017 (EUR -4 million);
- **restructuring costs/one-off costs**, at **EUR -33 million**, mainly include charges related to project initiatives (EUR -55 million), partly aimed at complying with the commitments undertaken with DG Comp, which are somewhat offset by the recoveries recognised by INPS[4] for the completed headcount reduction/solidarity fund manoeuvres (EUR +21 million);
- **risks and charges related to SRF, DGS and similar schemes**, balance of **EUR -95 million**, consisting of the ordinary contribution to the Single Resolution Fund (SRF), booked in the first quarter and the additional contribution to the National Resolution Fund (NRF), booked in the second quarter of 2018;
- **DTA fees**, equal to **EUR -35 million**. The amount, determined according to the criteria of Law Decree no. 59/2016, converted into Law no. 119 on 30 June 2016, represents the fees due on 30 June 2018 for DTAs (Deferred Tax Assets) which are convertible into tax credit;
- **gains on disposal of investments** for **EUR 50 million**, essentially ascribable to proceeds from the sale of the credit recovery platform (*Juliet*). At 30 June 2017 the aggregate was positive for EUR 532 million, mainly due to gains on the sale of the merchant acquiring business.

Due to the occurrences mentioned above, the Group's **profit before tax from continuing operations** amounts to **EUR +192 million**, up from 30 June 2017, which had recorded a result of EUR -3,739 million.

Taxes on profit (loss) from continuing operations record a gain of **EUR +110 million**. This result is essentially attributable to the partial reassessment, for EUR 106 million, of DTAs related to tax losses, accrued and not recorded in previous years. The item also includes accrued ACE for EUR 21 million.

Considering the net effects of PPA (EUR -13 million), the **Group's consolidated profit at 30 June 2018 amounts to EUR 289 million**, against a loss of EUR 3,243 million reported for the same period of 2017.

[4] *Istituto Nazionale della Previdenza Sociale, i.e. the Italian National Institute for Social Security*

Group balance sheet aggregates for the first half of 2018

At 30 June 2018 the Group's **total funding** volumes amount to **EUR 195.9 billion** (+1.1% vs. 31 December 2017), up by EUR 2.7 billion vs. 31 March 2018 due to increased indirect funding (mainly from a relevant corporate account).

Direct funding, amounting to **EUR 96.8 billion**, records a EUR 1.0 billion decrease vs. the end of December 2017 and of March 2018, mainly due to the decline in the bond segment, affected by maturities, only partially offset by the growth in current accounts.

The Group's direct funding market share[5] stands at 3.86% (April 2018 update), up by 14bps from the end of 2017.

Indirect funding comes to **EUR 99.0 billion**, up both vs. 31 December 2017 and vs. 31 March 2018 (respectively by EUR +3.2 billion and EUR +3.7 billion), thanks to assets under custody, influenced by the movement of a significant corporate account.

Assets under management, at **EUR 58.1 billion**, are slightly down both vs. December 2017 and vs. March 2018. The decrease is mainly concentrated on mutual funds and individual portfolios under management.

The book value of customer loans at 30 June 2018 and at 31 March 2018 was affected by

- the reclassifications carried out following the introduction of IFRS9, which resulted in an overall net reduction of EUR 0.1 billion stemming from decreases for the reclassifications to other financial assets mandatorily measured at fair value (EUR -1.1 billion), partially offset by increases due to the reclassification to loans of bonds previously recognised in assets held for sale, the former AFS (EUR +1 billion);
- the negative impact of the transition from IAS39 to IFRS9, connected with the new impairment forecasts (higher Expected Credit Losses – ECL) on cash (and signature) exposures, for EUR 1.5 billion, before tax, recognised in equity.

As at 30 June 2018 Group **customer loans** amount to **EUR 87.0 billion**, essentially stable vs. the end of December 2017 but a EUR 2.3 billion decrease from 31 March 2018 due to repos with institutional counterparties (EUR -5.5 billion), partially offset by the increase in asset-backed securities which resulted from the booking of the securitisation transaction senior notes (EUR +2.9 billion) and by the growth in mortgages (EUR +0.8 billion).

The Group's market share[6] stands at 6.51% (April 2018 update), stable compared to the end of 2017.

Medium/long-term loans record **new disbursements** for **EUR 2.6 billion** in 2Q18, up Q/Q (EUR +0.3 billion) and Y/Y (EUR +2.3 billion).

The Group's **gross non-performing exposures** as at 30 June 2018 amount to **EUR 19.8 billion**, down both from 2017 year-end (EUR -23.1 billion) and from 31 March 2018 (EUR -22.8 billion), essentially due to the deconsolidation of securitised bad loans (reclassifying the amounts which at

[5] *Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) with domestic ordinary customers and bonds net of repurchases placed with domestic ordinary customers as first borrowers.*

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

31 March 2018 and at 31 December 2017 fell within the IFRS5 scope, the aggregate is essentially stable). Gross bad loan exposures are reduced by c. EUR 22 billion both vs. FY17 and Q/Q, mainly for the above-mentioned deconsolidation. Unlikely-to-pay exposures also decrease, by EUR 1.2 billion vs. December 2017 and by EUR 0.8 billion vs. March 2018, partly affected by disposals carried out in the course of the first semester. Past-due exposures are essentially stable.

