



Banca Monte dei Paschi di Siena

Una storia italiana dal 1472

1Q16 GMPS Results

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CEO & General Manager

5th May 2016



**MONTE
DEI PASCHI
DI SIENA**
BANCA DAL 1472

Executive Summary



Profitability highlights

- **Net profit for the period at EUR 93mln**, driven by the positive performance of the core business and the decrease in loan loss provisions
- **Pre provision profit** at ca. EUR 541mln driven by interest income (+1.3% QoQ), net fees and commissions (+1.2% QoQ), the reduction of the value of the liabilities at fair value (+EUR 83m) and operating costs (-2.5% QoQ)
- **Loan loss provisions at EUR 346** (-40% QoQ) **the lowest level in the last 4 years**

Non core unit results

- **Increase of gross NPEs stock of ca. EUR 0.4bn**, benefiting also from the increase in cure rate
- **Decrease in net NPEs stock** (-0.4% QoQ)
- **Increase in coverage to 49%** (+ca. 60bps vs. 4Q15)

Capital Position

- **Solid CET1 transitional at 11.7% (fully loaded at 11.4%)** comfortably above the regulatory requirement

Balance Sheet and Liquidity

- **Direct funding virtually stable vs Dec-15**, with the increase in repos with institutional counterparties (ca. EUR 7bn) offsetting the decrease in current accounts, deposits, bonds and other types of direct funding
- Commercial funding decreased at the beginning of the year but started to increase in March and April. Ongoing commercial actions to improve direct funding
- Unencumbered counterbalancing capacity recovery continues: EUR 18.5bn at 31 March 2016 and continuously improving in the following period



P&L (€/mln)	1Q16	4Q15	Change (QoQ %)	Change* (YoY %)
Net Interest Income	548	541	+1.3	-9.6
Net F&C income	457	452	+1.2	+3.1
Total revenues	1,186	1,118	+6.1	-13.7
Operating costs	-645	-662	-2.5	-1.3
Pre provision profit	541	456	+18.5	-24.9
Loan loss provisions	-346	-577	-40.1	-26.1
Net income (loss)	93	-197	n.m.	-35.2

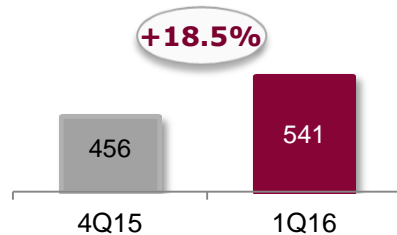
Balance sheet (€/mln)	1Q16	4Q15	Change (QoQ %)	Change* (YoY %)
Loans to customers	113,544	111,366	+2.0	-7.8
Direct Funding	119,508	119,275	+0.2	-6.8
Total Assets	173,646	169,012	+2.7	-5.6

Ratio (%)	1Q16	4Q15
CET1 phased-in	11.7	12.0
CET fully-loaded	11.4	11.7

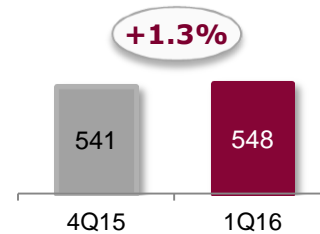
Pre Provision Profit



Pre Provision Profit (€/mln)



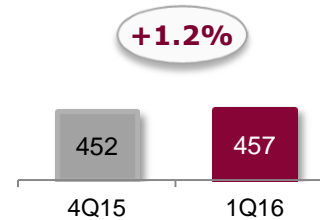
Net Interest Income (€/mln)



Main drivers:

- Reduction in cost of funding driven by commercial actions implemented and change in volume mix
- Lower interests on interest earning assets due to both volume effect and rate effect (mainly Euribor repricing)

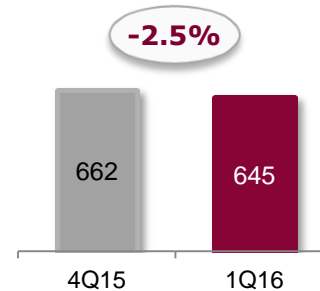
Net Fees (€/mln)



Main drivers:

- Credit facilities fees up 12.5% QoQ driven by the pick up in lending
- Wealth Management fees down 3.3% QoQ impacted by market turmoil

Operating Costs (€/mln)



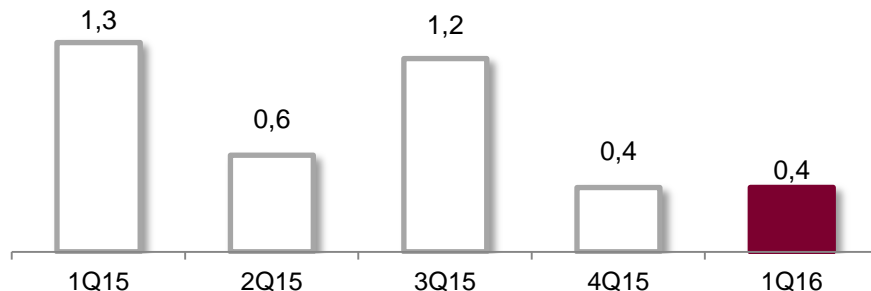
Main drivers:

- Personnel expenses up 5.4% QoQ due to positive one off items in 4Q15
- Other admin expenses down 14% QoQ thanks to seasonality in 4Q15

Reduction in net NPEs



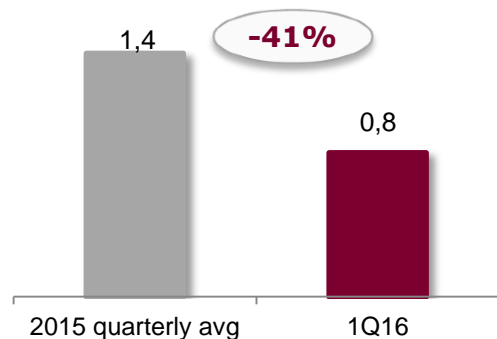
Delta gross NPEs stock* (€/bn)



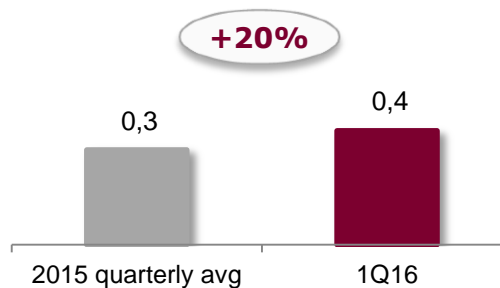
➤ **Positive results of the ongoing restructuring process**

- Slight further drop of delta gross NPEs stock vs 4Q15 (ca. EUR 40mln), driven by the increase in cure rate
- Inflows from performing down 41% and outflows to performing up 20% vs 2015 quarterly average
- Decrease in net NPEs stock (-0.4% QoQ)
- Further increase in NPEs coverage to 49% (+ca. 60bps vs. 4Q15)

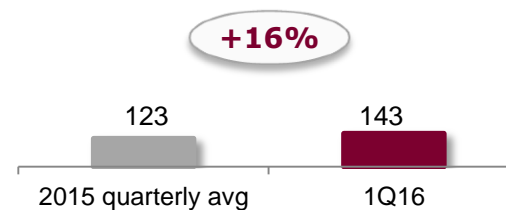
Inflows from performing (€/bn)



