PRESS RELEASE

BOARD APPROVES RESULTS AS AT 30 SEPTEMBER 2017

SHAREHOLDERS' MEETING CALLED FOR 18 DECEMBER 2017 FOLLOWING THE RESIGNATION OF ALL DIRECTORS AND STATUTORY AUDITORS IN CONSIDERATION OF THE COMPLETED PRECAUTIONARY RECAPITALISATION PROCESS

- **Net income for the quarter at EUR 242 million, influenced by one-off components: positive impacts from burden-sharing measures (EUR 554 million), restructuring costs for the exit of 1,200 employees (EUR -280 million) and negative impact of the the FITD[1] Voluntary Scheme intervention for Caricesena/Carismi/Carim (EUR -46 million)**

- **Net interest income increases thanks to the reduced interests on subordinated bonds, whilst commissions are impacted by the reduced demand for loans, by the seasonal slowdown of Wealth Management product placement and by the sale of the merchant acquiring business**

- **Operating costs continue to shrink, with benefits expected over the coming quarters: headcount reduction of 1,800 employees already completed by means of the Solidarity Fund (38% of the 2021 target), of which 1,200 on November 1st, and a total of 287 branches closed between January and November 2017 (48% of 2021 target)**

- **Ongoing growth in customer time deposits and current accounts: EUR +1.6 billion vs. June and EUR +11 billion vs. 2016 year-end (end of 2019 target), with consequent rebalancing towards cheaper forms of funding**

- **Unlikely-to-pay loans reduced in the quarter by EUR 1.1 billion gross (from EUR 13.5 billion to EUR 12.4 billion) and by EUR 0.7 billion net (from EUR 8.0 billion to EUR 7.3 billion); main asset quality indicators (pro-forma for the securitisation of EUR 26 billion bad loans) improve: gross NPE ratio at 19.4% (19.8% in June 2017), net NPE ratio at 11.3% (11.7% in June 2017)**

- **Loan loss provisions at EUR 175 million, with ordinary provisions strongly reduced Q/Q**

- **Transitional Common Equity Tier 1 at 15.2%, equal to EUR 9.6 billion**

- **Unencumbered Counterbalancing Capacity at EUR 21.1 billion (EUR +1.3 billion Q/Q), 14.5% of total assets**

- **Also in consideration of the resignation tendered today by all members of the Board of Directors and of the Board of Statutory Auditors, the Board resolved to convene the Shareholders' Meeting in extraordinary and ordinary session on 18 December 2017, with**

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[1] Fondo Interbancario di Tutela dei Depositi, the Italian Interbank Deposit Protection Fund.

an agenda which includes the covering of the Parent Company's losses as at 30 September 2017

Siena, 7 November 2017 – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. has reviewed and approved the results as at 30 September 2017.

Group profit and loss results for 9M17

In the first nine months of 2017, the Group's **total revenues** stand at c. **EUR 3,223 million**, a -5.7% 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 the third quarter of 2017, revenues equal c. EUR 1,370 million, up by c. EUR 451 million Q/Q, principally for the effect of burden-sharing measures which were booked in net profit (loss) from trading and financial assets/liabilities and in net interest income.

Net interest income for the first nine months of 2017 is approximately **EUR 1,374 million**, down 9.5% Y/Y, mainly as a result of 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 lessening of 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 the third quarter of 2017, at EUR 470 million, is up by about EUR 24 million (+5.5%) compared to the previous quarter, 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) and by the reduced cost of bonds, partly offset by the lower contribution of commercial loans (in terms of both volumes and yields).

Net fees and commissions are approximately **EUR 1,213 million**, down 13.5% 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, particularly sight and short-term, compared to the previous year), in addition to reduced income from payment services following the sale of the merchant acquiring business on 30 June 2017. The quarterly trend is -17.5%, ascribable to reduced lending commissions (which had been boosted in 2Q17 by non-recurrent positive components), the seasonal slowdown of placement activities and fewer revenues from payment services for the mentioned sale of the merchant acquiring business.

Dividends, similar income and profit (loss) on investments amount to approximately **EUR 69 million** (vs. c. EUR 67 million booked in the first nine months of 2016) mainly for the contribution of AXA-MPS (consolidated at net equity). The third quarter is down from 2Q17, which had benefited from the accounting of dividends from the stake in Bank of Italy (EUR 9 million).