As at 30 June 2018 the Group's **net non-performing exposures are EUR 8.7 billion**, down both from the end of December 2017 (EUR -6.1 billion) and from 31 March 2018 (EUR -4.6 billion), again essentially as a result of the above-mentioned deconsolidation. Net bad loan exposures are reduced by c. EUR 4.7 billion vs. 2017 year-end and by EUR 4.1 billion Q/Q, largely due to the above. Net unlikely-to-pay exposures are also down, by EUR 1.3 billion vs. FY17 and by EUR 0.4 billion Q/Q. Past-due exposures are stable.

An improvement was recorded in the ratio of net non-performing exposures to net customer loans, from 14.0% in March 2018 to 9.9% in June 2018. Within the aggregate, in 2Q18 the incidence of past-due and unlikely-to-pay loans remained essentially stable compared to March 2018, while that of net bad loans fell (from 7.4% in March 2018 to 3.2%, mainly due to the deconsolidation of loans subject to disposal).

As at 30 June 2018 **coverage of non-performing exposures is 56.0%**, down compared to both 31 December 2017 (65.5%) and 31 March 2018 (68.8%) following the deconsolidation of loans subject to disposal.

The book value of financial assets designated at fair value at 30 June 2018 and at 31 March 2018 was affected by the reclassification, carried out following the introduction of IFRS9, of bonds to financial assets designated at amortised cost, for a total amount of EUR 1.0 billion, and by the booking of loans/securities for a total of EUR 1.2 billion under other financial assets mandatorily measured at fair value.

As at 30 June 2018, the **Group's financial assets designated at fair value** amount to **EUR 29.3 billion**, up by EUR 5.1 billion from 31 December 2017 and by EUR 3.6 billion from 31 March 2018, mainly in the trading component relating to the subsidiary MPS Capital Services (increased in the quarter in particular on Italian government securities, for which the company acts as a primary dealer). Financial liabilities held for trading decreased by EUR 1.3 billion vs. the end of December 2017 and by EUR 0.5 billion Q/Q.

At the end of June 2018 the Group's **net interbank position** stands at **EUR 12.2 billion** in funding, increased by EUR 1 billion vs. 31 December 2017 and down vs. 31 March 2018 (EUR -2.0 billion), mainly as a result of increased loans to banks connected with the improved balance of the minimum reserves.

At 30 June 2018 the operational liquidity position shows an **unencumbered counterbalancing capacity of about EUR 19.3 billion**, down by EUR 1.8 billion compared with 31 December 2017, mainly due to the maturity of a tranche of GGBs in 1Q18, and down by EUR 0.2 billion Q/Q.

At 30 June 2018 the Group's **shareholders' equity and non-controlling interests** amount to approximately **EUR 9.0 billion**, down by EUR 1.4 billion compared to the end of December 2017, ascribable to the negative impacts of the IFRS9 first-time adoption on item "reserves" and to the negative changes in valuation terms of financial assets measured at fair value through other comprehensive income, partly offset by the result for the period. The decrease of EUR 0.3 billion on

31 March 2018 is essentially due to the movement of valuation reserves, only somewhat offset by the profit for the quarter.

As for capital ratios, at 30 June 2018 the **common equity tier 1 ratio** is **13.0%** (vs. 14.8% at the end of 2017) and **total capital ratio** is **14.4%**, vs. 15.0% at the end of December 2017.

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Pursuant to paragraph 2, article 154-bis of the Consolidated Finance Act, the Financial Reporting Officer, Nicola Massimo Clarelli, declares that the accounting information contained in this press release corresponds to the documentary results, books and accounting records.

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

For further information:

External Relations
Tel. +39 0577 296634
ufficio.stampa@mps.it

Investor Relations
Tel: +39 0577 299350
investor.relations@mps.it

Income statement and balance sheet reclassification principles

Reclassified Income statement

The following reclassifications were effected in accordance with the provisions of the Bank of Italy's circular no. 262 of 22 December 2005.

a) Item "**interest income**" was cleared of the negative contribution (EUR -7 million) referable to the Purchase Price Allocation (PPA) which was reclassified to a specific item;

b) Item "**dividends, similar income and gains (losses) on investments**" incorporates item 70 "Dividends and similar income" and a portion of item 250 "Gains (losses) on investments" (EUR 25 million, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity). The aggregate was also cleared of dividends earned on securities other than equity investments (EUR 0.6 million), reclassified under item "Net profit (loss) from trading/valuation of financial assets/liabilities".

c) Item "**net profit (loss) from trading/valuation and from financial assets/liabilities measured at fair value through profit and loss**" includes Item 80 "net profit (loss) from trading", Item 100 "gains (losses) on disposal/repurchase of: i) financial assets measured at amortised cost and at fair value through other comprehensive income and ii) financial liabilities" and Item 110 "net profit (loss) on financial assets measured at fair value through profit and loss". The item also incorporates dividends earned on securities other than equity investments (EUR 0.6 million).