Outflows to performing (€/bn)



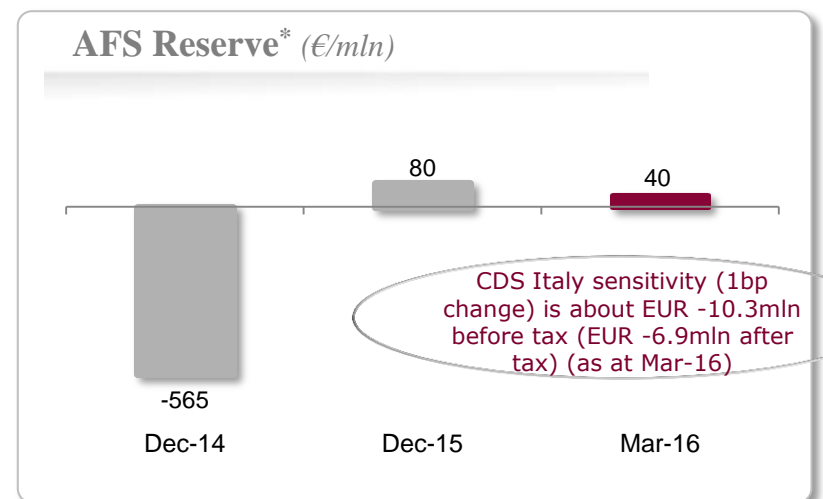
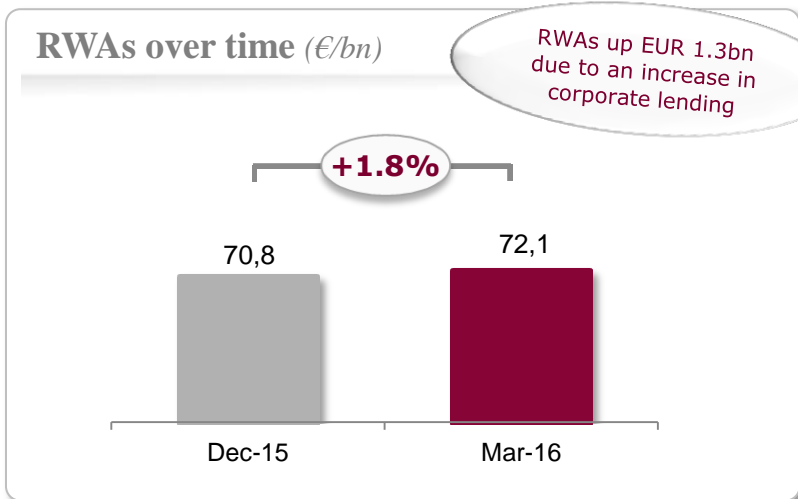
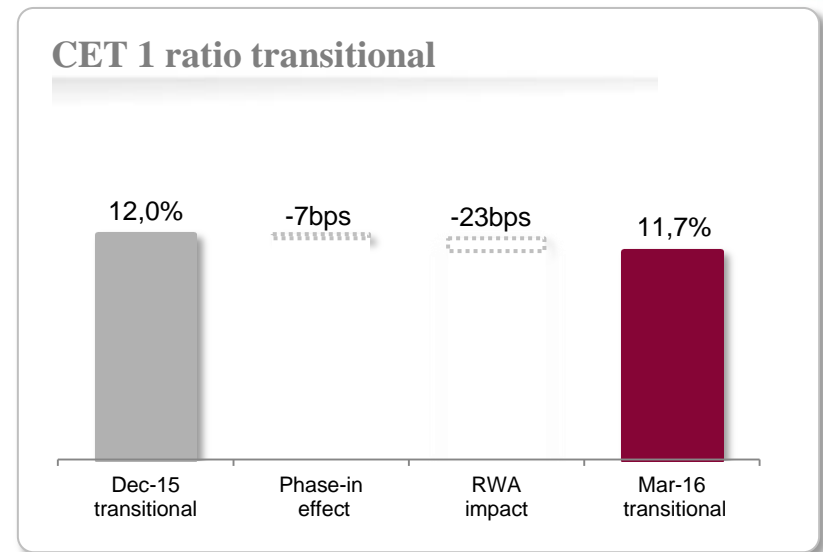
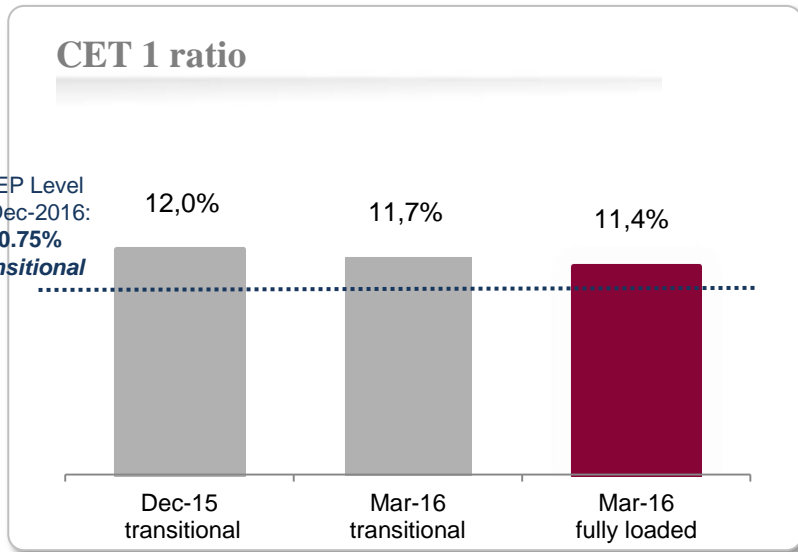
Recovery of bad loans** (€/mln)



* Figures exclude effect of bad loans disposal

** Figures from operational data management system (Planning Area and Risk Management). Recovery excluding bad loans disposal

CET1 ratio 11.7% transitional (11.4% fully loaded)

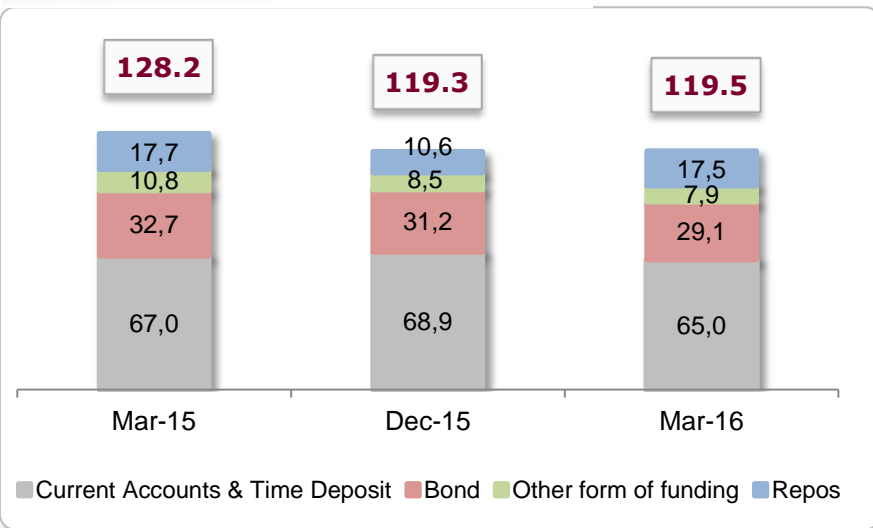


*Accounting figures on Italian Government Bonds. Figures (without restatement) from operational data management system

