MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

BMPS: BOARD APPROVES PRELIMINARY RESULTS AS AT 31 DECEMBER 2017

- **EUR 502 million net loss for the quarter, influenced by recovery costs connected with the long-term servicing agreement for the disposal of the bad loan platform for EUR 170 million and provisions for risks and charges for EUR 166 million**

- **Net interest income at EUR 415 million, impacted by reduced interests on non-performing exposures and by lower volumes and interest rates on new lending, partly offset by the lower cost of funding; commissions amount to EUR 363 million, up approx. 2% Q/Q thanks to the contribution by wealth management**

- **Operating costs at EUR 651 million, affected by seasonal components. Continuous progress in the implementation of the Restructuring Plan: 1,800 staff exits already completed by means of the Solidarity Fund (38% of the 2021 target), of which 1,200 on November 1st, and a total of 435 branches closed between January 2017 and January 2018 (c. 70% of the 2021 target) with, until now, a limited attrition rate (c. 5% of total funding related to the March 2017 branch closures) and expected economic benefits over the coming quarters**

- **Current accounts and deposits at c. EUR 62 billion, flat Q/Q (EUR +11 billion from 2016 year-end). Restructuring Plan 2019 target for increase in funding already reached, cost of funding continues to be reduced (average deposit rate down 12bps in the quarter)**

- **Main asset quality indicators (pro-forma for the EUR 24.2 billion portfolio to be disposed) are stable: gross NPE ratio at 21.4%, net NPE ratio at 12.0%. The securitisation process continues according to schedule: transfer of 95% of the mezzanine notes to Atlante II was carried out in January 2018; the rating agencies' analysis of the portfolio is currently underway, following which a state guarantee (GACS) will be requested**

- **Transitional Common Equity Tier 1 at 14.8%, equal to c. EUR 9 billion. In January 2018 the issue of a subordinated Tier 2 bond for EUR 750 million was successfully completed, with requests exceeding the offer by 3.6 times**

- **Unencumbered Counterbalancing Capacity stable Q/Q (EUR 21 billion), 15.2% of total assets**

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Siena, 9 February 2018 – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. has reviewed and approved the results as at 31 December 2017.

2017 Group profit and loss results

In 2017, the Group's **total revenues** stand at **EUR 4,026 million**, a 6.0% Y/Y decrease, due to a contraction in net interest income and in fees and commissions, only partly offset by a growth in net profit from trading and financial assets/liabilities, influenced by the positive effects of burden-sharing measures. In 4Q17, revenues equal EUR 802 million, down by EUR 568 million versus the previous quarter, which benefited as mentioned above from the effect of burden-sharing measures which were booked in net profit (loss) from trading and financial assets/liabilities and in net interest income for EUR 554 million.

Net interest income for 2017 is **EUR 1,788 million**, down 11.5% Y/Y, mainly due to the negative trend of interest-bearing assets and in particular of commercial loans and securities portfolio (decreased average volumes and related yields). This trend is partially countered by the lower negative interests resulting from the decreased cost of commercial funding, the maturity of expensive bonds and the effects of burden-sharing measures. The result of 4Q17, at EUR 415 million, is down by about EUR 56 million (-11.9%) compared to the previous quarter, which had been positively influenced by the reversal of interest accrued on subordinated bonds subject to burden-sharing measures up to the date of their conversion in August 2017 (EUR +51 million). Net of this component, the quarterly trend is almost stable, the decrease in negative interests having been offset by the lower contribution of commercial loans (in terms of both volumes and yields).

Net fees and commissions are **EUR 1,577 million**, down 14.3% Y/Y, mainly impacted by the booking of the cost of the guarantee on State-guaranteed bonds issued in the first quarter and by fewer commissions coming from the credit sector (due to lower lending volumes compared to the previous year), as well as by fewer commissions from payment services following the sale of the merchant acquiring business on 30 June 2017. The quarterly trend is +2.1%, thanks to the contribution of wealth management fees.

Dividends, similar income and profit (loss) on investments, up from 31 December 2016, amount to approximately **EUR 101 million**, mainly for the contribution of AXA-MPS[1].

Net profit (loss) from trading and financial assets/liabilities for 2017 amounts to **EUR 575 million**, including the effects of burden-sharing measures (for a total of EUR 503 million), up from the previous year (EUR 441 million). Net of burden-sharing effects, the aggregate is sharply down from 31 December 2016, which had been characterised by higher profits from trading and from disposals/repurchases of securities, in addition to gains on liabilities designated at fair value. In detail, the aggregate is composed of:

- **net profit from trading for about EUR 0.2 million**, down from 31 December 2016. This **result is impacted by the reduced contribution from subsidiary MPS Capital Services. Profit** reduced also vs. the previous quarter (EUR -17 million);
- **results from financial assets and liabilities measured at fair value negative for EUR 3 million**, almost entirely attributable to the application of burden-sharing measures, net of which the aggregate is essentially nil for the early adoption of the IFRS 9 accounting

[1] AXA – MPS is consolidated at net equity.

treatment of gains/losses related to the creditworthiness of fair value option liabilities (at 31 December 2016 the result, assessed according to IAS39, had been positive for about EUR 99 million);

- **disposal/repurchase proceeds for EUR 578 million**, principally due to the effects of burden-sharing measures (EUR +505 million), net of which the aggregate is down (-54.8% Y/Y) compared to the previous year, which had benefited from greater capital gains from the sale of the AFS securities portfolio and from other extraordinary income (sale of the stake held in VISA Europe and repurchase of financial liabilities). Compared to the 3Q17, net of burden-sharing effects, the aggregate is essentially unchanged.