d) Item "**other operating income (expense)**" includes item 230 "other operating expenses (income)" net of the recovery of stamp duty and customer expenses, which are stated under the reclassified item "other administrative expenses" (EUR 147 million).

e) Profit & loss item "**personnel expenses**", due to the reclassification of item "restructuring costs/one-off costs", was increased by EUR 21 million, essentially ascribable to INPS recoveries which exceeded provisions for the headcount reduction previously agreed with the unions.

f) Item "**other administrative expenses**" includes the balance of financial statements item 190b "other administrative expenses", reduced by the following cost items:
   - expenses, amounting to EUR 95 million, resulting from EU DGSD and BRRD directives for the resolution of bank crises (posted under the reclassified item "risks and charges associated with SRF, DGS and similar schemes");
   - DTA fee, convertible into tax credit, for EUR 35 million (posted to the reclassified item "DTA fee").
   - extraordinary charges for EUR 5 million, related to project initiatives partly aimed at complying with the commitments undertaken with DG Comp (among which the closing of domestic branches), reclassified to item "restructuring costs/one-off costs".

   The item also incorporates stamp duty and client expense recoveries (EUR 147 million) posted under item 220 "Other operating expenses/income".

g) Item "**net value adjustments to tangible and intangible assets**" was cleared of the negative contribution (EUR -12 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item.

h) Item "**net impairment (losses)/reversals on financial assets at amortised cost**" includes items 130a "Financial assets measured at amortised cost" and 140 "modification gains (losses)".

i) Item **“net provisions for risks and charges”** was cleared of extraordinary provisions for EUR 50 million relating to corporate reorganisation initiatives as per commitments undertaken with DG Comp, re-allocated to the reclassified item "restructuring costs/one-off charges".

j) Item “**restructuring costs/one-off charges**” mainly includes charges related to project initiatives, partly aimed at complying with the commitments undertaken with DG Comp (for a total net amount of EUR 55 million) and the mentioned recoveries recognised by INPS for previous headcount reduction/solidarity fund manoeuvres (EUR 21 million).

k) Item "**risks and charges related to the SRF, DGS and similar schemes**" includes the charges deriving from the Community directives DGSD to guarantee deposits and BRRD for the resolution of the banking crises, posted on the financial statements under item 190b “other administrative expenses”. As at 30 June 2018, charges for EUR 95 million were booked, related to the ordinary contribution to the Single Resolution Fund (SRF) and to the additional contribution to the National Resolution Fund (NRF).

l) Item “**DTA fees**” contains costs relating to the fees on DTAs which are convertible into tax credits, provided for by art. 11 of Law Decree no. 59 of 3 may 2016 converted into Law no. 119 of 30 June 2016, booked in item 190b “Other Administrative Expenses” for EUR 35 million.

m) Item **“profits (losses) on equity investments”** incorporates the balance of item 250 “profits (losses) on equity investments” without the contribution to the income statement of the portion of the profit on the connected equity investments in AXA, consolidated according to the net equity method moved to the reclassified item “Dividends, similar income and gains (losses) on investments” (EUR 25 million).

n) Item "**tax expense (recovery) on income from continuing operations**" was cleared of the theoretical tax component relating to the Purchase Price Allocation (PPA), which was reclassified to a specific item for an amount of EUR 6 million.

o) The overall negative effects of the Purchase Price Allocation (PPA) have been reclassified to the specific item, separating them from the economic items concerned (in particular “**interest margin**” for EUR -7 million and “**net adjustments to/recoveries on tangible and intangible assets**“ for EUR -12 million, net of a theoretical tax burden of EUR +6 million which integrates the item).

A conventional and simplified reclassification was carried out, exclusively for income statement figures referring to FY17, on the basis of the new IFRS9 items. In particular, amounts relating to former item 130d “**net impairment losses (reversals) on other financial transactions**” have been reclassified to item 200a “**net provisions for risks and charges: commitments and guarantees issued**”.

Reclassified Balance sheet

a) Item “**financial assets measured at fair value**” includes item 20 “financial assets measured at fair value through profit and loss” and item 30 “financial assets measured at fair value through other comprehensive income”.

b) Item “**other assets**” on the assets side incorporates item 50 “hedging derivatives”, item 60 “value adjustments to financial assets subject to macro-hedging”, item 110 “tax assets”, item 120 “Non-current assets held for sale and discontinued operations” and item 130 “other assets”.

c) Item “**deposits from customers and debt securities issued**” on the liabilities side includes item 10b “financial liabilities measured at amortised cost – deposits from customers”, item 10c “financial liabilities measured at amortised cost – outstanding securities” and item 30 “financial liabilities measured at fair value”.

d) Item “**other liabilities**” on the liabilities side incorporates item 40 “hedging derivatives”, item 50 “change in value of macro-hedged financial liabilities”, item 60 “tax liabilities”, item 70 “liabilities associated with groups of assets held for sale” and item 80 “other liabilities”.

