Informazione Regolamentata n. 0035-11-2019	Data/Ora Ricezione 07 Febbraio 2019 20:41:39	MTA

Societa'	:	BANCA MONTE DEI PASCHI DI SIENA
Identificativo Informazione Regolamentata	:	113810
Nome utilizzatore	:	PASCHIN05 - Avv. Quagliana
Tipologia	:	1.1; 2.2
Data/Ora Ricezione	:	07 Febbraio 2019 20:41:39
Data/Ora Inizio Diffusione presunta	:	07 Febbraio 2019 20:41:41
Oggetto	:	BMPS: REPUBLISHED PRESS RELEASE

Testo del comunicato

Vedi allegato.

THE ENGLISH VERSION OF THE PRESS RELEASE OF 7 FEBRUARY 2019 "BOARD APPROVES PRELIMINARY RESULTS AS AT 31 DECEMBER 2018" ISSUED TODAY AT 13.25, IS HEREBY REPUBLISHED
TABLE "QUARTERLY TREND IN RECLASSIFIED CONSOLIDATED INCOME STATEMENT" ON PAGE 16 HAS BEEN FULLY REPLACED

PRESS RELEASE

BOARD APPROVES PRELIMINARY RESULTS AS AT 31 DECEMBER 2018:

2018 PROFIT AT EUR 279 MILLION, INCLUDING RESTRUCTURING COSTS PROVIDED FOR BY PLAN FOR EUR 202 MILLION AND CONTRIBUTIONS TO SYSTEMIC FUNDS FOR EUR 131 MILLION

2018 PRE-PROVISION PROFIT AT EUR 937 MILLION: +2% VS. 2017 NET OF EXTRAORDINARY COMPONENTS[1]

PICK-UP OF COMMERCIAL VOLUMES, WITH ATTENTION TO CREDIT QUALITY, AND STABILISATION OF COMMERCIAL FUNDING ARE CONFIRMED

TRANSITIONAL CET1 RATIO: 13.7% (+370 BPS VS. SREP 2019[2])

TOTAL CAPITAL RATIO: 15.2% (+170 BPS VS SREP 2019[3])

- **Acceleration of commercial activity in 2018, with strong focus on relationship profitability and on funding cost control: EUR 5.5 billion new retail mortgages (+68% Y/Y) and EUR 2.6 billion new corporate mortgages (+43% Y/Y) granted**
- **Stabilisation of commercial direct funding (c. EUR 62 billion current accounts and time deposits at year-end)**
- **Strong operating cost containment: -7.6% Y/Y**
- **Gross NPE stock reduced by about EUR 29 billion[4] in the course of 2018 by means of bad loan disposals (EUR 27 billion) and UTP reduction measures (EUR 2.3 billion):**
    - **Gross NPE ratio at 16.4% (35.8% in December 2017) and Net NPE ratio at 8.7%[5]**
    - **NPE coverage at 53.1% (bad loans at 62.4%), impacted by 4Q18 disposals**

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[1] *Progressive 2017 and 2018 data net of extraordinary components, mainly connected with the 2017 burden-sharing transaction (c. EUR 550 million).*

[2] *CET1 requirement, including the Capital Conservation Buffer.*

[3] *Overall capital requirement. ECB draft letter.*

[4] *Figures pro-forma for the disposal of EUR 0.9 billion leasing bad loans, to be perfected in 2019 (binding agreement signed in December 2019) and for the disposal of EUR 0.2 billion UTPs (binding offers received in December 2018).*

[5] *NPE ratios pro-forma for the disposal of EUR 0.9 billion leasing bad loans, to be perfected in 2019 (binding agreement signed in December 2019) and for the disposal of EUR 0.2 billion UTPs (binding offers received in December 2018).*