The following items also contribute to total revenues:

- **net income from hedging for EUR -4 million** (negative for EUR 82 million at 31 December 2016, having been adversely impacted by the ineffectiveness of interest-rate risk hedging on a subordinated bond supervening from the mandatory bond conversion provided for in Law Decree no. 237/2016, converted into law on 17 February 2017, as part of the precautionary recapitalisation by the State);
- **other operating expenses/income negative for about EUR 11 million**, vs. EUR -16 million recorded at the end of 2016.

In 2017 **operating expenses** amount to **EUR 2,543 million**, down 3.0% Y/Y. 4Q17 accounts for EUR 651 million, up by 3.9% Q/Q, mainly due to the upward trend of other administrative expenses and adjustments to tangible and intangible assets. Detailed examination of the single aggregates shows that:

- **Administrative expenses** stand at c. **EUR 2,280 million** (-5.1% Y/Y), with an impact of EUR 579 million in 4Q17, +3.3% Q/Q. Within the aggregate:
  - **personnel expenses**, at **EUR 1.575 million**, are down by 2.2% Y/Y (EUR -35 million), mainly due to headcount reduction, achieved with the aid of the 1 May and 1 November 2017 Solidarity Fund manoeuvre. The trend is substantially in line with the previous quarter;
  - **other administrative expenses** amount to **EUR 704 million**, down 11.1% compared to 2016, which had been negatively impacted by expenses for about EUR 37 million related to the unsuccessful market recapitalisation. Even net of this component, the yearly trend would still be a decrease, thanks to structural cost containing initiatives which have affected, in particular, real estate, IT and legal expenses linked to credit recovery. The expenses recorded in 4Q17 amount to EUR 192 million and are higher than those of the previous quarter.
- **Net value adjustments to tangible and intangible assets** for 2017 equal **EUR 263 million**, up from the previous year for the increased impairment of both tangible assets (impairment of land and buildings for EUR 17 million) and intangible assets (write-down of the residual value of software licences for EUR 25 million). The aggregate is up from the previous quarter (+9.9%) due to higher write-downs of tangible assets, following the renewal and expansion of the ATM fleet.

As a result of the dynamics described above, **the Group's pre-provision profit** is **EUR 1,483 million** (EUR 1,661 million for 2016), with a contribution of EUR 152 million from 4Q17, down from the previous quarter.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

In 2017 the Group reported **net impairment losses on loans, financial assets and other operations** for **EUR 5,460 million**, up by EUR 959 million compared with those recorded in the previous year, principally for i) net provisions booked from the beginning of the year on loans subject to securitisation, stemming from the review of their realisable value and from further costs provided for in the agreement with Quaestio (altogether approx. EUR -3.9 billion, already recorded at 30 June 2017), ii) recovery costs related to the long-term servicing agreement, signed with the Cerved/Quaestio JV, for the outsourced management of a part of the MPS Group bad loans (EUR -170 million); iii) the devaluation of the stake held in the Atlante I Fund (EUR -30 million, already booked in the first half of 2017) and in Banca Popolare di Spoleto (EUR -8 million), iv) the write-down of the stake held in the FITD Voluntary Scheme (for an overall amount of EUR -46 million). In 4Q17 the aggregate is up by EUR 333 million Q/Q.

The ratio of annualised loan loss provisions for 2017 over total customer loans reflects a **provisioning rate** of 585 bps, **172 bps** net of the economic and financial effects of the loan portfolio subject to disposal.

As a consequence, the Group's **net operating result for 2017 is negative for about EUR 3,977 million**, compared to c. EUR -2,840 million recorded at the end of the previous year.

The following also contribute to the **result for the period**:

- **Net provisions for risks and charges for EUR -233 million**, allocated primarily against legal risks. As at 31 December 2016, net provisions for risks and charges were positive for EUR 44 million, having benefited from the release of funds allocated for non-occurring or attenuated fiscal and legal risks;
- **Losses on investments for c. EUR -14 million** for impairments booked on associates Trixia, Interporto Toscano and Fidi Toscana, partially offset by the booking of gains on the disposal of the stake held in Intermonte SGR in 4Q17. As at 31 December 2016 the aggregate was positive for EUR 12 million, mainly from capital gains on the sale of Fabrica Immobiliare SGR;
- **Restructuring costs/one-off costs**, at **EUR -330 million**, which include restructuring costs (EUR -282 million) allocated against the headcount reduction agreed with the unions on 3 August 2017 for the November exits (1,215 employees in 4Q17), costs allocated for the branch closures set forth in the restructuring plan (EUR -17 million) and charges related to the securitisation of bad loans and to the contracts for the sale of the bad loans recovery platform and for the long-term bad loans servicing agreement signed with Cerved/Quaestio (for a total EUR -32 million);
- **Risks and charges related to SRF, DGS and similar schemes** amounting to **EUR -92 million**, and consisting of the entire contribution due by the Group to the Single Resolution Fund (SRF), booked in the first quarter for EUR 62 million, and, for the remaining amount of EUR 30 million, referring to the ordinary share to be recognised to the FITD (DGS), booked in 3Q17. The balance as at 31 December 2016, equal to EUR -241 million, included the two additional annuities in favour of the National Resolution Fund requested by the Bank of Italy on 28 December 2016, pursuant to art. 25 of Law Decree no. 237/2016.
- **DTA fees**, equal to **EUR -71 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 31 December 2017 for DTAs (Deferred Tax Assets) which are convertible into tax credit;