A conventional and simplified reclassification was carried out, exclusively for balance sheet figures referring to FY17, on the basis of the new IFRS9 items. In particular, guarantees and commitments previously booked in item “**other liabilities**” have been reclassified to item 100a “**provisions for risks and charges: commitments and guarantees issued**”.

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CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/06/2018

INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES	30/06/18	30/06/17 *	Chg.
Net interest income	870.0	903.3	-3.7%
Net fee and commission income	809.5	857.5	-5.6%
Other operating income	29.5	91.9	-67.9%
Total Revenues	1,709.0	1,852.7	-7.8%
Net impairment losses (reversals) on loans and financial assets	(246.7)	(4,630.5)	-94.7%
Net operating income	308.0	(4,044.5)	n.s.
Net profit (loss) for the period	288.5	(3,242.6)	n.s.
EARNING PER SHARE (EUR)	**30/06/18**	**30/06/17 ***	**Var.**
Basic earnings per share	0.261	(110.597)	n.s.
Diluted earnings per share	0.261	(110.597)	n.s.
BALANCE SHEET FIGURES AND INDICATORS	**30/06/18**	**31/12/17 ***	**Var.**
Total assets	135,722.8	139,154.2	-2.5%
Loans to customers	87,010.1	86,456.3	0.6%
Direct funding	96,833.9	97,801.8	-1.0%
Indirect funding	99,020.5	95,845.7	3.3%
of which: assets under management	58,134.8	58,599.4	-0.8%
of which: assets under custody	40,885.7	37,246.3	9.8%
Group net equity	8,994.5	10,429.1	-13.8%
OPERATING STRUCTURE	**30/06/18**	**31/12/17 ***	**Var.**
Total headcount - end of period	23,267	23,463	-196
Number of branches in Italy	1,597	1,745	-148

N.B.: Total headcount refers to the effective workforce and therefore does not include personnel which was seconded outside of the Group's perimeter

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. Therefore, 2017 values, determined in accordance with IAS39, are not fully comparable.*

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/06/2018

ALTERNATIVE PERFORMANCE MEASURES

MPS GROUP

PROFITABILITY RATIOS (%)	30/06/18	31/12/17 *	Chg.
Cost/Income ratio	67.5	63.2	4.3
R.O.E.	5.9	-41.6	47.5
Return on Assets (RoA) ratio	0.4	-2.5	2.9
ROTE (Return on tangible equity)	5.9	-41.6	47.5

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. Therefore, 2017 values, determined in accordance with IAS39, are not fully comparable.*

KEY CREDIT QUALITY RATIOS (%)	30/06/18	31/12/17 *	Chg.
Net non-performing loans / Loans to Customers	9.9	16.3	-6.4
Gross NPL Ratio	19.8	35.8	-16.0
Coverage of non-performing exposures	56.0	65.5	-9.5
Net doubtful loans / Loans to Customers	3.2	8.3	-5.1
Loans to Customers measured at amortised cost - Stage 2 /Performing loans to customers measured at amortised cost	20.4	n.d.	
Coverage of bad loans	69.1	75.7	-6.6
Net impairment losses on loans measured at amortised cost/ Loans to Customers measured at amortised cost (Provisioning)	0.6	5.8	-5.2
Texas Ratio	99.8	112.2	-12.4

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. Therefore, FY17 values, determined in accordance with IAS39, are not fully comparable.*

At 31/12/2017, credit quality indexes include (both under non-performing exposures and under loans to customers) the portion of portfolio allocated to assets held for sale and mainly relating to the sale, through securitisation, of a set of exposures classified as bad loans, the derecognition of which was completed on 22 June 2018.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/06/2018

REGULATORY MEASURES

MPS GROUP

CAPITAL RATIOS (%)	30/06/18	31/12/17 *	Chg.
Common Equity Tier 1 (CET1) ratio	13.0	14.8	-1.8
Total Capital ratio	14.4	15.0	-0.6
FINANCIAL LEVERAGE INDEX (5)	**30/06/18**	**31/12/17 ***	**Chg.**
Leverage ratio - Transitional Phase	5.6	6.0	-0.4
LIQUIDITY RATIO (%)	**30/06/18**	**31/12/17 ***	**Chg.**
LCR	178.2	199.5	-21.3
NSFR	108.7	110.0	-1.3
Encumbered asset ratio	37.2	33.5	3.7
Loan to deposit ratio	0.9	0.9	
Counterbalancing capacity (EUR bn)	19.3	21.1	-1.8

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. Therefore, FY17 values, determined in accordance with IAS39, are not fully comparable.*

Encumbered asset ratio: Ratio between carrying amount of encumbered assets and collateral and total assets and collateral (Annex XVII, section 1.6, point 9, of Regulation (EU) 2015/79).

Loan to deposit ratio: ratio between loans to customers and total customer deposits inclusive of bonds issued (deposits from customers and debt securities issued).