Net profit (loss) from trading and financial assets/liabilities for the first nine months of 2017 amounts to c. **EUR 571 million**, including the effects of burden-sharing measures (for a total of EUR 503 million), up from the same period of the previous year (EUR 420 million). Net of burden-sharing effects, the aggregate is sharply down from 30 September 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 21 million**, down from 30 September 2016, partly impacted by the reduced contribution from subsidiary MPS Capital Services. Profit reduced also vs. the previous quarter (c. EUR -15 million);
- **net loss from financial assets and liabilities measured at fair value for c. EUR 1 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 treatment of gains/losses related to the creditworthiness of fair value option liabilities (at 30 September 2016 the result, assessed according to IAS39, had been positive for about EUR 107 million);
- **disposal/repurchase proceeds for about EUR 552 million**, principally due to the effects of burden-sharing measures (EUR +505 million), net of which the aggregate is down 70.3% Y/Y, the same period of the previous year having 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 second quarter of 2017, the aggregate – net of burden-sharing effects – is up by about EUR 21 million, for increased disposals of AFS securities with capital gains and of equity investments.

The following items also contribute to total revenues:

- **net income from hedging for EUR -5 million** (negative for c. EUR 2 million at 30 September 2016);
- **other operating expenses/income** essentially **nil** (EUR +12 million in the first 9 months of 2016, mostly from the VISA Europe operation with CartaSì), with a negative contribution from 3Q17 for c. EUR 4 million.

In the first nine months of 2017 **operating expenses** are approximately **EUR 1,893 million**, down 1.9% Y/Y. 3Q17 accounts for c. EUR 626 million, -2.1% Q/Q, mainly due to an improvement in both personnel expenses and adjustments to tangible and intangible assets. In particular:

- **Administrative expenses** stand at c. **EUR 1,700 million** (-4.0% Y/Y), with an impact of EUR 561 million in 3Q17, -1.2% Q/Q. Within the aggregate:
  - **personnel expenses**, at about **EUR 1.188 million**, are down by 4.1% Y/Y (about EUR -51 million) due to both headcount reduction (through the 1 May 2017 Solidarity Fund manoeuvre) and to fewer provisions on the variable component. Expenses are also down compared to 2Q17 (-1.6% Q/Q), thanks to the exits related to the mentioned early retirement incentives (about 600 employees);
  - **other administrative expenses** amount to c. **EUR 512 million**, down 3.9% compared to the first nine months of 2016, mainly thanks to a structural improvement in spending which has affected, in particular, real estate, IT and legal expenses linked to credit recovery. Expenses for 3Q17 amount to c. EUR 172 million, slightly reduced from the previous quarter (-0.4%).
- **Net value adjustments to tangible and intangible assets** for 9M17 equal **EUR 192 million**, up from the same period of last year for the increased impairment of both tangible assets (impairment of land and buildings for c. EUR 12 million) and intangible assets (write-down of the residual value of software licence for c. EUR 15 million). Conversely, the

aggregate down from the previous quarter (-8.8%), due to fewer write-downs of intangible assets.

As of 30 September 2017, the main qualitative and quantitative impairment indicators, based on both external and internal factors, were monitored in order to verify the existence of any signs of deterioration in the value of goodwill. The analysis did not highlight any signs of potential impairment losses on goodwill.

As a result of the dynamics described above, **the Group's pre-provision profit** is **EUR 1,331 million** (EUR 1,488 million for the first nine months of 2016), with a contribution of EUR 745 million from 3Q17, up from the previous quarter, inclusive of the effects of burden-sharing measures.

In the first nine months of 2017 the Group reported **net impairment losses on loans, financial assets and other operations** for c. **EUR 4,902 million**, up by EUR 2,884 million compared with those recorded in the same period of 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 -4 billion, already booked at 30 June 2017), ii) the devaluation of the stake in Atlante (c. EUR -30 million already booked in 1H17) and in Banca Popolare di Spoleto (EUR -8 million in 3Q17) and iii) the total write-down of the stake held in the FITD Voluntary Scheme in addition to the partial write-down of the Group's irrevocable commitments towards the Voluntary Scheme for Caricesena, Carim and Carismi (for an overall amount of EUR -46 million, booked in the current quarter). Net of the effects mentioned above, the aggregate is significantly reduced, thanks to lower inflows from performing to non-performing exposures and fewer migrations of past-due and unlikely-to-pay loans towards bad loans.

The ratio of annualised loan loss provisions of the first nine months of 2017 over total customer loans reflects a **provisioning rate of 526 bps**, 119 bps net of the effects of non-performing loans subject to the expected disposal.