- **Gains on disposal of investments** for **EUR 531 million**, (determined by the gain on the sale of the merchant acquiring business to CartaSì and the sale of a MPS Belgio property) compared to a result of EUR 33 million as at 31 December 2016 (mainly from capital gains on the sale of a property belonging to subsidiary CO.E.M.).

Due to the occurrences mentioned above, the Group's **loss before tax from continuing operations** amounts to **EUR -4,186 million**, down from 2016, which had recorded a negative result for EUR -3,179 million.

Taxes on profit (loss) from continuing operations record a gain of **EUR 710 million**. This result is essentially attributable to the partial reassessment, for EUR 572 million, of DTAs related to tax losses, accrued and not recorded in previous years, mostly due to the recent regulatory measure which established the reduction in the ACE benefit. The item also includes accrued ACE for EUR 51 million. In fact, compared to what occurred under the previous legislation, the lower ACE deductions envisaged from 2017 onwards will reduce the absorption of future taxable income, which may therefore be allocated to a greater extent to offsetting previous tax losses.

Considering the net effects of PPA (EUR -26 million), the **Group's consolidated loss for 2017 amounts to EUR -3,502 million**, against a loss of EUR 3,241 million reported in 2016.

Group balance sheet aggregates for 2017

At 31 December 2017 the Group's **total funding** volumes amount to **EUR 193.6 billion** (-4.5% vs. 31 December 2016), with a decrease of EUR 7.6 billion recorded in the fourth quarter, mainly attributable to the decrease in direct funding with institutional counterparties and assets under custody.

Direct funding, which at 31 December 2017 amounted to **EUR 97.8 billion**, records a decrease of EUR 6.8 billion from 2016 year-end, mainly on repos with institutional counterparties and on bonds (impacted by the effects of burden-sharing measures on subordinated bonds and annual maturities), only partially offset by the increase in current accounts, time deposits and other forms of funding. Compared with 30 September 2017, the aggregate decreases by EUR 5.2 billion, for the most part repos with institutional counterparties (EUR -4.3 billion). Bonds are stable, with reimbursements at maturity counterbalanced by the issue of the senior debt security in the context of the retail settlement of the subordinated 2008-2018 Upper T2 bond subject to burden-sharing.
The Group's direct funding market share[2] stands at 3.78% (October 2017 update), an increase of 23 bps from the end of 2016.

Indirect funding at the end of December comes to **EUR 95.8 billion**, down from 31 December 2016 (EUR -2.3 billion) for the contraction of the asset under custody (EUR -3.7 billion), impacted by the movement of a significant corporate position. On the other hand, assets under management are up (EUR +1.4 billion). The comparison with 30 September 2017 shows a similar quarterly trend (EUR -2.4 billion), with a reduction in assets under custody (EUR -3.2 billion) and an increase in assets under management (EUR +0.8 billion). The quarterly trend of the aggregate is also

[2] 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.

negatively impacted by the effects of the retail settlement on the subordinated bond subject to burden-sharing measures (2008-2018Upper T2).

Assets under management, at **EUR 58.6 billion**, are up both from December 2016 and from September 2017. The increase is recorded on all components, with the exception of individual portfolios under management.

As at 31 December 2017 Group **customer loans** amount to **EUR 86.5 billion**, down by EUR 20.2 billion compared to the end of December 2016 and by EUR 4.6 billion compared to 30 September 2017. The trend recorded by the aggregate in the quarter is due to a decrease in repos with institutional counterparties (EUR -2.5 billion) and in commercial lending.

The Group's market share[3] stands at 6.64% (October 2017 update), stable compared to the end of 2016.

Medium/long-term loans record **new disbursements** for **EUR 6.3 billion** in 2017, to both households and businesses, down by 18.7% Y/Y, although it shows a rising trend during the year.

The Group's **gross non-performing exposures** as at 31 December 2017 amount to **EUR 45.1 billion**, down from the end of December 2016 (EUR -0.7 billion) and stable from 30 September 2017. Regarding the various components, the quarter witnesses a growth of EUR 1.1 billion of bad loans, a EUR -0.8 billion decrease of unlikely-to-pay loans and a EUR -0.3 billion decrease of past-due loans. Net of gross impaired loans to be disposed, gross exposure would fall from EUR 45.1 billion to EUR 20.9 billion.