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Reclassified Consolidated Income Statement				
	30/06/18	30 06 2017*	Change	
Montepaschi Group			Abs.	%
Net interest income	870.0	903.3	(33.3)	-3.7%
Net fee and commission income	809.5	857.5	(48.0)	-5.6%
Income from banking activities	**1,679.5**	**1,760.8**	**(81.3)**	**-4.6%**
Dividends, similar income and gains (losses) on equity investments	34.3	46.2	(11.9)	-25.7%
Net profit (loss) from trading and financial assets/liabilities measured at fair value through profit and loss	7.8	42.9	(35.0)	-81.7%
Net profit (loss) from hedging	0.2	(1.8)	2.0	n.s.
Other operating income (expenses)	(12.9)	4.6	(17.5)	n.s.
Total Revenues	**1,709.0**	**1,852.7**	**(143.7)**	**-7.8%**
Administrative expenses:	(1,042.1)	(1,139.1)	97.0	-8.5%
a) personnel expenses	(734.1)	(799.5)	65.4	-8.2%
b) other administrative expenses	(308.0)	(339.6)	31.6	-9.3%
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(112.2)	(127.6)	15.4	-12.1%
Operating expenses	**(1,154.2)**	**(1,266.7)**	**112.5**	**-8.9%**
Pre Provision Profit	**554.7**	**586.0**	**(31.3)**	**-5.3%**
Net impairment losses (reversals) on:	**(246.7)**	**(4,630.5)**	**4,383.8**	**-94.7%**
a) financial assets measured at amortised cost	(245.2)	(4,597.0)	4,351.8	-94.7%
b) Financial assets measured at fair value through other comprehensive income	*(1.5)*	*(33.5)*	32.0	-95.5%
Net operating income	**308.0**	**(4,044.5)**	**4,352.5**	**n.s.**
Net provisions for risks and charges	1.3	(106.4)	107.7	n.s.
*of which commitments and guarantees issued***	*46.7*	*(47.4)*	*94.1*	*n.s.*
Gains (losses) on investments	(4.0)	(3.8)	(0.2)	4.4%
Restructuring costs / One-off costs	(33.3)	(17.7)	(15.6)	87.9%
Risks and charges related to the SRF, DGS and similar schemes	(94.9)	(63.0)	(31.9)	50.7%
DTA Fee	(35.4)	(35.5)	0.1	-0.2%
Gains (losses) on disposal of investments	49.9	531.7	(481.8)	-90.6%
Profit (loss) before tax from continuing operations	**191.6**	**(3,739.2)**	**3,930.8**	**n.s.**
Tax expense (recovery) on income from continuing operations	109.5	510.0	(400.5)	-78.5%
Profit (loss) after tax from continuing operations	**301.1**	**(3,229.2)**	**3,530.3**	**n.s.**
Net profit (loss) for the period including non-controlling interests	**301.1**	**(3,229.2)**	**3,530.3**	**n.s.**
Net profit (loss) attributable to non-controlling interests	-	(0.1)	0.1	n.s.
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**301.1**	**(3,229.1)**	**3,530.2**	**n.s.**
PPA (Purchase Price Allocation)	(12.6)	(13.5)	0.9	-6.8%
Net profit (loss) for the period	**288.5**	**(3,242.6)**	**3,531.1**	**n.s.**

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. Therefore, FY17 values, determined in accordance with IAS39, are not fully comparable.*

** *Item "Net provisions for risks and charges" includes, for comparative figures, what was previously included in item "Net impairment (losses)/reversals: other operations".*

MONTE DEI PASCHI DI SIENA
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Quarterly trend in reclassified consolidated income statement