As a consequence, the Group's **net operating result for the period is negative for about EUR 3,572 million**, compared to c. EUR -530 million recorded in the same period of last year.

The following also contribute to the result for the period:

- **Net provisions for risks and charges for EUR -67 million**, impacted by provisions for lawsuits connected with previous capital increases and for the risk of having a sanction imposed following the procedure opened by the Italian Competition Authority on the switch to the new SEDA (previously RID) service. As at 30 September 2016, net provisions for risks and charges stood at EUR -4 million, having benefitted from the release of funds allocated for non-occurring or attenuated fiscal and legal risks;
- **Losses on investments for c. EUR 23 million** for impairments booked on associates Trixia and Interporto Toscano in 1Q17 and on Fidi Toscana in 3Q17, against EUR +9 million booked at 30 September 2016, which had benefited from capital gains on the sale of Fabrica Immobiliare SGR, booked in 1Q16;
- **Restructuring costs/one-off costs**, at **EUR -296 million**, include restructuring costs allocated against the headcount reduction (EUR 280 million) agreed with the unions on 3 August 2017 for the November exits (1,200 employees) and against the branch closures set forth in the restructuring plan (EUR -16 million).

- **Risks and charges related to SRF, DGS and similar schemes** for a total of c. **EUR -94 million**, consisting of the entire contribution due by the Group to the Single Resolution Fund (SRF), booked in the first quarter for EUR -63 million, and for the remaining amount of EUR -31 million, referring to the ordinary share to be recognised to the FITD (DGS), booked in the third quarter.
- **DTA fees**, equal to approximately **EUR -53 million**. The amount, determined according to the criteria of Law Decree no. 59/2016, converted into Law no. 119 on 30 June 2017, represents the fees due on 30 September 2017 for DTAs (Deferred Tax Assets) convertible into tax credit;
- **Gains on disposal of investments** for **EUR 534 million**, compared to EUR 13 million in September 2016. The result is down from 2Q17, when the gain on the sale of the merchant acquiring business to CartaSì and the sale of a MPS Belgio property had been booked.

Due to the occurrences mentioned above, the Group's **loss before tax from continuing operations** amounts to approximately **EUR -3,571 million**, down from the 3Q16 loss of EUR -738 million.

Taxes on profit (loss) for the period from continuing operations record a gain of about **EUR 590 million**. This result is essentially attributable to the partial reassessment – for about EUR 551 million – of DTAs related to tax losses, accrued and not recorded in previous years, mostly due to the recent regulatory measure which ordered the reduction in the ACE benefit. The item also includes accrued ACE for EUR 39 million. Indeed, on a forward-looking basis, the lower ACE deductions planned as of 2017 and thereafter will reduce, with respect to what was expected with the regulations previously in force, the absorption of future taxable income, which therefore may be allocated to a greater extent to offsetting previous tax losses.

Considering the net effects of PPA (c. EUR -20 million), the **Group's consolidated loss for the first nine months of 2017** amounts to c. **EUR -3,001 million**, against a loss of about EUR 849 million reported in the same period of 2016.

Group balance sheet aggregates for 9M17

At 30 September 2017 the Group's **total funding** volumes amount to **EUR 201.2 billion** (-0.7% vs. 31 December 2016), with a decrease of about EUR 2 billion recorded in the third quarter. Specifically, while the volume of indirect funding grows by EUR 1.6 billion compared to the previous quarter, direct funding suffers a contraction of EUR 3.6 billion, justified by the conversion of AT1 and T2 instruments subject to burden-sharing measures into ordinary shares of the Parent Company issued by the Group (EUR 4.3 billion).

Direct funding, which at 30 September 2017 amounted to about **EUR 103 billion**, records a decrease of around EUR 1.6 billion from 2016 year-end, mainly on bonds (impacted by the effects of burden-sharing measures for EUR 4.3 billion) and repos, only partially offset by the increase in current accounts, time deposits and other forms of funding. Compared with 30 June 2017, the aggregate decreases by EUR 3.6 billion, for the most part bonds (EUR -5.2 billion, chiefly due to the aforementioned burden-sharing effects and, to a lesser extent, to quarterly maturities) and repos with institutional counterparties (EUR -2.0 billion), while current accounts and time deposits, largely attributable to business with commercial customers, are significantly up (for a total of EUR +1.6 billion), as are the other forms of funding.

The Group's direct funding market share[2] stands at 3.96% (latest available update July 2017), an increase of 41 bps from the end of 2016.