As at 31 December 2017 the Group's **net non-performing exposures are EUR 14.8 billion**, down by EUR 5.5 billion since the beginning of the year, mainly due to net provisions on loans subject to securitisation stemming from the review of their realisable value, and a decrease of EUR 0.3 billion compared with 30 September 2017. This net exposure includes impaired loans subject to disposal for EUR 4.4 billion, net of which the value would be EUR 10.4 billion, with a significant improvement in the ratio between net impaired loans and net customer loans, from 16.3% to 12.0%. Within the aggregate, the incidence of unlikely-to-pay loans and past-due loans remains stable, whereas the incidence of net bad loans increases (from 7.6% in September 2017 to 8.3% in December 2017).

As at 31 December 2017 **coverage of non-performing exposures is 67.2%**, up compared to both 31 December 2016 (55.6%) and 30 September 2017 (66.4%).

As at 31 December 2017, the **Group's tradable financial assets** amount to **EUR 24.2 billion**, down 6.8% vs. the previous year-end and down 4.9% compared with 30 September 2017 (EUR - 1.2 billion), mainly in the trading component relating to the subsidiary MPS Capital Services (decreased 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 0.5 billion vs. 2016 year-end and increased by EUR 0.3 billion vs. 30 September 2017.

At the end of December 2017 the Group's **net interbank position** stands at **EUR 11.1 billion** in funding, a decrease of EUR 11.4 billion vs. 31 December 2016. This trend is due to improved commercial liquidity (increased direct funding accompanied by decreased loans) and to government-guaranteed issues in 1Q17, which allowed the reduction of exposure with the ECB. It

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

should also be noted that loans to banks decreased by EUR 2.4 billion vs. 30 September 2017, specifically in the segment of deposits with ECB.

The operational liquidity position as at 31 December 2017 shows an **unencumbered counterbalancing capacity of about EUR 21.1 billion**, sharply up by EUR 14.2 billion compared with 31 December 2016 and stable vs. 30 September 2017.

At 31 December 2017 the Group's **shareholders' equity and non-controlling interests** amount to approximately **EUR 10.4 billion**, with an improvement of about EUR 4.0 billion compared to the end of December 2016, mainly due to the effects of precautionary recapitalisation and burden-sharing measures, and a decrease of about EUR 0.5 billion on 30 September 2017 for the loss recorded in 4Q17.

As for capital ratios, at 31 December 2017 the **Common Equity Tier 1 Ratio** is **14.8%** (vs. 8.2% at the end of 2016) and **Total Capital Ratio** is **15.0%**, vs. 10.4% at the end of December 2016.

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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

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Income statement and balance sheet reclassification principles

Reclassified Income statement

a) Item "**Interest income**" was cleared of the negative contribution (EUR -12 million) referable to the Purchase Price Allocation (PPA) which was reclassified to a specific item;

b) Item "**Net fees and commissions**" incorporates item 40 "Fee and commission income" and item 50 "Fee and commission expense", and was cleared of the charges related to securitization for arrangement fees equal to EUR 13 million, this amount was reclassified under item "Restructuring costs/One-off charges"

c) Item "**Dividends, similar income and gains (losses) on investments**" incorporates item 70 "Dividends and similar income" and a portion of item 240 "Gains (losses) on investments" (EUR 92 million, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity). Dividends earned on securities other than equity investments (EUR 6 million), reclassified under item "Net profit (loss) from trading/valuation of financial assets/liabilities".

d) Item "**Net profit (loss) from trading/valuation of financial assets/liabilities**" includes Item 80 "Net profit (loss) from trading", Item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and Item 110 "Net profit (loss) on financial assets and liabilities designated at fair value". The item incorporates also dividends earned on securities other than equity investments (EUR 6 million).

e) Item "**Other operating income (expense)**" includes item 220 "Other operating expenses (income)" net of the recovery of stamp duty and customer expenses, which are stated under the reclassified item "Other administrative expenses" (EUR 323 million).

f) Item "**Personnel expenses**" was cleared of restructuring costs, equal to EUR 282 million, essentially relating to provisions for the headcount reduction agreed with the unions on 3 August 2017, and marginally to expenses relating to the securitization of bad loans (approx. EUR 0.6 million). This amount was reclassified under item "Restructuring costs / One-off costs".

g) Item "**Other administrative expenses**" includes the balance of financial statements item 180b "Other administrative expenses", reduced by the following cost items:
   - Expenses, amounting to EUR 92 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 71 million (posted to the reclassified item "DTA fee").
   - Restructuring costs for i) EUR 17 million for branch closures called for in the restructuring plan and ii) EUR 19 million as part of the costs incurred for the securitization of bad loans and partly related to contracts for the sale of bad loans recovery and long-term servicing for the management of bad loans, as per with Cerved/Quaestio.

   The item incorporates, also, stamp duty and client expense recoveries (EUR 323 million) posted under item 220 "Other operating expenses / income".

h) Item "**Net value adjustments to tangible and intangible assets**" was cleared of the negative contribution (EUR -26 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item.