Montepaschi Group	2018		2017			
	2°Q 2018	1°Q 2018	4°Q 2017*	3°Q 2017*	2°Q 2017*	1°Q 2017*
Net interest income	448.5	421.5	414.6	470.4	445.9	457.4
Net fee and commission income	403.0	406.5	363.3	355.7	431.2	426.3
Income from banking activities	**851.5**	**828.0**	**777.9**	**826.1**	**877.1**	**883.7**
Dividends, similar income and gains (losses) on equity investments	16.2	18.1	32.3	22.4	25.7	20.5
Net profit (loss) from trading and financial assets/liabilities measured at fair value through profit and loss	(29.5)	37.4	3.4	528.5	18.3	24.5
Net profit (loss) from hedging	(0.9)	1.1	0.8	(2.7)	(2.0)	0.2
Other operating income (expenses)	(5.1)	(7.8)	(12.0)	(3.9)	0.3	4.3
Total Revenues	**832.2**	**876.8**	**802.4**	**1,370.5**	**919.5**	**933.2**
Administrative expenses:	(526.4)	(515.7)	(579.4)	(561.1)	(568.2)	(570.9)
a) personnel expenses	(366.2)	(367.8)	(387.1)	(388.8)	(395.1)	(404.4)
b) other administrative expenses	(160.1)	(147.9)	(192.3)	(172.3)	(173.1)	(166.5)
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(55.1)	(57.1)	(71.1)	(64.7)	(70.9)	(56.6)
Operating expenses	**(581.4)**	**(572.8)**	**(650.5)**	**(625.8)**	**(639.1)**	**(627.5)**
Pre Provision Profit	**250.8**	**304.0**	**151.9**	**744.7**	**280.4**	**305.6**
Net impairment losses (reversals) on:	**(108.8)**	**(137.9)**	**(581.6)**	**(204.7)**	**(4,321.4)**	**(309.1)**
a) financial assets measured at amortised cost	*(108.1)*	(137.1)	(551.7)	*(175.0)*	*(4,288.8)*	*(308.2)*
b) Financial assets measured at fair value through other comprehensive income	*(0.7)*	(0.8)	(29.9)	*(29.7)*	*(32.6)*	*(0.9)*
Net operating income	**142.0**	**166.1**	**(429.7)**	**540.0**	**(4,041.0)**	**(3.5)**
Net provisions for risks and charges	(51.3)	52.6	(142.1)	(27.6)	(66.8)	(39.6)
*of which commitments and guarantees issued***	*1.8*	*44.9*	*24.0*	*(19.8)*	*(53.4)*	*6.0*
Gains (losses) on investments	0.0	(4.0)	8.9	(19.1)	0.2	(4.0)
Restructuring costs / One-off costs	(16.3)	(17.0)	(34.5)	(278.0)	(17.7)	-
Risks and charges related to the SRF, DGS and similar schemes	(25.9)	(69.0)	2.3	(31.2)	0.4	(63.4)
DTA Fee	(17.7)	(17.7)	(17.7)	(17.7)	(17.5)	(18.0)
Gains (losses) on disposal of investments	49.6	0.3	(2.3)	1.8	532.0	(0.3)
Profit (loss) before tax from continuing operations	**80.4**	**111.3**	**(615.2)**	**168.2**	**(3,610.6)**	**(128.6)**
Tax expense (recovery) on income from continuing operations	26.1	83.3	119.7	79.9	543.5	(33.5)
Profit (loss) after tax from continuing operations	**106.5**	**194.6**	**(495.5)**	**248.1**	**(3,067.1)**	**(162.1)**
Net profit (loss) for the period including non-controlling interests	**106.5**	**194.6**	**(495.5)**	**248.1**	**(3,067.1)**	**(162.1)**
Net profit (loss) attributable to non-controlling interests	-	-	(0.1)	0.1	(0.1)	-
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**106.5**	**194.6**	**(495.6)**	**248.0**	**(3,067.0)**	**(162.1)**
PPA (Purchase Price Allocation)	(5.6)	(7.0)	(6.0)	(6.1)	(6.4)	(7.1)
Net profit (loss) for the period	**100.9**	**187.6**	**(501.6)**	**241.9**	**(3,073.4)**	**(169.2)**

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** *Item "Net provisions for risks and charges" includes, for comparative figures, what was previously included in item "Net impairment (losses)/reversals: other operations".*

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified Consolidated Balance Sheet				
ASSETS	**30/06/18**	**31 12 2017***	**Chg**	
			abs.	**%**
Cash and cash equivalents	721.2	4,092.3	(3,371.1)	-82.4%
Financial assets measured at amortised cost :				
a) Loans to customers	87,010.1	86,456.3	553.8	0.6%
b) Loans to banks	8,636.3	9,966.2	(1,329.9)	-13.3%
Financial assets measured at fair value	29,257.2	24,168.4	5,088.8	21.1%
Equity investments	896.8	1,034.6	(137.8)	-13.3%
Property, plant and equipment / Intangible assets	2,789.9	2,854.2	(64.3)	-2.3%
of which:				
a) goodwill	*7.9*	*7.9*	-	
Other assets	6,411.4	10,582.2	(4,170.8)	-39.4%
Total assets	**135,722.8**	**139,154.2**	**(3,431.4)**	**-2.5%**

LIABILITIES	**30/06/18**	**31 12 2017***	**Chg**	
			abs.	**%**
Payables				
a) Deposits from customers and securities issued	96,833.9	97,801.8	(967.9)	-1.0%
b) Deposits from banks	20,794.8	21,084.9	(290.1)	-1.4%
Financial liabilities held for trading	3,173.6	4,476.9	(1,303.3)	-29.1%
Provisions for specific use	-	-	-	
a) Provisions for staff severance indemnities	196.3	199.5	(3.2)	-1.6%
b) Provisione related to guarantees and other commitments given	209.7	226.4	(16.7)	-7.4%
c) Pensions and other post retirement benefit	43.8	50.1	(6.3)	-12.6%
d) Other provisions	1,112.5	1,088.4	24.1	2.2%
Other liabilities	4,361.5 -	3,794.8 -	566.7 -	14.9%
Group net equity	8,994.5	10,429.1	(1,434.6)	-13.8%
a) Valuation reserves	(194.0)	51.7	(245.7)	n.s.
c) Equity instruments carried at equity	-	-	-	
d) Reserves	(1,114.9)	3,864.8	(4,979.7)	n.s.
e) Share premium	-	-	-	
f) Share capital	10,328.6	10,328.6	-	
g) Treasury shares (-)	(313.7)	(313.7)	-	
h) Net profit (loss) for the period	288.5	(3,502.3)	3,790.8	n.s.
Non-controlling interests	2.2	2.3	(0.1)	-4.3%
Total Liabilities and Shareholders' Equity	**135,722.8**	**139,154.2**	**(3,431.4)**	**-2.5%**