Indirect funding at the end of September comes to c. **EUR 98.2 billion**, substantially in line with 31 December 2016, the decrease in assets under custody (EUR -0.5 billion) having been compensated by the increase in assets under management (EUR +0.6 billion). The comparison with 30 June 2017 shows an increase in indirect funding for approx. EUR 1.6 billion, mainly attributable to assets under management growing (EUR +1.4 billion), impacted by the effects of the burden-sharing measures (new shares from the conversion of the UT2 2008-2018 subordinated bond).

Assets under management, at **EUR 57.8 billion**, are up both from December 2016 and from June 2017. The increase is recorded on all components, with the exception of individual portfolios under management.

As at 30 September 2017 Group **customer loans** amount to **EUR 91 billion**, down by EUR 15.7 billion compared to the end of December 2016, but up by EUR 1.3 billion compared to 30 June 2017. The trend recorded by the aggregate in the quarter is largely due to a growth in repos with institutional counterparties (EUR +2.9 billion), partially offset by a decline in commercial lending.

The Group's market share[3] stands at 6.59% (latest available update July 2017), stable compared to the end of 2016.

The aggregate for the medium/long-term component records **new disbursements** for roughly **EUR 4.1 billion** in the first nine months of 2017, for both households and businesses, down by 29.7% Y/Y.

The Group's **gross non-performing exposures** as at 30 September 2017 equal **EUR 45 billion**, down both from 31 December 2016 (c. EUR -0.8 billion) and from 30 June 2017 (c. EUR -0.5 billion). The positive quarterly performance is driven by declining inflows from performing to default (-2.5%) and by reduced exposures and write-offs on non-performing tickets. Regarding the various NPE components, the quarter witnesses a growth of about EUR 0.6 billion in bad loans and a decrease in unlikely-to-pay loans (EUR -1.1 billion), with stable past-due loans. Net of gross impaired loans to be disposed of by means of securitisation, gross exposure would fall from EUR 45 billion to EUR 19.6 billion.

As at 30 September 2017 the Group's **net non-performing exposures** are approximately **EUR 15.1 billion**, down by c. EUR 5.2 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 c. EUR 0.4 billion compared with 30 June 2017. This net exposure includes impaired loans subject to disposal for EUR 4.9 billion, net of which the value would be EUR 10.3 billion, with a significant improvement in the ratio between net impaired loans and net customer loans (from 15.8% to 11.3%). Within the aggregate, the incidence of net bad loans and past-due loans remains

[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.

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

stable in the third quarter, whereas the incidence of unlikely-to-pay loans decreases (from 8.4% in June 2017 to 7.6% in September 2017).

As at 30 September 2017 **coverage of non-performing exposures** is **66.4%**, up by c. 63 bps compared to June 2017.

As at 30 September 2017, the **Group's tradable financial assets** amount to approximately **EUR 25.4 billion**, down 2% vs. December 2016 but up vs. June 2017 (EUR +1.3 billion), both for the growth in financial assets available for sale, impacted by the purchase of government bonds, and for 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 decrease by EUR 0.8 billion vs. 2016 year-end and by EUR 0.2 billion vs. 30 June 2017.

At the end of September 2017 the Group's **net interbank position** stands at **EUR 8.7 billion** in funding, a decrease of c. EUR 13.9 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 exposure with the ECB to be reduced. It should also be noted that loans to banks decreased vs. 30 June 2017, specifically in repos.

The operational liquidity position as at 30 September 2017 shows an **unencumbered counterbalancing capacity** of about **EUR 21.1 billion**, sharply up by EUR +14.2 billion and EUR +1.3 billion compared with 31 December 2016 and 30 June 2017, respectively, principally for the aforementioned phenomena and for the increase in cash from the capital increase, only partially offset by the maturity/decrease of eligible assets.

At 30 September 2017 the Group's **shareholders' equity and non-controlling interests** amounts to approximately **EUR 10.9 billion**, with an improvement of about EUR 4.5 billion compared to the end of December 2016 and about EUR 7.9 billion on 30 June 2017. The quarterly trend is mainly due to the effects of precautionary recapitalisation and burden-sharing measures.

As for capital ratios, at 30 September 2017 the **Common Equity Tier 1 Ratio** is **15.2%** (vs. 8.2% at the end of 2016) and **Total Capital Ratio** is **15.4%**, vs. 10.4% at 31 December 2016.