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

j) Item "**Restructuring costs/One-off charges**" includes i) restructuring costs for the headcount reduction for EUR 282 million, and charges relating to branch closures provided for in the restructuring plan for EUR 17 million and ii) total charges for approx. EUR 32 million related to the securitization of bad loans, to agreements for the sale of bad loans recovery and long-term servicing for the management of bad loans (included in "Net fees commissions", "Personnel expenses" and "Other Administrative Expenses").

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 180b "Other Administrative Expenses". As at 31 December 2017, charges connected with the SRF (EUR 62 million, booked in the first quarter) and DGS (EUR 30 million, booked in the third quarter) have been recorded.

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 180b "Other Administrative Expenses".

m) Item **"Profit (Losses) on equity investments"** incorporates the balance of item 240 "Profit (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 profit (loss) on equity investments" (EUR 92 million).

n) Item "**Income tax for the period on current 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 13 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 -12 million and "**Net adjustments to/recoveries on tangible and intangible assets**" for EUR -26 million, net of a theoretical tax burden of EUR +13 million which integrates the item).

<u>Reclassified Balance sheet</u>

p) Item "**Tradable financial assets**" on the assets side includes item 20 "Financial assets held for trading" and item 40 "Financial assets available for sale".

q) Item "**Other assets**" on the assets side incorporates item 80 "Hedging derivatives", item 90 "Value adjustments to financial assets subject to macro-hedging", item 140 "Tax assets", item 150 "Non-current assets held for sale and discontinued operations" and item 160 "Other assets".

r) Item “**Deposits from customers and debt securities issued**” on the liabilities side includes item 20 “Deposits from customers”, item 30 “Outstanding securities” and item 50 “Financial liabilities at fair value”.

s) Item “**Other liabilities**” on the liabilities side incorporates item 60 “Hedging derivatives”, item 70 “Change in value of macro-hedged financial liabilities”, item 80 “Tax liabilities”, item 90 “Liabilities associated with groups of assets held for sale” and item 100 “Other liabilities”.

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MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 31/12/2017

INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES	31/12/17	31/12/16	Chg.
Net interest income	1,788.3	2,021.3	-11.5%
Net fee and commission income	1,576.5	1,839.4	-14.3%
Other operating income	660.8	421.3	56.8%
Total Revenues	4,025.6	4,282.0	-6.0%
Net impairment losses (reversals) on loans and financial assets	(5,460.0)	(4,500.9)	21.3%
Net operating income	(3,977.4)	(2,840.2)	40.0%
Net profit (loss) for the period	(3,502.3)	(3,241.1)	8.1%
EARNING PER SHARE (EUR)	31/12/17	31/12/16	Chg.
Basic earnings per share	(7.299)	(110.545)	-93.4%
Diluted earnings per share	(7.299)	(110.545)	-93.4%
BALANCE SHEET FIGURES AND INDICATORS	31/12/17	31/12/16	Chg.
Total assets	139,154.2	153,178.5	-9.2%
Loans to customers	86,456.3	106,692.7	-19.0%
Direct funding	97,801.8	104,573.5	-6.5%
Indirect funding	95,845.7	98,151.8	-2.3%
of which: assets under management	58,599.4	57,180.9	2.5%
of which: assets under custody	37,246.3	40,971.0	-9.1%
Group net equity	10,429.1	6,425.5	62.3%
OPERATING STRUCTURE	31/12/17	31/12/16	Chg.
Total head count - end of period	23,463	25,566	-2,103
Number of branches in Italy	1,745	2,032	-287

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 31/12/2017

ALTERNATIVE PERFORMANCE MEASURES

MPS GROUP

PROFITABILITY RATIOS (%)	31/12/2017	31/12/2016	Chg.
Cost/Income ratio	63.2	61.2	2.0
R.O.E.	-41.6	-40.5	-1.1
Return on Assets (RoA) ratio	-2.5	-2.1	-0.4
ROTE (Return on tangible equity)	-41.6	-40.5	-1.1

Credit quality ratios including the share of loan portfolio classified under assets held for sale (in both non-performing loans and loans to customers):

KEY CREDIT QUALITY RATIOS (%)	31/12/2017	31/12/2016	Chg.
Net non-performing loans / Loans to Customers	16.3	19.0	-2.7
Coverage non-performing loans	67.2	55.6	11.6
Net doubtful loans / Loans to Customers	8.3	9.7	-1.4
Coverage doubtful loans	77.2	64.8	12.4
Net impairment losses on loans / Loans to Customers (Provisioning)	5.8	4.2	1.6
Texas Ratio	111.5	145.0	-33.5

Credit quality ratios not including the share of loan portfolio classified under assets held for sale:

KEY CREDIT QUALITY RATIOS (%)	31/12/2017	31/12/2016	Chg.
Net non-performing loans / Loans to Customers	12.0	19.0	-7.0
Coverage non-performing loans	50.5	55.6	-5.1
Net doubtful loans / Loans to Customers	3.6	9.7	-6.1
Coverage doubtful loans	64.8	64.8	
Net impairment losses on loans / Loans to Customers (Provisioning)	1.7	4.2	-2.5
Texas Ratio	101.0	145.0	-44.0