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MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified Consolidated Balance Sheet - Quarterly Trend

ASSETS	30/06/18	31/03/18	31 12 2017*	30 09 2017*	30 06 2017*	31 03 2017*
Cash and cash equivalents	721.2	896.9	4,092.3	821.9	843.1	879.1
Financial assets measured at amortised cost :						
a) Loans to customers	87,010.1	89,320.4	86,456.3	91,041.1	89,713.1	102,406.9
b) Loans to banks	8,636.3	6,374.5	9,966.2	12,897.0	13,116.4	8,451.4
Financial assets measured at fair value	29,257.2	25,652.4	24,168.4	25,403.0	24,089.8	26,511.8
Equity investments	896.8	1,075.8	1,034.6	1,001.2	1,023.6	1,013.0
Property, plant and equipment / Intangible assets	2,789.9	2,831.2	2,854.2	2,833.7	2,844.7	2,894.2
of which:						
a) goodwill	*7.9*	7.9	*7.9*	*7.9*	*7.9*	*7.9*
Other assets	6,411.4	10,620.6	*10,582.2*	11,101.2	11,958.8	6,648.2
Total assets	**135,722.8**	**136,771.8**	**139,154.2**	**145,099.1**	**143,589.5**	**148,804.6**

LIABILITIES	30/06/18	31/03/18	31 12 2017*	30 09 2017*	30 06 2017*	31 03 2017*
Payables						
a) Deposits from customers and securities issued	96,833.9	97,856.8	97,801.8	102,968.4	106,543.9	109,390.0
b) Deposits from banks	20,794.8	20,483.1	21,084.9	21,566.1	22,802.8	22,837.5
Financial liabilities held for trading	3,173.6	3,625.4	4,476.9	4,201.1	4,449.9	4,412.4
Provisions for specific use						
a) Provisions for staff severance indemnities	196.3	197.3	199.5	234.7	233.7	252.5
b) Provisions related to guarantees and other commitments given	209.7	223.4	226.4	249.3	230.6	177.2
c) Pensions and other post retirement benefit obligations	43.8	49.4	50.1	45.9	47.3	52.5
d) Other provisions	1,112.5	1,086.6	1,088.4	959.8	958.8	954.2
Other liabilities	4,361.5	3,949.2	3,794.8	3,927.1	5,272.6	4,684.0
Group net equity	8,994.5	9,298.3	10,429.1	10,944.5	3,047.7	6,041.9
a) Valuation reserves	(194.0)	196.7	51.7	60.5	102.0	7.4
c) Equity instruments carried at equity	-	-	-	-	-	-
d) Reserves	(1,114.9)	(1,100.8)	3,864.8	(1,494.4)	(1,177.4)	(1,162.0)
e) Share premium	-	-	-	-	-	-
f) Share capital	10,328.6	10,328.6	10,328.6	15,692.8	7,365.7	7,365.7
g) Treasury shares (-)	(313.7)	(313.7)	(313.7)	(313.7)	-	-
h) Net profit (loss) for the period	288.5	187.5	(3,502.3)	(3,000.7)	(3,242.6)	(169.2)
Non-controlling interests	2.2	2.3	2.3	2.2	2.2	2.4
Total Liabilities and Shareholders' Equity	**135,722.8**	**136,771.8**	**139,154.2**	**145,099.1**	**143,589.5**	**148,804.6**

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IFRS9 Reclassifications – restatement of comparative data

Reclassified Consolidated Balance Sheet				
ASSETS	**31 12 2017**	**Reclassifications**	**31 12 2017**	**ASSETS**
Cash and cash equivalents	4,092.3		4,092.3	Cash and cash equivalents
Receivables :				Financial assets measured at amortised cost
a) Loans to customers	86,456.3		86,456.3	a) Loans to customers
b) Loans to banks	9,966.2		9,966.2	b) Loans to banks
Marketable assets	24,168.4		24,168.4	Financial assets measured at fair value
Equity investments	1,034.6		1,034.6	Equity investments
Property, plant and equipment / Intangible assets	2,854.2		2,854.2	Property, plant and equipment / Intangible assets
of which:				*of which:*
a) goodwill	*7.9*		*7.9*	*a) goodwill*
Other assets	10,582.2		10,582.2	Other assets
Total assets	**139,154.2**		**139,154.2**	**Total assets**