- **Cost of risk at 72 basis points, impacted by a few large tickets which migrated to default status and by the effects of the leasing portfolio disposal; excluding these components, ordinary cost of risk is in line with previous quarters**
- **Partly thanks to the incisive derisking initiatives implemented in the last quarter, which brought about a EUR 4.9 billion RWA reduction, main capital ratios improve:**
  - **Transitional Common Equity Tier 1 at 13.7% (12.5% in September)**
  - **Total Capital Ratio at 15.2% (13.9% in September)**
- **In the fourth quarter:**
  - **Pre-provision profit at EUR 134 million, up by 12% vs. 4Q17 net of extraordinary components[6], but down Q/Q mainly as an effect of losses connected with the derisking initiatives implemented in the quarter and of the typical end-of-year cost increase:**
    - **net interest income at EUR 431 million (-2.5% Q/Q): positive contribution from the commercial component more than offset by the decrease in non-commercial components, impacted by non-recurrent items**
    - **fees and commissions equal to EUR 360 million, up by 2% Q/Q thanks to wealth management and payment services**
    - **operating costs at EUR 635 million, up by 13% Q/Q for seasonal effects; annual trend shows a 7.6% Y/Y decrease**
  - **Net result for the quarter negative for c. EUR 101 million, including the booking of restructuring costs for c. EUR 150 million related to 650 personnel exits in 1H19 through the Solidarity Fund**

Siena, 7 February 2019 – Today the Board of Directors of Banca Monte dei Paschi di Siena S.p.A. reviewed and approved the results as at 31 December 2018.

<u>Group profit and loss results at 31 December 2018</u>

The Group's **total revenues** for 2018 stand at **EUR 3,288 million**, a 18.3% Y/Y decrease, mainly due to a contraction in net profit from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss, which in 2017 had benefited from the effects of burden-sharing measures. In 4Q18 revenues decline by EUR 40 million Q/Q, with a decrease in interest margin (EUR -11 million), in other operating income/expenses (EUR -20 million) and in net profit from trading and financial assets/liabilities (EUR -17 million), countered by a pickup in net fees and commissions (EUR +7 million).

Net interest income for 2018 is **EUR 1,743 million**, down by 2.5% from the same period of 2017, mainly due to the negative trend of interest-bearing assets and in particular of commercial loans (decreased average volumes and related yields). This trend is partially countered by the lower negative interests resulting from the decreased cost of commercial funding and the reimbursement

[6] *See footnote no. 1*

of more expensive bonds (amongst which those connected to burden-sharing). The 4Q18 result weakens Q/Q (-2.5%).

Net fees and commissions at 31 December 2018, at **EUR 1,523 million**, show a 3.4% Y/Y decrease, mainly on fees and commissions on services due to reduced income from payment services (debit and credit cards), following the sale of the merchant acquiring business on 30 June 2017, and from asset management. The trend is up by 2.0% Q/Q, particularly thanks to increased fees and commissions from asset management and services (payment systems).

Dividends, similar income and profit (loss) on investments, down from 31 December 2017, amount to **EUR 75 million**, and are mainly from AXA-MPS[7]. In 4Q18 this component is down Q/Q (EUR -1 million).

Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and at fair value through profit and loss for 2018 amounts to **EUR -13 million**, down from the result recorded for the same period of the previous year (equal to EUR 575 million), which included the effects of burden-sharing measures. An analysis of the main aggregates shows:

- **net profit from trading for EUR +34 million**, up from 31 December 2017 and Q/Q;
- **net profit from financial assets and liabilities measured at fair value through profit and loss negative for EUR 85 million** (at 31 December 2017 the result had been EUR -3 million), ascribable to the negative net results of financial assets and liabilities mandatorily measured at fair value;
- **gains on disposals/repurchases positive for EUR 38 million**, down from the same period of the previous year (equal to EUR 578 million for 2017), which had been positively impacted by the effects of burden-sharing measures. Down from 3Q18 due to losses on the sale of loans and securities.