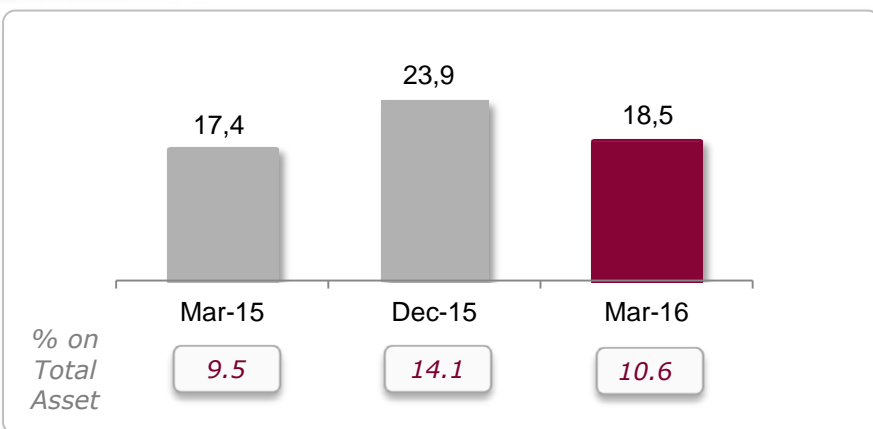
Direct funding and liquidity



Direct Funding (€/bn)



Unencumbered Counterbalancing Capacity (€/bn)



- **Direct funding virtually stable vs Dec-15**, with the increase in repos with institutional counterparties (EUR 7bn) offsetting the decrease in current accounts, deposits and bonds
- **Commercial funding** decreased at the beginning of the year but started to increase again in March and April
- **Positive impact on ongoing actions to improve direct funding**
- **Liquidity position** (Counterbalancing capacity), which was at the highest level in the past 4 years in Dec-15, was EUR 18.5bn as at 31 March 2016 and continuously improving in the following period
- NSFR: 94%
- LCR: 151%

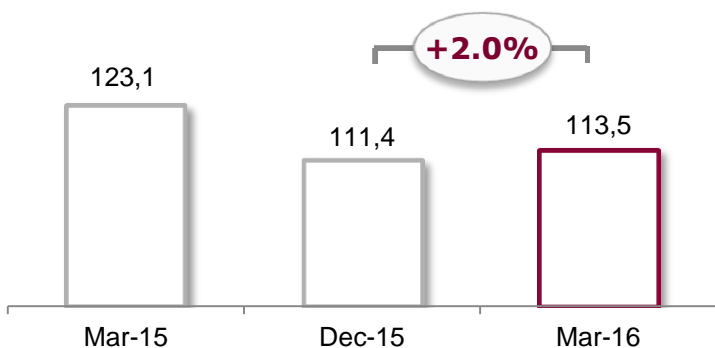


Key messages on 1Q16 results

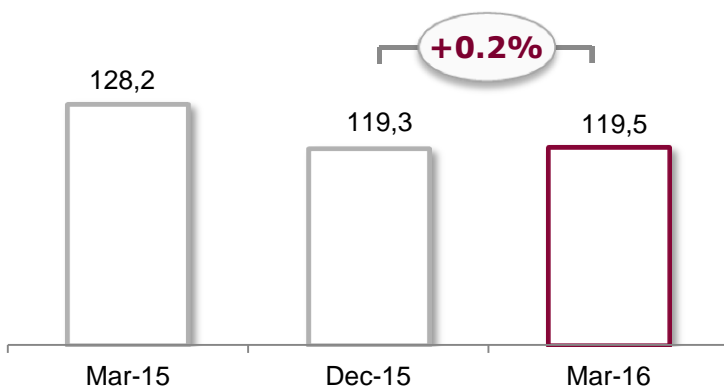
Lending and funding



Total lending (€/bn)



Direct funding (€/bn)



- ❑ **Customer loans** up by EUR 2.2bn QoQ, thanks to increase in institutional component (EUR 1.4bn of which EUR 0.9bn in repos) and commercial lending (+EUR 0.8bn), mainly in corporate top and large groups segments, with retail stock again impacted by the run off of Consum.it
- ❑ **New mortgages and other medium long term loans** at EUR 2.1bn (~7% YoY) of which EUR 1.9bn in mortgages. New production was partially offset by stock going to maturity
- ❑ **Direct funding** stable in the quarter (+0.2%) with a different funding mix, despite the outflows reported in January 2016
- ❑ **TLTRO 2: considerations for BMPS***
 - Max callable amount: estimated EUR 19.6bn on top of the TLTRO 1 actually in place
 - Total amount to be called will take into account L/D, CET1, the P&L and balance sheet targets of the Bank
 - Net new lending to be granted, in order to benefit from rate reduction at -0.4%** , in line with business plan targets
 - Expected reduction in cost of funding thanks to the use of TLTRO 2 to replace financial instruments going to maturity and new issues

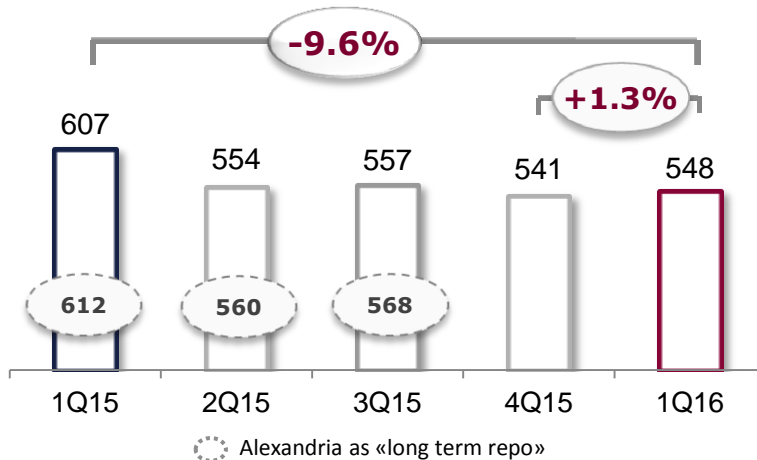
*Figures from operational data management system

** TLTRO 2 rate between rate applied for main refinancing operations (at present at 0%) and rate on the deposit facility (at present at -0.4%) in case of generation of net new lending, in the period 1 Feb-16 / 31 Jan-18, above a defined benchmark (2.5% of eligible asset as at 31 January 2016)

Net interest income



Net Interest Income (€/mln)