Compared to 31 December 2016, **CET1** (at **EUR 9,599 million**) registers a total increase of EUR 4,246 million compared the end of 2016, due to:

- the positive effects related to the completion of burden-sharing initiatives and precautionary recapitalisation by the Italian Ministry of Economy and Finance (MEF);
- the loss for the period, including the provisions on loans subject to disposal;
- the increase in the percentage of phase-in and the effects connected with DTA variations.

Total Capital (equal to **EUR 9,729 million**) reflects a growth of EUR 2,911 million compared to the end of 2016, lower in terms of CET1 and T1, as AT1 and T2 subordinated bonds were converted into ordinary shares, and therefore are no longer included in the regulatory contribution to own funds.

Risk-weighted assets, at c. **EUR 63,290 million**, are down by EUR -2,232 million, primarily as an effect of the reduced "credit and counterpart risk" stemming from the evolution of the customer loan portfolio and the transformation into tax credits of convertible DTAs; these impacts are only partially offset by the higher contribution of RWAs from equity, linked to the increase in CET1 thresholds and the growth in operational and market risks.

As of 30 September 2017, the prudential treatment of FRESH 2008 was not modified. However, two communications were sent: i) one to JP Morgan regarding the implementation of Decree 237, which furthermore pointed out that payment obligations relative to the usufruct and company swap agreements were considered null and void and ii) the other to JP Morgan and Mitsubishi with reference to the Capital Deficiency Event, as reported in the financial report at 30 June 2017, in which the Group's equity ratios were lower than the minimum coefficients provided for by art. 92 of the CRR. Talks with the Supervisory Authority were also initiated for the relevant and consequent regulatory aspects.

It should also be noted that the Bank might record an increase in RWAs, should the EBA guidelines on PD and LGD estimates and on the treatment of the default exposures held in consultation by EBA on 14 November 2016 be approved according to the same terms represented during consultation. In this case, the Bank could increase RWAs on non-performing exposures, as impaired loans within the AIRB perimeter do not currently contribute to determining RWAs.

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Following the completion of the precautionary recapitalisation procedure, which – together with the application of the burden-sharing principle – led to a significant discontinuity in the Bank's ownership structure, with the assumption by the Ministry of Economy and Finance of a controlling stake in the share capital of the Bank and the entrance of new shareholders within the shareholding structure, the members of the Board of Directors and the Board of Statutory Auditors resigned from their respective offices, effective from the date of registration of the shareholders' resolution in the register of companies.

In view of the above, the Board of Directors of Banca Monte dei Paschi di Siena resolved to call the ordinary and extraordinary shareholders' meeting in Siena, in Viale Mazzini 23, on 18 December 2017 on a single call at 9:30 a.m. .

The Shareholders are called to the extraordinary session to discuss and pass resolutions regarding:

- ✓ Measures pursuant to art. 2446 of the Civil Code: proposed reduction of capital for losses;
- ✓ Amendments to Articles 6, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 23, 24, 26, 27, 28 and 33 of the Articles of Association and subsequent approval of the new Articles of Association;

Subject to the approval of the second item of the extraordinary session, the Shareholders are called to the ordinary session to discuss and pass resolutions regarding:

- ✓ The determination of the number of members of the Board of Directors for the financial years 2017-2018-2019;
- ✓ The determination of the number of deputy chairmen of the Board of Directors for the financial years 2017-2018-2019;

- ✓ Appointment of members of the Board of Directors for the financial years 2017-2018-2019;
- ✓ Selection, amongst the members of the Board of Directors, of the Chairman as well as the Deputy Chairmen in the number decided by the Shareholders' Meeting;
- ✓ Determination of the fees to be paid to members of the Board of Directors;
- ✓ Determination of the compensations to be paid to the Chairman of the Board of Directors;
- ✓ Appointment of the Chairman and the other members of the Board of Statutory Auditors for the financial years 2017-2018-2019;
- ✓ Determination of the compensations to be paid to members of the Board of Statutory Auditors.

The notice of shareholders' meeting and the reports on the items on the agenda shall be published and made available to the general public in the manner and within the terms set out by current legislation.