The following items also contribute to total revenues:

- **net income from hedging for EUR -0.2 million**, up Y/Y and Q/Q;
- **other operating expenses/income negative** for **EUR 40 million**, down vs. the end of 2017 (EUR -11 million for 2017) and vs. the previous quarter (EUR -20 million), mainly for increased expenses from judgements, settlement agreements and contingent liabilities.

At 31 December 2018 **operating expenses** amount to **EUR 2,351 million**, down by 7.6% Y/Y. 4Q18 is up by 13.2% Q/Q (EUR +74 million), mainly due to other administrative expenses and net value adjustments to tangible assets. Detailed examination of individual aggregates shows that:

- **administrative expenses** stand at **EUR 2,101 million**, reduced by EUR 179 million from the previous year (-7.9% Y/Y) and up by EUR 50 million vs. 3Q18. Within the aggregate:
  - **personnel expenses**, at **EUR 1,463 million**, are down by 7.1% Y/Y (EUR -113 million), mainly due to the headcount reduction achieved with the aid of the 1 May and 1 November 2017 Solidarity Fund manoeuvres. The trend is in line with the previous quarter.

[7] *AXA – MPS is consolidated at net equity in the Group's financial accounts.*

- **other administrative expenses** amount to **EUR 638 million**, down 9.4% Y/Y due to structural cost-containing initiatives which affected, in particular, real estate, legal expenses linked to credit recovery and ICT (partly following the sale of the merchant acquiring business in June 2017). Expenses booked in 4Q18 are up Q/Q.

- **Net value adjustments to tangible and intangible assets** at 31 December 2018, amounting to **EUR 250 million**, are down vs. the same period of the previous year (-5.0%), which had been primarily impacted by increased write-downs. Up from the previous quarter (+42.3% Q/Q) for increased impairment of tangible assets.

As a result of the dynamics described above, the Group's **pre-provision profit** is **EUR 937 million** (EUR 1,483 million at 31 December 2017), with a positive quarterly contribution of EUR 134 million, down Q/Q.

At 31 December 2018 the Group reported **net impairment losses on financial assets measured at amortised cost and at fair value through other comprehensive income** for a total of **EUR 625 million**, down by EUR 4.8 billion vs. those recorded for the same period of the previous year, which mainly incorporated provisions booked on the loans subject to securitisation following the review of their realisable value. Up vs. 3Q18, mainly due to increased default flows and increased provisions on preexisting NPEs.

The ratio of annualised loan loss provisions at 31 December 2018 over total customer loans reflects a **provisioning rate of 72 bps**.

The Group's **net operating result** for 2018 **is positive for c. EUR 312 million**, compared to a negative amount of EUR -3,934 million recorded for the same period of the previous year. Negative quarterly result (EUR -123 million), down by EUR 250 million Q/Q, mostly due to the increase in net impairment losses (reversals) on financial assets and in operating expenses.

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

- **net provisions for risks and charges for EUR -69 million**, negative net effect mainly attributable to provisions for lawsuits and for commitments undertaken by the bank for transactions with customers, partly offset by the revaluation of the commitment undertaken to meet the hedging costs of the vehicle as part of the sale of the bad loan portfolio, as per binding agreement signed on 26 June 2017 with Quaestio, payable by the transferor. At 31 December 2017 the balance was negative for 276 million, impacted by higher provisions for lawsuits and by the mentioned negative evaluation of the commitment undertaken with the vehicle;

- **gains on investments for c. EUR 1 million**, vs. losses for EUR 14 million recorded at 31 December 2017, mainly related to write-downs on the associates Trixia, Interporto Toscano and Fidi Toscana. The 4Q18 result is down from the previous quarter, which had benefitted from the increased value of the stake held in Fondo Etrusco;

- **restructuring costs/one-off charges**, at **EUR -202 million**, mainly include the costs allocated against the headcount reduction/solidarity fund manoeuvres for EUR 150 million, somewhat offset by the recoveries recognised by INPS[8] for the completed headcount reduction/solidarity fund manoeuvres (EUR +35 million), and charges related to project