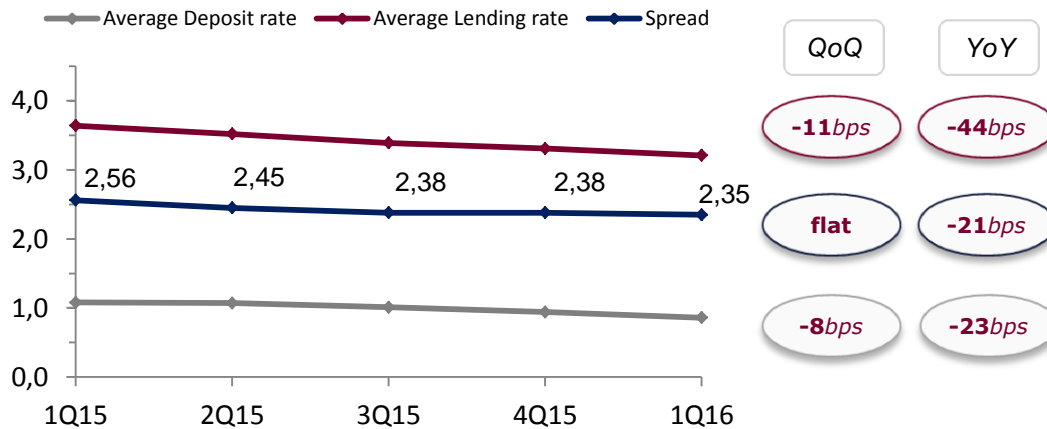


Net Interest Income +1.3% QoQ driven by cost of funding reduction, partially offset by loan book effects (volume and repricing in the lower rate environment)

Average spread:

- Cost of funding decreased thanks to actions implemented in 4Q15
- Lending rate decreased mainly due to Euribor repricing in the lower rate environment

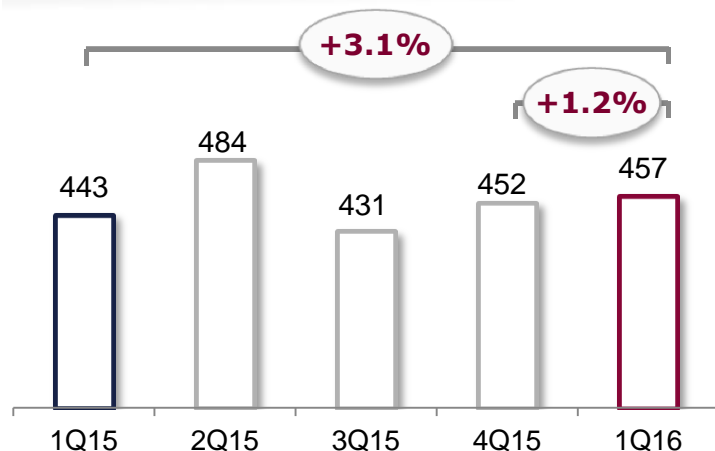
Spread trend (%)



Fees and commissions income



Fees (€/mln)



- ❑ **Net fees and commissions** increased +1.2% QoQ, mainly due to credit facilities fees (+12.5% QoQ); wealth management placement fees were impacted by market downturn
- ❑ **Asset management stock** (EUR 55.2bn) down EUR 0.3bn vs. 4Q15, due to negative market effect (-EUR 1bn) partially offset by positive net inflows (+EUR 0.7bn)
- ❑ **Assets under custody stock** at EUR 49.7bn (-1.9% QoQ) due to market downturn

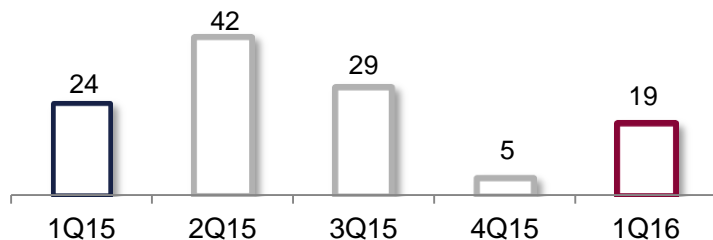
Fees Breakdown

€/mln	1Q15	4Q15	1Q16	QoQ	YoY
Wealth Management fees, o/w	198	183	177	-3.3%	-10.7%
<i>AuM Placement</i>	104	82	76	-7.6%	-26.8%
<i>Continuing</i>	67	77	73	-4.8%	9.6%
<i>Bond Placement</i>	18	13	15	11.9%	-16.0%
<i>Protection</i>	10	11	13	19.5%	29.5%
Traditional Banking fees, o/w	304	306	320	4.8%	5.3%
<i>Credit facilities</i>	145	135	152	12.5%	5.2%
<i>Trade finance</i>	21	18	21	16.4%	-2.8%
<i>Payment services and client expense recovery</i>	138	153	147	-3.5%	6.6%
Other	-59	-37	-40	-8.4%	32.4%
Total Net Fees	443	452	457	1.2%	3.1%

Dividends and trading income

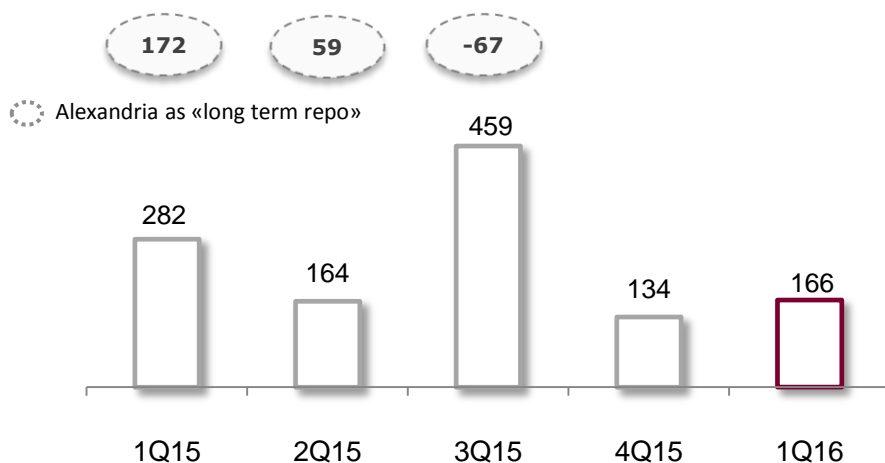


Dividends /Income from investments (€/mln)



□ **Dividends, similar income and gains (losses) on investments** up vs. 4Q15 thanks to a higher contribution from AXA-MPS

Trading/disposal/valuation of financial assets (€/mln)



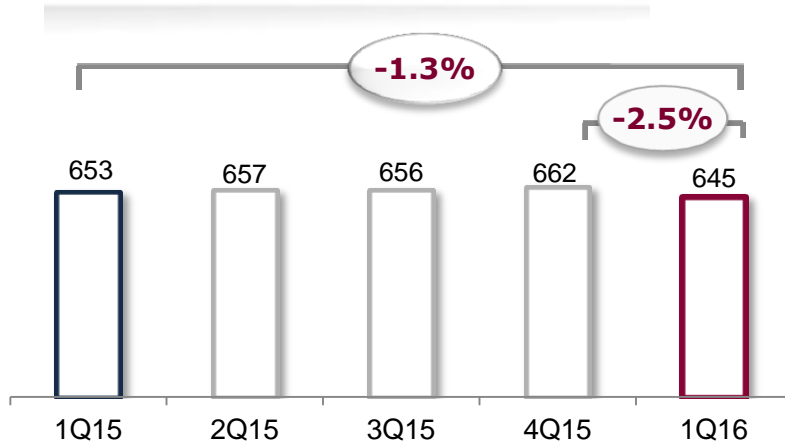
□ **Trading/disposal/valuation of financial assets** in 1Q16 at EUR 166mln, of which:

