MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

DRAFT SREP DECISION CONFIRMS PILLAR 2 REQUIREMENT LEVEL TO 3% AND REDUCES GUIDANCE TO 1,3%

Financial information will be integrated into the Prospectus relating to the Bank's international issuance programmes

All these levels will have to be confirmed after the SREP process is completed and included in the final decision, which is expected to be released within the first quarter of 2019

Siena, 11 January 2019 – Banca Monte dei Paschi di Siena SpA (the "Bank" or "BMPS") hereby provides some financial information, in view of its forthcoming integration into the Prospectus relating to the Bank's international issuance programmes.

On 5 December 2018 the Bank received from the Supervisory Authority a draft of the decision establishing prudential requirements, based on the Supervisory Review and Evaluation Process (SREP) conducted pursuant to Article 4(1)(f) of Council Regulation (EU) No 1024/2013 with reference date 31 December 2017 (The "Draft SREP Decision"). The letter is provisional and the final release is expected in the first quarter of 2019, as a result of the SREP process.

Taking into consideration the conclusions of the SREP, the Draft SREP Decision sets both quantitative (own funds) and qualitative prudential requirements for BMPS, and points out some recommendations to the Bank.

Regarding own funds, according to the draft, ECB requires BMPS to maintain a Total SREP Capital Requirement (TSCR) of 11% at a consolidated level, which includes a minimum Pillar 1 requirement (P1R) of 8%, and an additional Pillar 2 requirement (P2R) of 3%. The P2R is therefore unchanged compared to 2018.

As for guidance, according to the draft, ECB expects BMPS to comply on a consolidated basis with a P2G of 1.3%, compared to 1.5% in 2018.

All these levels will have to be confirmed after the SREP process is completed and included in the final decision, which is expected to be released within the first quarter of 2019.

With specific reference to NPL coverage, BMPS received a few recommendations dictated by the ECB's desire to ensure continued progress in reducing legacy risks in the Euro area and achieving the same coverage of the stock and flow of NPLs in the medium term. In a press release last year (11 July 2018), the ECB had announced that it would engage with each bank in defining bank-specific supervisory expectations based on a benchmarking of comparable banks and guided by individual banks' current NPL ratio and main financial features. In this context, BMPS is recommended to implement, over the next few years (up to the end of 2026) a gradual increase in coverage levels on the stock of non-performing loans outstanding at the end of March 2018, according to a complementary approach with the indications set, in the Addendum to the ECB guidance to Banks on non-performing loans, for NPL flows generated starting from April 2018.

In the draft letter, the ECB also highlighted the weaknesses/focus points that BMPS needs to address.

The most important items are related to the capability of delivering on the Restructuring Plan (RP) targets: improving profitability, which is underperforming the RP, and capital position, which is weaker due to the inability to issue the second tranche of Tier 2 bonds by the end of 2018 and to the direct and indirect impacts of the BTP-Bund spread movements, especially considering the significant exposure of BMPS to Italian Sovereign debt.

Moreover, the draft letter highlights the significant challenges of the RP on the funding side, and about BMPS' capability to successfully execute its funding strategy, given the turbulence currently being experienced in the Italian markets.

This press release is available on www.gruppomps.it

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