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

initiatives partly aimed at complying with the commitments undertaken with DG Comp (for a total amount of EUR -87 million, including the EUR -59 million expected loss from the sale of subsidiary MP Belgio);

- **risks and charges related to SRF, DGS and similar schemes**, balance of **EUR -131 million**, consisting of i) the EUR 69 million ordinary contribution to the Single Resolution Fund (SRF), booked in 1Q18, ii) the EUR 26 million additional contribution to the National Resolution Fund (NRF), booked in 2Q18 and iii) the EUR 36 million total contribution paid to FITD (DGS) in the second semester;
- **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 2018 for DTAs (Deferred Tax Assets) which are convertible into tax credit;
- **gains on disposal of investments** for **EUR 50 million**, essentially ascribable to proceeds from the sale of the credit recovery platform (Juliet), concluded in 2Q18. At 31 December 2017 the aggregate was positive for EUR 531 million, mainly from gains on the sale of the merchant acquiring business.

Due to the circumstances mentioned above, the Group's **loss before tax from continuing operations** amounts to **EUR -109 million**, up from 31 December 2017, which had recorded a result of EUR -4,186 million.

Taxes on profit (loss) from continuing operations record a gain of **EUR +410 million**, due to DTA reassessment.

Considering the net effects of PPA (EUR -22 million), the **Group's consolidated profit at 31 December 2018 amounts to EUR 279 million**, against a loss of EUR 3,502 million reported for the same period of 2017.

Group balance sheet aggregates at 31 December 2018

At 31 December 2018 the Group's **total funding** volumes amount to **EUR 187,0 billion**, down by EUR 6.7 billion vs. 31 December 2017 and by EUR 6.3 billion vs. 30 September 2018, mainly on the direct funding component.

Direct funding, amounting to **EUR 90.5 billion**, records a EUR 7.3 billion decrease vs. the end of December 2017 (mainly on bonds) and a EUR 3.4 billion decrease vs. September 2018, mainly for the decline in current accounts (EUR -2.6 billion), impacted by the end-of-year outflows of a large electrical sector client, and bonds (EUR -0.6 billion).

The Group's direct funding market share[9] stands at 3.66% (November 2018 update), slightly down from the end of 2017.

[9] 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.

Indirect funding comes to **EUR 96.5 billion**, slightly up vs. 31 December 2017 (EUR +0.6 billion), mainly assets under custody, influenced by the movement of a significant corporate account. The comparison with 30 September 2018 shows an decrease in indirect funding (EUR -2.9 billion), particularly assets under management.

Assets under management, at **EUR 55.9 billion**, are down both vs. December 2017 and vs. September 2018, mainly due to market effect.

As at 31 December 2018 Group **customer loans** amount to **EUR 86.9 billion**, up by EUR 0.4 billion vs. the end of December 2017, mainly on asset-backed securities (following the booking of the securitisation transaction senior notes and the purchase of government securities in 4Q18) and on mortgages, partly compensated by the decrease in impaired loans (EUR -3.1billion), repos, current accounts and other forms of lending. Down vs. 30 September 2018, particularly on mortgages, current accounts, impaired loans and other forms of lending, only somewhat offset by the growth of asset-backed securities (following the purchase of government securities in the quarter). The item is also affected by the negative impact of the transition from IAS 39 to IFRS 9, connected with the new impairment forecasts for EUR 1.5 billion.

The Group's market share[10] stands at 5.30% (November 2018 update), down, due to disposals, by 120bps from the end of 2017.

Medium/long-term loans record new disbursements/loan contracts for EUR 2.1 billion in 4Q18, down Q/Q (EUR -0.7 billion) but up Y/Y (EUR +3.7 billion).