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 31/12/2017

REGULATORY MEASURES

MPS GROUP

CAPITAL RATIOS (%)	31/12/17	31/12/16	Chg.
Common Equity Tier 1 (CET1) ratio	14.8	8.2	6.6
Total Capital ratio	15.0	10.4	4.6
FINANCIAL LEVERAGE INDEX (%)	31/12/17	31/12/16	Chg.
Leverage ratio - Transitional Phase	6.0	3.2	2.8
LIQUIDITY RATIO (%)	31/12/17	31/12/16	Chg.
LCR	199.5	107.7	91.8
NSFR	110.0	87.6	22.4
Encumbered asset ratio *	51.6	49.4	2.2
Counterbalancing capacity (€/bn)	21.1	6.9	14.2

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

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified Consolidated Income Statement				
Montepaschi Group	31/12/17	31/12/16	Change	
			Abs.	%
Net interest income	1,788.3	2,021.3	(233.0)	-11.5%
Net fee and commission income	1,576.5	1,839.4	(262.9)	-14.3%
Income from banking activities	**3,364.8**	**3,860.7**	**(495.9)**	**-12.8%**
Dividends, similar income and gains (losses) on equity investments	101.0	77.8	23.2	29.8%
Net profit (loss) from trading and financial assets/liabilities	574.8	441.2	133.6	30.3%
Net profit (loss) from hedging	(3.7)	(82.0)	78.3	-95.5%
Other operating income (expenses)	(11.3)	(15.7)	4.4	-28.0%
Total Revenues	**4,025.6**	**4,282.0**	**(256.4)**	**-6.0%**
Administrative expenses:	(2,279.6)	(2,402.5)	122.9	-5.1%
a) personnel expenses	(1,575.4)	(1,610.5)	35.2	-2.2%
b) other administrative expenses	(704.3)	(792.0)	87.7	-11.1%
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(263.4)	(218.8)	(44.6)	20.4%
Operating expenses	**(2,543.0)**	**(2,621.3)**	**78.3**	**-3.0%**
Pre Provision Profit	**1,482.6**	**1,660.7**	**(178.1)**	**-10.7%**
Net impairment losses (reversals) on:	**(5,460.0)**	**(4,500.9)**	**(959.1)**	**21.3%**
a) loans	(5,323.7)	(4,467.0)	(856.7)	19.2%
b) financial assets	(136.3)	(33.9)	(102.4)	n.m.
Net operating income	**(3,977.4)**	**(2,840.2)**	**(1,137.2)**	**40.0%**
Net provisions for risks and charges	(232.9)	44.4	(277.3)	n.m.
Gains (losses) on investments	(14.0)	11.8	(25.8)	n.m.
Restructuring costs / One-off costs	(330.2)	(117.0)	(213.2)	n.m.
Risks and charges related to the SRF, DGS and similar schemes	(91.9)	(241.1)	149.2	-61.9%
DTA Fee	(70.9)	(70.4)	(0.5)	0.7%
Gains (losses) on disposal of investments	531.2	33.2	498.0	n.m.
Profit (loss) before tax from continuing operations	**(4,186.2)**	**(3,179.3)**	**(1,006.9)**	**31.7%**
Tax expense (recovery) on income from continuing operations	709.6	(20.7)	730.3	n.m.
Profit (loss) after tax from continuing operations	**(3,476.6)**	**(3,200.0)**	**(276.6)**	**8.6%**
Net profit (loss) for the period including non-controlling interests	**(3,476.6)**	**(3,200.0)**	**(276.6)**	**8.6%**
Net profit (loss) attributable to non-controlling interests	0.1	9.7	(9.6)	-99.0%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(3,476.7)**	**(3,209.7)**	**(267.0)**	**8.3%**
PPA (Purchase Price Allocation)	(25.6)	(31.4)	5.8	-18.5%
Net profit (loss) for the period	**(3,502.3)**	**(3,241.1)**	**(261.2)**	**8.1%**