LIABILITIES	**31 12 2017**	**Reclassifications**	**31 12 2017***	**LIABILITIES**
Payables				Payables
a) Deposits from customers and securities issued	97,801.8		97,801.8	a) Deposits from customers and securities issued
b) Deposits from banks	21,084.9		21,084.9	b) Deposits from banks
Financial liabilities held for trading	4,476.9		4,476.9	Financial liabilities held for trading
Provisions for specific use				Provisions for specific use
a) Provisions for staff severance indemnities	199.5		199.5	a) Provisions for staff severance indemnities
b) Provisions for commitments and guarantees issued		226.4	226.4	b) Provisions for commitments and guarantees issued
c) Pensions and other post retirement benefit obligations	50.1		50.1	c) Pensions and other post retirement benefit obligations
d) Other provisions	1,088.4		1,088.4	d) Other provisions
Other liabilities	4,021.2	(226.4)	3,794.8	Other liabilities
Group net equity	10,429.1		10,429.1	Group net equity
a) Valuation reserves	51.7		51.7	a) Valuation reserves
c) Equity instruments carried at equity	-		-	c) Equity instruments carried at equity
d) Reserves	3,864.8		3,864.8	d) Reserves
e) Share premium	-		-	e) Share premium
f) Share capital	10,328.6		10,328.6	f) Share capital
g) Treasury shares (-)	(313.7)		(313.7)	g) Treasury shares (-)
h) Net profit (loss) for the year	(3,502.3)		(3,502.3)	h) Net profit (loss) for the year
Non-controlling interests	2.3		2.3	Non-controlling interests
Total Liabilities and Shareholders' Equity	**139,154.2**		**139,154.2**	**Total Liabilities and Shareholders' Equity**

Reclassified Consolidated Income Statement

MONTEPASCHI GROUP	30/06/17	eclassification	30/06/17	Montepaschi Group
Net interest income	903.3	-	903.3	Net interest income
Net fee and commission income	857.5	-	857.5	Net fee and commission income
Income from banking activities	**1,760.8**	**-**	**1,760.8**	**Income from banking activities**
Dividends, similar income and gains (losses) on equity investments	46.2	-	46.2	Dividends, similar income and gains (losses) on equity investments
Net profit (loss) from trading and financial assets/liabilities	42.9	-	42.9	Net profit (loss) from trading and financial assets/liabilities measured at fair value through profit and loss
Net profit (loss) from hedging	(1.8)	-	(1.8)	Net profit (loss) from hedging
Other operating income (expenses)	4.6	-	4.6	Other operating income (expenses)
Total Revenues	**1,852.7**	**-**	**1,852.7**	**Total Revenues**
Administrative expenses:	(1,139.1)	-	(1,139.1)	Administrative expenses:
a) personnel expenses	(799.5)	-	(799.5)	a) personnel expenses
b) other administrative expenses	(339.6)	-	(339.6)	b) other administrative expenses
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(127.6)	-	(127.6)	Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets
Operating expenses	**(1,266.7)**	**-**	**(1,266.7)**	**Operating expenses**
Pre Provision Profit	**586.0**	**-**	**586.0**	**Pre Provision Profit**
Net impairment losses (reversals) on:	**(4,677.9)**	**47.4**	**(4,630.5)**	Net impairment losses (reversals) on:
a) loans	(4,597.0)	-	(4,597.0)	*a) financial assets measured at amortised cost*
b) financial assets	*(80.9)*	*47.4*	*(33.5)*	*b) financial assets measured at fair value through other comprehensive income*
Net operating income	**(4,091.9)**	**47.4**	**(4,044.5)**	**Net operating income**
Net provisions for risks and charges	(59.0)	(47.4)	(106.4)	Net provisions for risks and charges
of which commitments and guarantees issued	-	*(47.4)*	*(47.4)*	*of which commitments and guarantees issued*
Gains (losses) on investments	(3.8)	-	(3.8)	Gains (losses) on investments
Restructuring costs / One-off costs	(17.7)	-	(17.7)	Restructuring costs / One-off costs
Risks and charges related to the SRF, DGS and similar schemes	(63.0)	-	(63.0)	Risks and charges related to the SRF, DGS and similar schemes
DTA Fee	(35.5)	-	(35.5)	DTA Fee
Gains (losses) on disposal of investments	531.7	-	531.7	Gains (losses) on disposal of investments
Profit (loss) before tax from continuing operations	**(3,739.2)**	**-**	**(3,739.2)**	**Profit (loss) before tax from continuing operations**
Tax expense (recovery) on income from continuing operations	510.0	-	510.0	Tax expense (recovery) on income from continuing operations
Profit (loss) after tax from continuing operations	**(3,229.2)**	**-**	**(3,229.2)**	**Profit (loss) after tax from continuing operations**
Net profit (loss) for the period including non-controlling interests	**(3,229.2)**	**-**	**(3,229.2)**	**Net profit (loss) for the period including non-controlling interests**
Net profit (loss) attributable to non-controlling interests	(0.1)	-	(0.1)	Net profit (loss) attributable to non-controlling interests
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(3,229.1)**	**-**	**(3,229.1)**	**Profit (loss) for the period before PPA , impairment on goodwill and intangibles**
PPA (Purchase Price Allocation)	(13.5)	-	(13.5)	PPA (Purchase Price Allocation)
Net profit (loss) for the period	**(3,242.6)**	**-**	**(3,242.6)**	**Net profit (loss) for the period**

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