- +EUR 32mln due to optimization of AFS portfolio
- +EUR 83mln from the reduction of the value of the liabilities at fair value
- +EUR 51mln from trading and other components

Operating costs

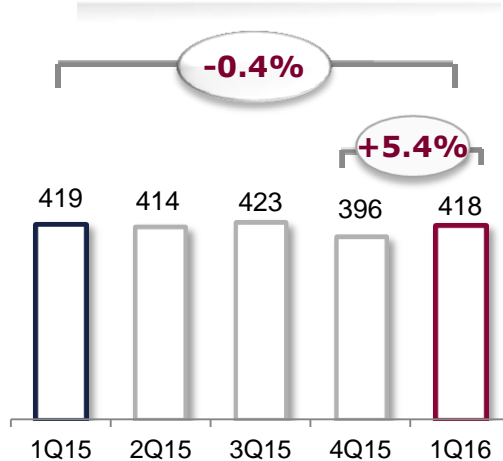


Operating costs (€/mln)

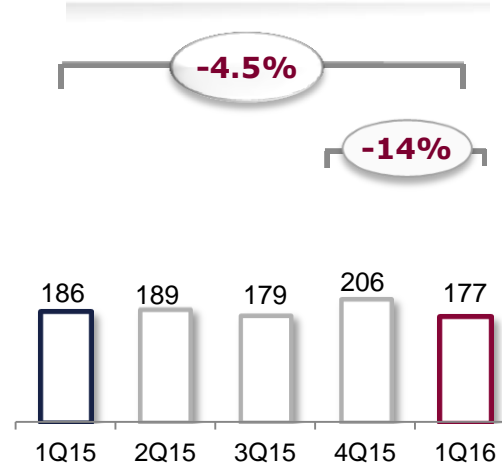


- ❑ **Operating costs down 2.5% QoQ**
- ❑ **Personnel expenses** up 5.4% QoQ (4Q15 included positive one-offs)
- ❑ **Other Admin Expenses** down 14% vs. 4Q15, which was impacted by seasonality
- ❑ **Depreciation** down 15.4% QoQ, due to the downward season trend

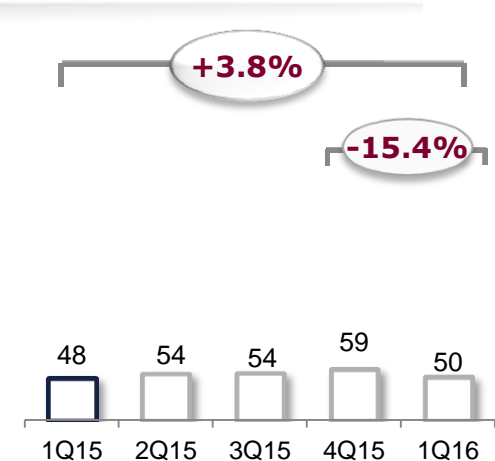
Personnel expenses (€/mln)



Admin expenses (€/mln)



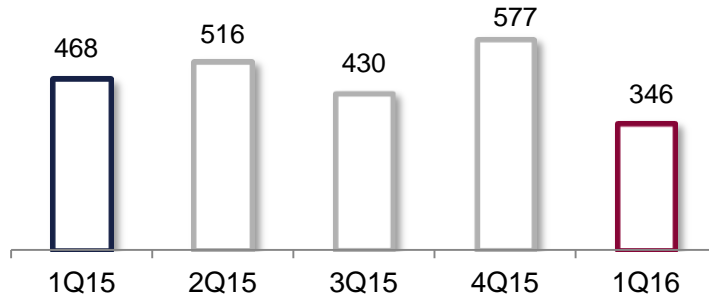
Depreciation and amortization (€/mln)



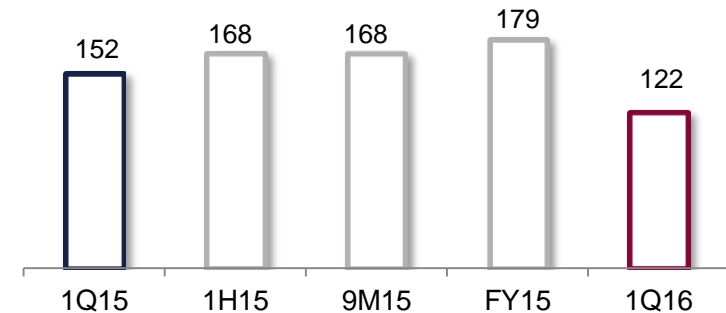
Provisions, cost of risk and coverage



Net loan loss provisions (€/mln)



Cost of risk* (bps)



Non performing exposures coverage

Best-in-class positioning in the Italian banking system

%	Mar-15	Dec-15	Mar-16
Bad loans (sofferenze)	65.5	63.4	63.3
Unlikely to Pay	31.6	29.2	29.1
NP past due / overdue exposures	18.1	26.1	27.2
Total NPE	49.0	48.5	49.0

~60bps

Positive results of the ongoing restructuring process:

- **Loan loss provisions at EUR 346mln, the lowest level in the past 4 years**
- Decrease in net NPEs stock (-0.4% QoQ)
- Increase in NPEs coverage QoQ by ca. 60bps to 49%

*Net loan loss provisions since the beginning of the period (annualized) / End-of-period loans

Focus on bad loans: update on restructuring process



1

Increased coverage of bad loans

- Coverage of bad loans increased from 55.5% in Dec. 2011 to 63.3% in March 2016, despite disposals of high coverage bad loans made in 2014-2015
- Ca. 76% of net bad loans has a vintage up to 5 years
- Ca. 40% of secured collaterals in areas / cities with more than 1 million people

2

2015-2018 Business Plan targets well on track

- Set up of a non core unit with ca. EUR 40bn of NPEs and ca. 700 people allocated
- Outsourcing of small ticket bad loans (ca. 65% of total bad loans)
- Disposal of EUR 2bn of bad loans in 2015 and at least EUR 1bn to be sold in 2016
- 2016 target to increase bad loans recovery by ca. 25% to EUR 750mln after ca. 29% increase in 2015

3

Further initiatives on bad loans not included in the 2015-2018 Business Plan

- Accelerate and increase bad loans disposal above Business Plan targets, within BMPS capital targets, including leveraging on the Government guarantee scheme ("GACS") and the set up of the Atlante Fund
- Initiated a process to optimize the recovery of bad loans through a potential partnership with a specialized operator



1 Increased coverage of bad loans “Sofferenza”

Total bad loans (“sofferenze”)

Year	GBV	Coverage	Coverage / GBV	NBV	% NBV
1Y-5Y	17.9	10.2	57%	7.7	76%
>5Y	9.8	7.3	75%	2.5	24%
TOTAL	27.7	17.6	63%	10.2	100%

Coverage of bad loans increased from 55.5% in Dec. 2011 to 63.3% in March 2016, despite disposals of high coverage bad loans in 2014-2015

of which

Secured Collateral (66% of total)
Value of collaterals / NBV > 160%*

Secured Guarantees (19% of total)
Value of guarantees / NBV > 300%**

Unsecured (15% of total)