Quarterly trend in reclassified consolidated income statement

Montepaschi Group	2017				2016			
	4°Q 2017	3°Q 2017	2°Q 2017	1°Q 2017	4°Q 2016	3°Q 2016	2°Q 2016	1°Q 2016
Net interest income	414.6	470.4	445.9	457.4	502.6	483.5	486.9	548.3
Net fee and commission income	363.3	355.7	431.2	426.3	437.0	461.7	483.8	456.9
Income from banking activities	**777.9**	**826.1**	**877.1**	**883.7**	**939.6**	**945.2**	**970.7**	**1,005.2**
Dividends, similar income and gains (losses) on equity investments	32.3	22.4	25.7	20.5	11.3	23.3	23.9	19.3
Net profit (loss) from trading and financial assets/liabilities	3.4	528.5	18.3	24.5	21.5	102.7	151.3	165.7
Net profit (loss) from hedging	0.8	(2.7)	(2.0)	0.2	(80.3)	(0.4)	(1.4)	0.1
Other operating income (expenses)	(12.0)	(3.9)	0.3	4.3	(27.6)	2.2	14.7	(5.0)
Total Revenues	**802.4**	**1,370.5**	**919.5**	**933.2**	**864.5**	**1,073.0**	**1,159.1**	**1,185.4**
Administrative expenses:	(579.4)	(561.1)	(568.2)	(570.9)	(630.6)	(595.1)	(582.1)	(594.7)
a) personnel expenses	(387.1)	(388.8)	(395.1)	(404.4)	(371.1)	(418.4)	(403.4)	(417.6)
b) other administrative expenses	(192.3)	(172.3)	(173.1)	(166.5)	(259.5)	(176.7)	(178.7)	(177.1)
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(71.1)	(64.7)	(70.9)	(56.6)	(61.6)	(55.2)	(51.7)	(50.3)
Operating expenses	**(650.5)**	**(625.8)**	**(639.1)**	**(627.5)**	**(692.2)**	**(650.3)**	**(633.8)**	**(645.0)**
Pre Provision Profit	**151.9**	**744.7**	**280.4**	**305.6**	**172.3**	**422.7**	**525.4**	**540.3**
Net impairment losses (reversals) on:	**(557.6)**	**(224.5)**	**(4,374.8)**	**(303.1)**	**(2,482.1)**	**(1,301.6)**	**(368.0)**	**(349.2)**
a) loans	(551.7)	(175.0)	(4,288.8)	(308.2)	(2,445.4)	(1,303.3)	(372.4)	(345.9)
b) financial assets	(5.9)	(49.5)	(86.0)	5.1	(36.7)	1.7	4.4	(3.3)
Net operating income	**(405.7)**	**520.2**	**(4,094.4)**	**2.5**	**(2,309.8)**	**(878.9)**	**157.4**	**191.1**
Net provisions for risks and charges	(166.1)	(7.8)	(13.4)	(45.6)	48.0	(27.5)	29.2	(5.3)
Gains (losses) on investments	8.9	(19.1)	0.2	(4.0)	2.5	1.6	0.2	7.5
Restructuring costs / One-off costs	(34.5)	(278.0)	(17.7)	-	(117.0)	-	-	-
Risks and charges related to the SRF, DGS and similar schemes	2.3	(31.2)	0.4	(63.4)	(139.1)	(31.2)	0.3	(71.1)
DTA Fee	(17.7)	(17.7)	(17.5)	(18.0)	53.9	(15.5)	(108.8)	-
Gains (losses) on disposal of investments	(2.3)	1.8	532.0	(0.3)	20.4	12.8	-	-
Profit (loss) before tax from continuing operations	**(615.2)**	**168.2**	**(3,610.6)**	**(128.6)**	**(2,441.1)**	**(938.7)**	**78.3**	**122.2**
Tax expense (recovery) on income from continuing operations	119.7	79.9	543.5	(33.5)	64.7	(203.9)	139.2	(20.7)
Profit (loss) after tax from continuing operations	**(495.5)**	**248.1**	**(3,067.1)**	**(162.1)**	**(2,376.4)**	**(1,142.6)**	**217.5**	**101.5**
Net profit (loss) for the period including non-controlling interests	**(495.5)**	**248.1**	**(3,067.1)**	**(162.1)**	**(2,376.4)**	**(1,142.6)**	**217.5**	**101.5**
Net profit (loss) attributable to non-controlling interests	(0.1)	0.1	(0.1)	-	(8.3)	0.6	0.3	0.5
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(495.6)**	**248.0**	**(3,067.0)**	**(162.1)**	**(2,384.7)**	**(1,143.2)**	**217.2**	**101.0**
PPA (Purchase Price Allocation)	(6.0)	(6.1)	(6.4)	(7.1)	(7.7)	(7.5)	(8.3)	(7.9)
Net profit (loss) for the period	**(501.6)**	**241.9**	**(3,073.4)**	**(169.2)**	**(2,392.4)**	**(1,150.7)**	**208.9**	**93.1**

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified Consolidated Balance Sheet

ASSETS	31/12/17	31/12/16	Chg abs.	Chg %
Cash and cash equivalents	4,092.3	1,084.5	3,007.8	n.s.
Receivables :				
a) Loans to customers	86,456.3	106,692.7	(20,236.4)	-19.0%
b) Loans to banks	9,966.2	8,936.2	1,030.0	11.5%
Marketable assets	24,168.4	25,929.3	(1,760.9)	-6.8%
Financial assets held to maturity	-	-	-	
Equity investments	1,034.6	1,031.7	2.9	0.3%
Property, plant and equipment / Intangible assets	2,854.2	2,942.9	(88.7)	-3.0%
of which:				
a) goodwill	*7.9*	*7.9*	-	
Other assets	10,582.2	6,561.2	4,021.0	61.3%
Total assets	**139,154.2**	**153,178.5**	**(14,024.4)**	**-9.2%**