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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 (approximately EUR -10 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 240 “Gains (losses) on investments” (approximately EUR 60 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 (c. EUR 4 million) have also been eliminated from the aggregate.

c) 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 dividends earned on securities other than equity investments (approx. EUR 4 million).

d) Income statement item “**Other operating income (expense)**” includes the balance of financial statements 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” (c. EUR 258 million).

e) Income statement item “**Personnel expenses**” was cleared of restructuring costs, equal to EUR 280 million, relating to provisions for the headcount reduction agreed with the unions on 3 August 2017. This amount was reclassified under item “Restructuring costs / One-off costs”

f) Item "**Other administrative expenses**" includes the balance of financial statements item 180b “Other administrative expenses”, reduced by the following cost items:

   - Expenses, amounting to c. EUR 94 mln, 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 an approximate amount of EUR 53 mln (posted to the reclassified item “DTA fee”).
   - Restructuring costs for c. EUR 16 million for branch closures called for in the restructuring plan.

   The item incorporates stamp duty and client expense recoveries (EUR 258 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 (approximately EUR -20 million) referable to the Purchase Price Allocation (PPA) arising from the acquisition of former Banca Antonveneta, which was reclassified to a specific item;

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

i) Item “**Restructuring costs/One-off charges**” includes restructuring costs for the headcount reduction (EUR 280 million), and charges relating to branch closures provided for in the restructuring plan (c. (EUR 16 million).

j) 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 30 September 2017, charges connected with the SRF (EUR 63 million, booked in the first quarter) and DGS (EUR 31 million, booked in the third quarter) have been recorded.

k) 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”.

l) 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 60 million).

m) 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 about EUR 10 million;

n) The overall negative effects of the Purchase Price Allocation (PPA) arising from the acquisition of former Banca Antonveneta have been reclassified to the specific item, separating them from the economic items concerned (in particular “**Interest Margin**” for approximately EUR -10 million and **Net adjustments to/recoveries on tangible and intangible assets** for about EUR -20 million, net of a theoretical tax burden of EUR +10 million which integrates the item).

<u>Reclassified Balance sheet</u>

o) Item “**Tradable financial assets**” on the assets side of the reclassified balance sheet includes item 20 “Financial assets held for trading” and item 40 “Financial assets available for sale”.

p) Item “**Other assets**” on the assets side of the reclassified balance sheet 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”.

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

r) Item “**Other liabilities**” on the liabilities side of the reclassified balance sheet 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”.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2017

INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES	30/09/17	30/09/16	Chg.
Net interest income	1,373.7	1,518.7	-9.5%
Net fee and commission income	1,213.2	1,402.4	-13.5%
Other operating income	636.3	496.4	28.2%
Total Revenues	3,223.2	3,417.5	-5.7%
Net impairment losses (reversals) on loans and financial assets	(4,902.4)	(2,018.8)	n.s.
Net operating income	(3,571.7)	(530.4)	n.s.
Net profit (loss) for the period	(3,000.7)	(848.7)	n.s.
EARNING PER SHARE (EUR)	**30/09/17**	**30/09/16**	**Chg.**
Basic earnings per share	(11.136)	(28.945)	-0.615
Diluted earnings per share	(11.136)	(28.945)	-0.615
BALANCE SHEET FIGURES AND INDICATORS	**30/09/17**	**31/12/16**	**Chg.**
Total assets	145,099.1	153,178.5	-5.3%
Loans to customers	91,041.1	106,692.7	-14.7%
Direct funding	102,968.4	104,573.5	-1.5%
Indirect funding	98,242.9	98,151.8	0.1%
of which: assets under management	57,812.7	57,180.9	1.1%
of which: assets under custody	40,430.2	40,971.0	-1.3%
Group net equity	10,944.5	6,425.4	70.3%
OPERATING STRUCTURE	**30/09/17**	**31/12/16**	**Chg.**
Total head count - end of period	24,719	25,566	-847
Number of branches in Italy	1,860	2,032	-172

Loans to customers do not include portfolio subject to disposal, classified under assets held for sale as at 30 September 2017.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2017

ALTERNATIVE PERFORMANCE MEASURES

MPS GROUP

PROFITABILITY RATIOS (%)	30/09/17	31/12/16	Chg.
Cost/Income ratio	58.7	61.2	-2.5
R.O.E.	-46.1	-40.5	-5.6
Return on Assets (RoA) ratio	-2.8	-2.1	-0.7
ROTE (Return on tangible equity)	-46.1	-40.5	-5.6

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 (%)	30/09/17	31/12/16	Chg.
Net non-performing loans / Loans to Customers	15.8	19.0	-3.2
Coverage non-performing loans	66.4	55.6	10.8
Net doubtful loans / Loans to Customers	7.6	9.7	-2.1
Coverage doubtful loans	77.2	64.8	12.4
Net impairment losses on loans / Loans to Customers (Provisioning)	5.3	4.2	1.1
Texas Ratio	111.1	145.0	-33.9