The Group's **gross non-performing exposures** as at 31 December 2018 amount to **EUR 16.8 billion**, down both from 2017 year-end (EUR -26.1 billion, essentially due to the deconsolidation of securitised bad loans) and from 30 September 2018 (EUR -2.7 billion). Gross bad loan exposures are reduced by EUR 22.5 billion vs. 31 December 2017, mainly for the above-mentioned deconsolidation, and by EUR 1.1 billion vs. 30 September 2018. Unlikely-to-pay exposures also decrease, by EUR 3.3 billion vs. December 2017 and by EUR 1.4 billion vs. September 2018, partly affected by disposals carried out in the quarter. Past-due exposures are down by EUR 0.3 billion vs. 2017 year-end and by EUR 0.2 billion vs. 30 September 2018.

As at 31 December 2018 the Group's **net non-performing exposures are EUR 7.9 billion**, down from the end of December 2017 (EUR -6.9 billion), again essentially as a result of the above-mentioned deconsolidation, and vs. 30 September 2018 (EUR -0.6 billion). Net bad loan exposures are reduced by c. EUR 4.3 billion vs. 31 December 2017 and slightly increased vs. 30 September 2018 (EUR +0.2 billion). Net unlikely-to-pay exposures are also down, by EUR 2.4 billion vs. December 2017 and by EUR 0.7 billion Q/Q. Past-due exposures are down by EUR 0.2 billion vs. 31 December 2017 and virtually unchanged from September 2018 (EUR -0.1 billion).

The quarter shows an improvement in the ratio of net non-performing exposures to net customer loans, from 9.6% in September 2018 to 9.0% in December 2018. Within the aggregate, the incidence of past-due loans in the quarter is essentially stable compared to September 2018, whereas that of unlikely-to-pay loans decreases (from 5.9% in September 2018 to 5.2% in

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

December 2018). The incidence of net bad loans is up (from 3.4% in September 2018 to 3.7% in December 2018).

As at 31 December 2018 **coverage** of non-performing exposures is 53.1%, down vs. 31 December 2017 (65.5%), following the deconsolidation of loans subject to disposal, and vs. September 2018 (56.4%).

Given that, during the transition to IFRS 9, the Group reclassified bonds to financial assets designated at amortised cost for a total amount of EUR 1 billion, and following the booking of loans/securities for a total amount of EUR 1.2 billion under new item “other financial assets mandatorily measured at fair value”, as at 31 December 2018, the Group’s **financial assets designated at fair value** amount to **EUR 20.3 billion**, down by EUR 3.9 billion from 31 December 2017 and down by EUR 5.1 from 30 September 2018 mainly on financial assets designated at fair value through other comprehensive income and on the trading component relating to 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 1.3 billion vs. the end of December 2017 and by EUR 0.2 billion Q/Q.

At the end of September 2018 the Group’s **net interbank position** stands at **EUR 9.5 billion** in funding, increased by EUR 1.6 billion vs. 31 December 2017 and by EUR 2.6 billion Q/Q.

At 31 December 2018 the operational liquidity position shows an **unencumbered counterbalancing capacity of about EUR 21.2 billion**, flat Y/Y and up by EUR 2.7 billion Q/Q thanks to commercial dynamics and structural funding transactions.

At 31 December 2018 the **Group’s shareholders’ equity and non-controlling interests** amount to approximately **EUR 9.0 billion**, down by EUR 1.4 billion compared to the end of December 2017, ascribable to the negative impacts of the IFRS9 first-time adoption on item “reserves” and to the negative changes in valuation terms of financial assets measured at fair value through other comprehensive income, partly offset by the result for the period. Stable vs. 30 September 2018, with the increased valuation reserves essentially offset by the loss for the quarter.

As for capital ratios, at 31 December 2018 the **common equity tier 1 ratio** is **13.7%** (vs. 14.8% at 2017 year-end) and **total capital ratio** is **15.2%**, compared to 15.0% recorded at the end of December 2017.

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The Bank has updated its multiannual internal estimates of income statement and balance sheet figures so as to take into account the evolution of the current macroeconomic scenario (BTP/Bund spread level in the second half of 2018, consensus GDP growth estimate, industrial production and household consumption indicators, expected evolution of interest rates), the 2018 results and the SREP requirements anticipated in the draft Decision. These estimates are lower than those contained in the 2017-2021 Restructuring Plan, approved by the competent authorities in July 2017, but nonetheless show capital ratios above regulatory requirements.