	GBV	Coverage	Coverage / GBV	NBV	Collateral / NBV
Total bad loans	12.3	5.6	45%	6.8	>160%

	GBV	Coverage	Coverage / GBV	NBV	Guarantee / NBV
Total bad loans	6.7	4.9	72%	1.9	>300%

	GBV	Coverage	Coverage / GBV	NBV
Total bad loans	8.7	7.1	82%	1.6

Cities / areas***	GBV	Coverage	Coverage / GBV	NBV	% NBV
>1m people	5.0	2.3	46%	2.7	40%
<1m people	7.3	3.3	44%	4.1	60%
TOTAL	12.3	5.6	45%	6.8	100%



- Ca. 76% of net bad loans has a vintage up to 5 years
- Ca. 24% of net bad loans has a vintage > 5 years
- Ca. 40% of secured collaterals in areas / cities with more than 1 million people

Figures from operational data management system

* Value of the collateral capped at the gross book value

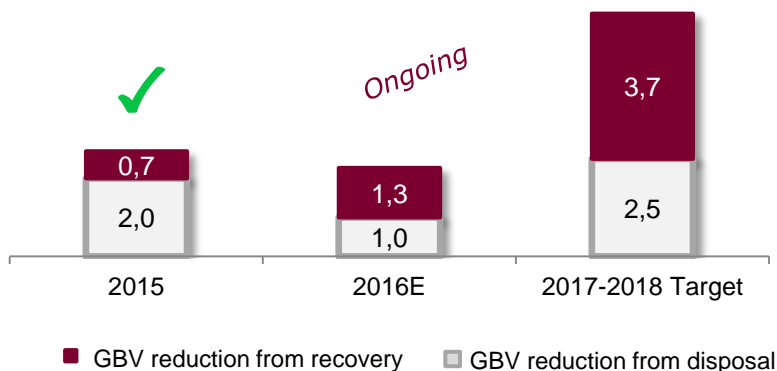
** Value of the personal guarantee when the loan was granted capped at the gross book value

*** Cities / areas with more than 1M people include: Rome, Milan, Naples, Turin, Palermo, Bari, Brescia, Catania, Bergamo, Salerno, Florence, Bologna

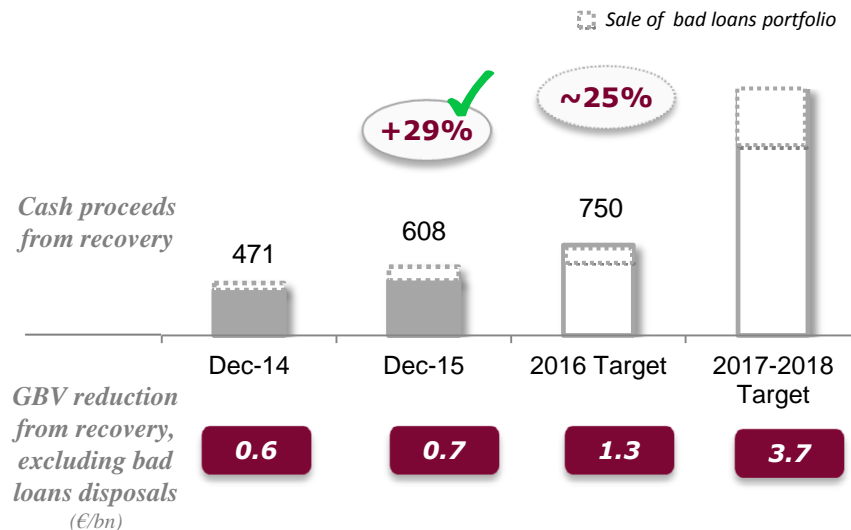


2 2015-2018 business plan targets well on track

Bad loans disposals and recovery on track (€/bn)



Focus on bad loans recovery (€/mln)



- ❑ In 2015, BMPS achieved its Business Plan targets in terms of disposals (2018 Target of EUR 5.5bn, of which EUR 2bn completed) and recovery (total GBV of ca. EUR 6bn, of which EUR 0.7bn achieved)
- ❑ In 1Q 2016 recovery of bad loans of EUR 143mln (EUR 93mln in 1Q 2015), in line with target
- ❑ In 2015 and 1Q 2016, recovery of closed bad loan positions* slightly above net book value
- ❑ BMPS is considering to accelerate and increase bad loans disposal above Business Plan targets, within BMPS capital targets including leveraging on Atlante and GACS
- ❑ Further initiatives to increase recovery process (i.e. disposal of bad loans business, dedicated IT and reporting)

✓ Achieved

* Positions where the bank does not expect any further payment by the debtor and excluding positions closed for disposal.



2 NPE outsourcing

NPE positions outsourced

	Size		Ticket #	
	€/bn	% on Total	#	% on Total
<i>Positions outsourced excluding consumer finance</i>				
<i>Bad loans (0-150k €)</i>	~3.5	~13%	~81k	~65%

	Size	Ticket #
	€/bn	#
<i>Position outsourced in consumer finance</i>		
<i>Consumer finance (NPE)</i>	~0.65	~83k

Task Force

- ✓ **Ca. 65** BMPS FTEs allocated to manage outsourcers
- ✓ **5 servicers and 46 collector agents** with total 2,200 employees working on BMPS files

Completed actions

- ❑ **Significant reduction in the average tickets per internal manager** (from ~270# as at Dec-14 to ~150# as at Mar-16) to allow MPS to focus on larger and youngest bad loans positions
- ❑ Outsourcing of EUR 0-40k unlikely to pay exposures (ca. 18k tickets)
- ❑ **Success fee remuneration only**
- ❑ **Constant monitoring of outsources performance**

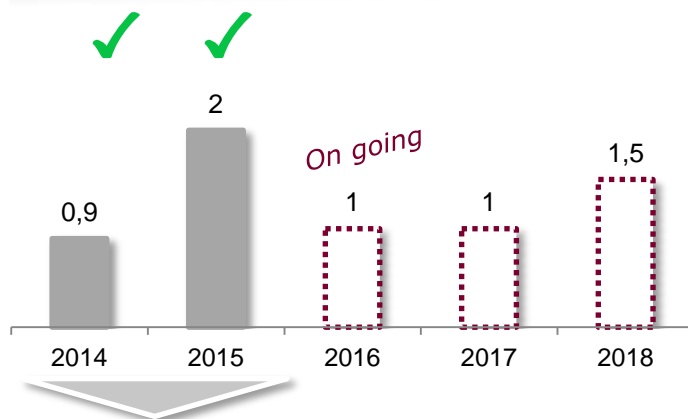
Next steps

- ❑ **Automatic assignment of new NPEs flow to be outsourced fully enforced in 2H 2016:**
 - Automatic process for managing and outsourcing new unlikely to pay and bad loan positions
 - Streamlining and upgrading IT management tool to manage existing and new outsourcing positions



2 Bad loan disposals

Bad loan disposals: Business Plan 2015-2018 (€/bn)