LIABILITIES	31/12/17	31/12/16	Chg abs.	Chg %
Payables				
a) Deposits from customers and securities issued	97,801.8	104,573.5	(6,771.7)	-6.5%
b) Deposits from banks	21,084.9	31,469.1	(10,384.2)	-33.0%
Financial liabilities held for trading	4,476.9	4,971.8	(494.9)	-10.0%
Provisions for specific use				
a) Provisions for staff severance indemnities	199.5	252.9	(53.4)	-21.1%
b) Pensions and other post retirement benefit obligations	50.1	53.6	(3.5)	-6.5%
c) Other provisions	1,088.4	1,054.5	33.9	3.2%
Other liabilities	4,021.2	4,342.7	(321.5)	-7.4%
Group net equity	10,429.1	6,425.5	4,003.6	62.3%
a) Valuation reserves	51.7	47.3	4.4	9.3%
c) Equity instruments carried at equity	-	-	-	
d) Reserves	3,864.8	2,253.6	1,611.2	71.5%
e) Share premium	-	-	-	
f) Share capital	10,328.6	7,365.7	2,962.9	40.2%
g) Treasury shares (-)	(313.7)	-	(313.7)	
h) Net profit (loss) for the year	(3,502.3)	(3,241.1)	(261.2)	8.1%
Non-controlling interests	2.3	34.9	(32.6)	-93.4%
Total Liabilities and Shareholders' Equity	**139,154.2**	**153,178.5**	**(14,024.3)**	**-9.2%**

Reclassified Consolidated Balance Sheet - Quarterly Trend								
ASSETS	**31/12/17**	**30/09/17**	**30/06/17**	**31/03/17**	**31/12/16**	**30/09/16**	**30/06/16**	**31/03/16**
Cash and cash equivalents	4,092.3	821.9	843.1	879.1	1,084.5	941.4	794.6	913.4
Receivables :	-							
a) Loans to customers	86,456.3	91,041.1	89,713.1	102,406.9	106,692.7	104,612.4	107,547.8	113,544.3
b) Loans to banks	9,966.2	12,897.0	13,116.4	8,451.4	8,936.2	7,669.4	7,953.1	6,856.1
Marketable assets	24,168.4	25,403.0	24,089.8	26,511.8	25,929.3	35,748.3	36,022.6	39,999.9
Financial assets held to maturity	-	-	-	-	-	-	-	-
Equity investments	1,034.6	1,001.2	1,023.6	1,013.0	1,031.7	910.7	948.0	934.3
Property, plant and equipment / Intangible assets	2,854.2	2,833.7	2,844.7	2,894.2	2,942.9	3,016.9	3,059.8	3,112.4
of which:	-							
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Other assets	10,582.2	11,101.2	11,958.8	6,648.2	6,561.2	7,230.0	8,059.6	8,285.2
Total assets	**139,154.2**	**145,099.1**	**143,589.5**	**148,804.6**	**153,178.5**	**160,129.1**	**164,385.5**	**173,645.6**
LIABILITIES	**43,100.0**	**43,008.0**	**30/06/17**	**31/03/17**	**31/12/16**	**30/09/16**	**30/06/16**	**31/03/16**
Payables								
a) Deposits from customers and securities issued	97,801.8	102,968.4	106,543.9	109,390.0	104,573.5	105,461.4	112,045.2	119,507.9
b) Deposits from banks	21,084.9	21,566.1	22,802.8	22,837.5	31,469.1	25,282.4	19,465.8	17,524.7
Financial liabilities held for trading	4,476.9	4,201.1	4,449.9	4,412.4	4,971.8	13,802.7	15,854.7	20,051.0
Provisions for specific use	- -							
a) Provisions for staff severance indemnities	199.5	234.7	233.7	252.5	252.9	251.3	249.9	247.7
b) Pensions and other post retirement benefit obligations	50.1	45.9	47.3	52.5	53.6	51.2	52.3	51.4
c) Other provisions	1,088.4	959.8	958.8	954.2	1,054.5	1,018.8	1,012.5	1,050.0
Other liabilities	4,021.2 -	4,176.4	5,503.2	4,861.2	4,342.7	5,489.2	5,750.4	5,511.9
Group net equity	10,429.1	10,944.5	3,047.7	6,041.9	6,425.5	8,745.6	9,928.7	9,675.3
a) Valuation reserves	51.7	60.5	102.0	7.4	47.3	(24.7)	7.7	(36.5)
c) Equity instruments carried at equity	-	-	-	-	-	-	-	-
d) Reserves	3,864.8	(1,494.4)	(1,177.4)	(1,162.0)	2,253.6	617.2	617.2	610.5
e) Share premium	-	-	-	-	-	-	-	6.3
f) Share capital	10,328.6	15,692.8	7,365.7	7,365.7	7,365.7	9,001.8	9,001.8	9,001.8
g) Treasury shares (-)	(313.7)	(313.7)	-	-	-	-	-	-
h) Net profit (loss) for the year	(3,502.3) -	(3,000.7)	(3,242.6)	(169.2)	(3,241.1)	(848.7)	302.0	93.2
Non-controlling interests	2.3	2.2	2.2	2.4	34.9	26.5	26.0	25.7
Total Liabilities and Shareholders' Equity	**139,154.2**	**145,099.1**	**143,589.5**	**148,804.6**	**153,178.5**	**160,129.1**	**164,385.5**	**173,645.6**

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