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

KEY CREDIT QUALITY RATIOS (%)	30/09/17	31/12/16	Chg.
Net non-performing loans / Loans to Customers	11.3	19.0	-7.7
Coverage non-performing loans	47.5	55.6	-8.1
Net doubtful loans / Loans to Customers	2.7	9.7	-7.0
Coverage doubtful loans	62.5	64.8	-2.3
Net impairment losses on loans / Loans to Customers (Provisioning)	1.2	4.2	-3.0
Texas Ratio	98.2	145.0	-46.8

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2017

REGULATORY MEASURES

MPS GROUP

CAPITAL RATIOS (%)	30/09/17	31/12/16	Chg.
Common Equity Tier 1 (CET1) ratio	15.2	8.2	7.0
Total Capital ratio	15.4	10.4	5.0
FINANCIAL LEVERAGE INDEX (5)	30/09/17	31/12/16	Chg.
Leverage ratio - Transitional Phase	5.5	3.2	2.3
LIQUIDITY RATIO (%)	30/09/17	31/12/16	Chg.
LCR	233.6	107.7	125.9
NSFR	106.8	87.6	19.2
Encumbered asset ratio *	33.7	49.4	-15.7
Counterbalancing capacity	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				
	30/09/17	30/09/16	Change	
Montepaschi Group			Abs.	%
Net interest income	1,373.7	1,518.7	(145.0)	-9.5%
Net fee and commission income	1,213.2	1,402.4	(189.2)	-13.5%
Income from banking activities	**2,586.9**	**2,921.1**	**(334.2)**	**-11.4%**
Dividends, similar income and gains (losses) on equity investments	68.7	66.5	2.2	3.3%
Net profit (loss) from trading and financial assets/liabilities	571.4	419.7	151.7	36.1%
Net profit (loss) from hedging	(4.5)	(1.7)	(2.8)	n.s.
Other operating income (expenses)	0.7	11.9	(11.2)	-94.1%
Total Revenues	**3,223.2**	**3,417.5**	**(194.3)**	**-5.7%**
Administrative expenses:	(1,700.2)	(1,771.9)	71.7	-4.0%
a) personnel expenses	(1,188.3)	(1,239.4)	51.1	-4.1%
b) other administrative expenses	(511.9)	(532.5)	20.6	-3.9%
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(192.3)	(157.2)	(35.1)	22.3%
Operating expenses	**(1,892.5)**	**(1,929.1)**	**36.6**	**-1.9%**
Pre Provision Profit	**1,330.7**	**1,488.4**	**(157.7)**	**-10.6%**
Net impairment losses (reversals) on:	**(4,902.4)**	**(2,018.8)**	**(2,883.6)**	**n.s.**
a) loans	(4,772.0)	(2,021.6)	(2,750.4)	n.s.
b) financial assets	(130.4)	2.8	(133.2)	n.s.
Net operating income	**(3,571.7)**	**(530.4)**	**(3,041.3)**	**n.s.**
Net provisions for risks and charges	(66.8)	(3.6)	(63.2)	n.s.
Gains (losses) on investments	(22.9)	9.3	(32.2)	n.s.
Restructuring costs / One-off costs	(295.7)	-	(295.7)	
Risks and charges related to the SRF, DGS and similar schemes	(94.2)	(102.0)	7.8	-7.6%
DTA Fee	(53.2)	(124.3)	71.1	-57.2%
Gains (losses) on disposal of investments	533.5	12.8	520.7	n.s.
Profit (loss) before tax from continuing operations	**(3,571.0)**	**(738.2)**	**(2,832.8)**	**n.s.**
Tax expense (recovery) on income from continuing operations	589.9	(85.4)	675.3	n.s.
Profit (loss) after tax from continuing operations	**(2,981.1)**	**(823.6)**	**(2,157.5)**	**n.s.**
Net profit (loss) for the period including non-controlling interests	**(2,981.1)**	**(823.6)**	**(2,157.5)**	**n.s.**
Net profit (loss) attributable to non-controlling interests	-	1.4	(1.4)	-100.0%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(2,981.1)**	**(825.0)**	**(2,156.1)**	**n.s.**
PPA (Purchase Price Allocation)	(19.6)	(23.7)	4.1	-17.2%
Net profit (loss) for the period	**(3,000.7)**	**(848.7)**	**(2,152.0)**	**n.s.**