Negligible impact on P&L

	Positions sold (k)	Amount (€/bn)
<i>Jun-14: Secured and unsecured positions M/L term</i>	12	0.5
<i>Dec-14: Secured and unsecured positions M/L term</i>	4	0.4
<i>Jun-15: Consumer finance originated by Consum.it</i>	135	1.0
<i>Dec-15: Corporate positions (unsecured)</i>	18	1.0

Completed actions

- ❑ **Main drivers of the disposal process:**
 - Optimization of the bad loans portfolio
 - Better loan ratio per loan manager (focus on collection)
- ❑ **From 2014**, sold approx. #35,000 positions with an average vintage of 8 years and #135,000 consumer credit positions

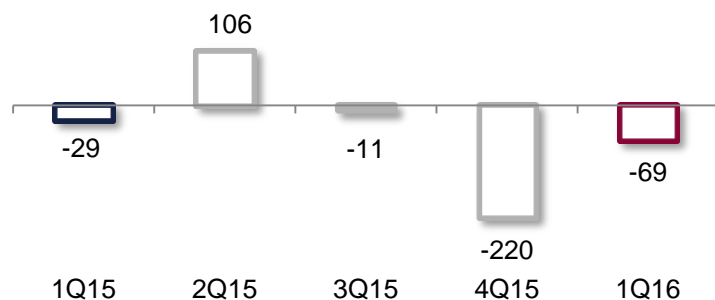
Next steps

- ❑ **Accelerate and increase bad loan disposals above Business Plan targets, within BMPS capital targets**
- ❑ **Ongoing disposal of two bad loans portfolios:**
 - Corporate bad loans with real estate collateral and low vintage
 - Consumer credit bad loans originated by ex-Consum.it
- ❑ **Further disposal of an unsecured corporate portfolio in 2H16**

Non operating income

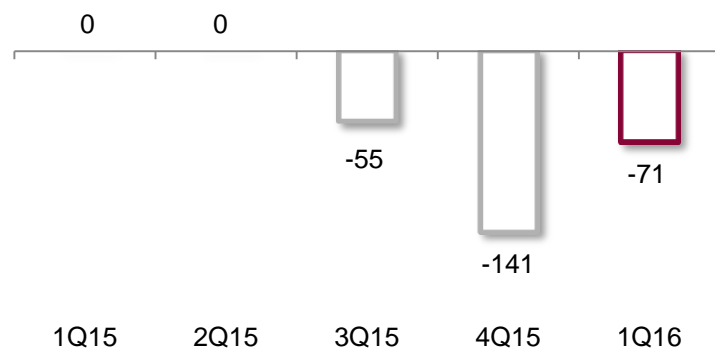


Non operating income (€/mln)



of which

Contribution to DGS and SRF(€/mln)



Non operating income (-EUR 69mln) includes:

- -EUR 71mln of the full year contribution to the SRF fund
- Gains (losses) on investments of c. +EUR 7mln mainly driven by the capital gain of the disposal of the stake in Fabrica SGR
- Net provisions for risks and charges of c. -EUR 5mln

New decree on DTAs



On May 3, 2016 the Decree n. 59/2016 including specific provisions for DTAs was published

- ❑ Companies will be able to continue to apply the current rules on conversion of deferred tax assets into tax credits, provided they exercise a specific irrevocable option within 30 days from the publication of the Decree and pay an annual fee for each year from 2015 until, if certain yearly conditions still apply, 2029
- ❑ As clarified by the Government's press release of April 29, these provisions are expected to overcome the exceptions raised by the European Commission on the possibility that the current legal framework relating to deferred tax assets might constitute State Aid
- ❑ The annual fee is determined by applying the 1.5% rate to a "basis" obtained as following:
 - (+) The difference between the convertible DTAs recorded in the annual report for that financial year and the corresponding DTAs recorded in the 2007 annual report
 - (+) The amount of DTA converted into tax credit since 2008 (until the year in question)
 - (-) The taxes paid between that financial year and 2008
- ❑ The Bank has estimated the fee for 2015 for the Group at about EUR 80mln, before taxes (according to the Decree, the fee is fiscally deductible for IRES and IRAP purposes). This estimate was based on the current best interpretation of the information inferred from the decree and, therefore, is subject to be modified following the publication of specific instructions by the Italian Tax Agency, as is the foreseen accounting treatment



- ***Confirmed positive performance of core business***

- ***Results of the ongoing restructuring process on NPEs:***
 - ***Accelerated recovery of NPEs***

 - ***Decline in net NPEs stock***

 - ***Reduction in loan loss provisions***



Thank you for your attention

Q&A



Annexes

1Q16 P&L: Highlights



€ mln	1Q16	4Q15	Change (QoQ %)	1Q15*	Change (YoY %)
Net Interest Income	548	541	1.3%	607	(9.6%)
Net Fees	457	452	1.2%	443	3.1%
Other revenues**	180	125	44.0%	323	(44.2%)
Total Revenues	1,186	1,118	6.1%	1,373	(13.7%)
Operating Costs	(645)	(662)	(2.5%)	(653)	(1.3%)
Personnel costs	(418)	(396)	5.4%	(419)	(0.4%)
Other admin expenses	(177)	(206)	(14.0%)	(186)	(4.5%)
Pre provision profit	541	456	18.5%	720	(24.9%)
Total provisions	(349)	(575)	(39.3%)	(454)	(23.1%)
Non operating items	(69)	(220)	(68.7%)	(29)	n.m.
Profit (Loss) before tax	122	(340)	n.m.	236	(48.2%)
Taxes	(21)	152	n.m.	(79)	(73.8%)
PPA & Other items	(8)	(9)	(5.0%)	(13)	(36.6%)
Net income	93	(197)	n.m.	144	(35.2%)

*Restated figures

**Dividends, similar income and gains (losses) on investments, revenues from financial activities, Other operating income (expenses)

Assets & Liabilities trends



Total Assets

€/mln	Mar-15*	Dec-15	Mar-16	QoQ%
Customer loans	123,139	111,366	113,544	2.0%
Loans to banks	7,856	8,242	6,856	-16.8%
Financial assets	37,633	35,209	40,000	13.6%
PPE and intangible assets	3,139	3,142	3,112	-0.9%
Other assets**	12,082	11,053	10,133	-8.3%
Total Assets	183,850	169,012	173,646	2.7%

Total Liabilities

€/mln	Mar-15*	Dec-15	Mar-16	QoQ%
Deposits from customers and securities issued	128,161	119,275	119,508	0.2%
Deposits from banks	22,519	17,493	17,525	0.2%
Other liabilities***	26,983	22,622	26,912	19.0%
Group equity	6,162	9,596	9,675	0.8%
Minority interests	24	26	26	-2.1%
Total Liabilities	183,850	169,012	173,646	2.7%

*Restated figures

**Cash and cash equivalents, equity investments, DTAs and other assets

*** Financial liabilities held for trading, provision for specific use, other liabilities

Lending & Direct Funding



Total Lending

€/mln	Mar-15	Dec-15	Mar-16	QoQ%	YoY%
Current accounts	8,488	7,650	7,922	3.5%	-6.7%
Mortgages	55,031	52,453	52,069	-0.7%	-5.4%
Other forms of lending	27,219	21,380	22,848	6.9%	-16.1%
Reverse repurchase agreements	7,667	4,686	5,577	19.0%	-27.3%
Loans represented by securities	961	1,043	1,060	1.7%	10.4%
Impaired loans	23,773	24,154	24,069	-0.4%	1.2%
Total	123,139	111,366	113,544	2.0%	-7.8%

Direct funding

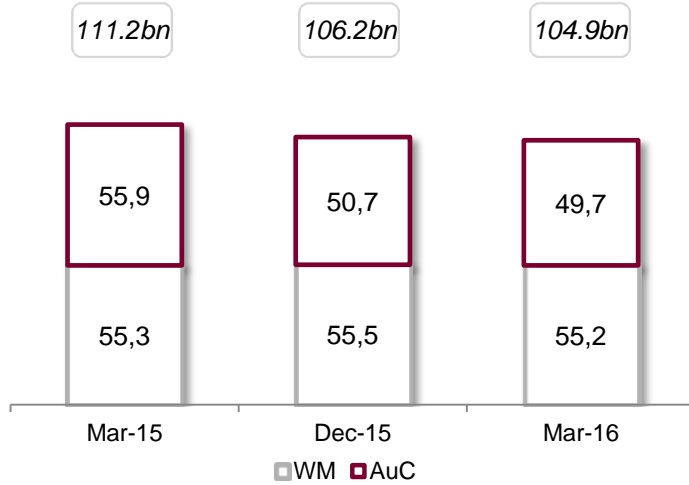
€/mln	Mar-15*	Dec-15	Mar-16	QoQ%	YoY%
Current accounts	54,311	54,575	51,509	-5.6%	-5.2%
Time deposits	12,657	14,343	13,520	-5.7%	6.8%
Repos	17,718	10,575	17,501	65.5%	-1.2%
Bonds	32,690	31,246	29,089	-6.9%	-11.0%
Other types of direct funding	10,784	8,536	7,889	-7.6%	-26.8%
Total	128,161	119,275	119,508	0.2%	-6.8%

*Restated figures

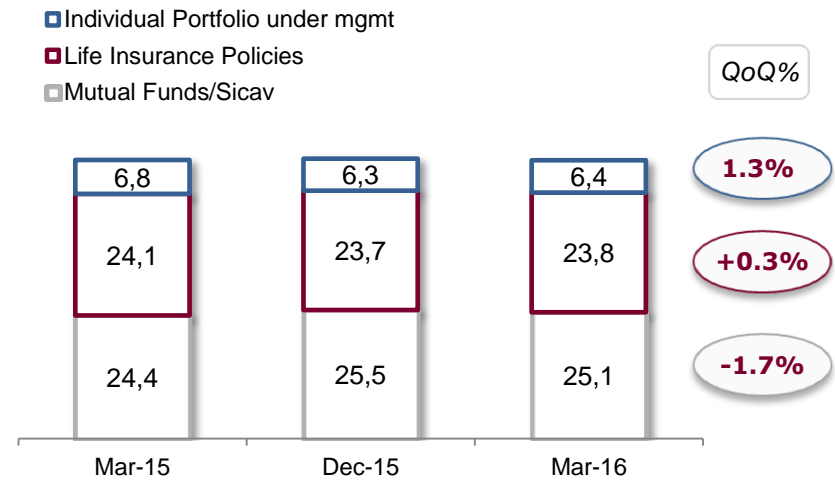
Indirect funding



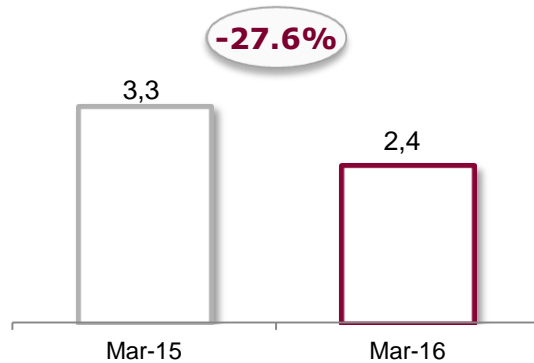
Indirect funding (€/bn)



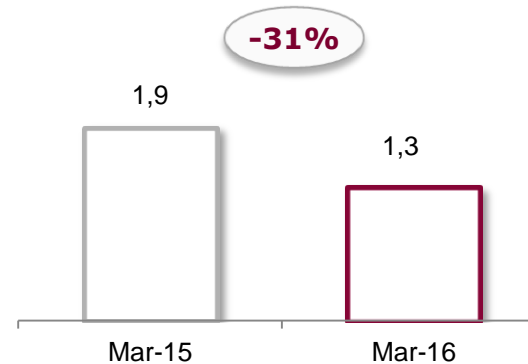
WM breakdown(€/bn)



Mutual Funds/Sicav* (€/bn)



Bancassurance** (€/bn)



*Placement of gross saving and Sicav products in 1Q16

**Placement of AXA-MPS Saving products (gross amount) in 1Q16

Financial assets: focus on Italian Govies portfolio



Financial Assets (€/mln)

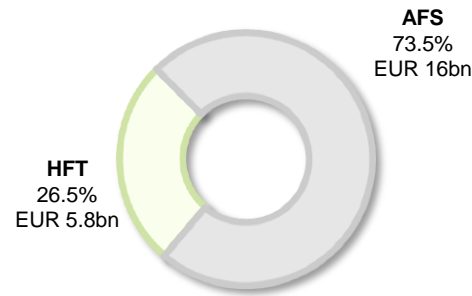
	Mar-16	QoQ%	YoY%
HFT	22,502	+24.9%	+8.0%
AFS	17,498	+1.8%	+4.2%
Total	40,000	+13.6%	+6.3%



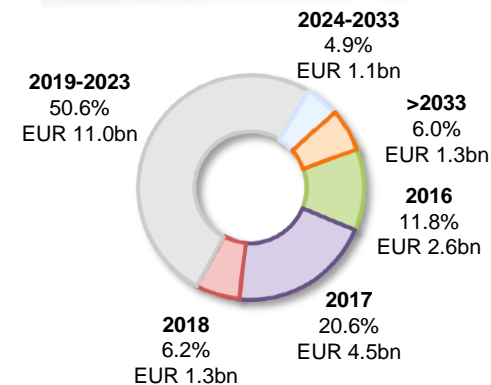
- Total Italian Government Bond portfolio duration 4.4 years as at Mar-16
- Total AFS Italian Government Bond portfolio duration 5.6 years as at Mar-16

Italian Government Bonds: ~EUR 22bn*

Breakdown by IAS category



Breakdown by maturity



* Figures from operational data management system (Risk Management)



Non Performing Exposures (NPE)

<i>(€ mln)</i>	Net	QoQ (%)	YoY (%)	Gross	QoQ (%)	YoY (%)
Bad loans (<i>sofferenze</i>)	10,184	4.6	16.8	27,733	4.2	9.8
Unlikely to Pay	11,985	-2.8	-2.1	16,897	-2.9	-5.6
NP past due / overdue exposures	1,900	-9.3	-32.6	2,608	-8.0	-24.2
Total NPE	24,069	-0.4	1.2	47,238	0.8	1.4

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Pursuant to paragraph 2, article 154-bis of the Consolidated Finance Act, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this document corresponds to the document results, books and accounting records.



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