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

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

Reclassified Consolidated Balance Sheet

ASSETS	30/09/17	31/12/16	Chg abs.	Chg %
Cash and cash equivalents	821.9	1,084.5	(262.6)	-24.2%
Receivables :				
a) Loans to customers	91,041.1	106,692.7	(15,651.6)	-14.7%
b) Loans to banks	12,897.0	8,936.2	3,960.8	44.3%
Marketable assets	25,403.0	25,929.3	(526.3)	-2.0%
Financial assets held to maturity	-	-	-	
Equity investments	1,001.2	1,031.7	(30.5)	-3.0%
Property, plant and equipment / Intangible assets	2,833.7	2,942.9	(109.2)	-3.7%
of which:				
a) goodwill	*7.9*	*7.9*	-	
Other assets	11,101.2	6,561.2	4,539.9	69.2%
Total assets	**145,099.1**	**153,178.5**	**(8,079.4)**	**-5.3%**

LIABILITIES	30/09/17	31/12/16	Chg abs.	Chg %
Payables				
a) Deposits from customers and securities issued	102,968.4	104,573.5	(1,605.1)	-1.5%
b) Deposits from banks	21,566.1	31,469.1	(9,903.0)	-31.5%
Financial liabilities held for trading	4,201.1	4,971.8	(770.7)	-15.5%
Provisions for specific use				
a) Provisions for staff severance indemnities	234.7	252.9	(18.2)	-7.2%
b) Pensions and other post retirement benefit obligations	45.9	53.6	(7.7)	-14.4%
c) Other provisions	959.8	1,054.5	(94.7)	-9.0%
Other liabilities	4,176.4	4,342.7	(166.3)	-3.8%
Group net equity	10,944.5	6,425.4	4,519.1	70.3%
a) Valuation reserves	60.5	47.3	13.2	27.9%
c) Equity instruments carried at equity	-	-	-	
d) Reserves	(1,494.4)	2,253.6	(3,748.0)	n.s.
e) Share premium	-	-	-	
f) Share capital	15,692.8	7,365.7	8,327.1	n.s.
g) Treasury shares (-)	(313.7)	-	(313.7)	
h) Net profit (loss) for the year	(3,000.7)	(3,241.1)	240.4	-7.4%
Non-controlling interests	2.2	34.9	(32.7)	-93.7%
Total Liabilities and Shareholders' Equity	**145,099.1**	**153,178.5**	**(8,079.4)**	**-5.3%**

Reclassified Consolidated Balance Sheet - Quarterly Trend							
ASSETS	**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	821.9	843.1	879.1	1,084.5	941.4	794.6	913.4
Receivables :							
a) Loans to customers	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	12,897.0	13,116.4	8,451.4	8,936.2	7,669.4	7,953.1	6,856.1
Marketable assets	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	1,001.2	1,023.6	1,013.0	1,031.7	910.7	948.0	934.3
Property, plant and equipment / Intangible assets	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*
Other assets	11,101.2	11,958.8	6,648.2	6,561.2	7,230.0	8,059.6	8,285.2
Total assets	**145,099.1**	**143,589.5**	**148,804.6**	**153,178.5**	**160,129.1**	**164,385.5**	**173,645.6**
LIABILITIES	**30/09/17**	**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	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	21,566.1	22,802.8	22,837.5	31,469.1	25,282.4	19,465.8	17,524.7
Financial liabilities held for trading	4,201.1	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	234.7	233.7	252.5	252.9	251.3	249.9	247.7
b) Pensions and other post retirement benefit obligations	45.9	47.3	52.5	53.6	51.2	52.3	51.4
c) Other provisions	959.8	958.8	954.2	1,054.5	1,018.8	1,012.5	1,050.0
Other liabilities	4,176.4	5,503.2	4,861.2	4,342.7	5,489.2	5,750.4	5,511.9
Group net equity	10,944.5	3,047.7	6,041.9	6,425.4	8,745.6	9,928.7	9,675.3
a) Valuation reserves	60.5	102.0	7.4	47.3	(24.7)	7.7	(36.5)
c) Equity instruments carried at equity	-	-	-	-	-	-	-
d) Reserves	(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	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)	-	-	-	-	-	-
h) Net profit (loss) for the year	(3,000.7)	(3,242.6)	(169.2)	(3,241.1)	(848.7)	302.0	93.2
Non-controlling interests	2.2	2.2	2.4	34.9	26.5	26.0	25.7
Total Liabilities and Shareholders' Equity	**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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