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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

It should be noted that, in order to allow continuity in the reporting and reading of progressive results, subsidiary MP Belgio, although currently being sold, is included in individual income statement items.

a) Item "**interest income**" was cleared of the negative contribution (EUR -9 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item, and integrated with the contribution from subsidiary MP Belgio, for EUR +15 million.

b) Item “**net fees and commissions**” was integrated with the contribution from subsidiary MP Belgio, for EUR +2 million.

c) Item “**dividends, similar income and gains (losses) on investments**” incorporates item 70 “Dividends and similar income” and a portion of item 250 “Gains (losses) on investments” (EUR 65 million, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at net equity). The aggregate was also cleared of dividends earned on securities other than equity investments (EUR 1 million), reclassified under item “net profit (loss) from trading/valuation of financial assets/liabilities”.

d) Item “**net profit (loss) from trading/valuation and from financial assets/liabilities measured at fair value through profit and loss**" includes item 80 "net profit (loss) from trading", item 100 "gains (losses) on disposal/repurchase of: i) financial assets measured at amortised cost and at fair value through other comprehensive income and ii) financial liabilities" and item 110 "net profit (loss) on financial assets measured at fair value through profit and loss". The item also incorporates dividends earned on securities other than equity investments (EUR 1 million) and the contribution of subsidiary MP Belgio, for EUR +5 million.

e) Item “**other operating income (expense)**” includes item 230 “other operating expenses (income)” net of the recovery of stamp duty and customer expenses, which are stated under the reclassified item “other administrative expenses” (EUR 287 million) and the contribution of subsidiary MP Belgio, for EUR +0.5 million.

f) Profit & loss item “**personnel expenses**” was decreased by EUR 118 million net (EUR -150 million in provisions for the headcount reduction/solidarity fund manoeuvre agreed with the trade unions on 31 December 2018, EUR +35 million for INPS recoveries on provisions for the 2017 headcount reduction measures and EUR -4 million for extraordinary expenses connected with the unwinding of foreign branches), for the reclassification of these amounts to item “restructuring costs/one-off charges”. The item also includes the share of costs relating to subsidiary MP Belgio, for EUR 9 million.

g) Item "**other administrative expenses**" includes the balance of financial statements item 190b “other administrative expenses”, reduced by the following cost items:
   - expenses, amounting to EUR 131 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”);

- extraordinary charges for EUR 24 million, related to project initiatives partly aimed at complying with the commitments undertaken with DG Comp (among which the closing of domestic and foreign branches), reclassified to item “restructuring costs/one-off charges”.

The item also incorporates stamp duty and client expense recoveries (EUR 287 million) posted under item 220 "Other operating expenses/income" and the share of costs relating to subsidiary MP Belgio, for EUR 10 million.

h) Item "**net value adjustments to tangible and intangible assets**" was cleared of the negative contribution (EUR -25 million) referable to the Purchase Price Allocation (PPA), which was reclassified to a specific item. It was integrated with the contribution of subsidiary MP Belgio, for EUR 1 million.

i) Item "**net impairment (losses)/reversals on financial assets at amortised cost**" includes items 130a "Financial assets measured at amortised cost" and 140 "modification gains (losses)". The item was integrated with the contribution of subsidiary MP Belgio, for EUR -8 million.

j) Item **“net provisions for risks and charges”** was cleared of extraordinary provisions for costs relating to commitment initiatives for EUR 1 million, re-allocated to the reclassified item "restructuring costs/one-off charges". The item was integrated with the contribution of subsidiary MP Belgio, for EUR -0.5 million.

k) Item **“profit (loss) on equity investments”** incorporates the balance of item 250 “profits (losses) on equity investments” without the contribution to the income statement of the portion of the profit on the connected equity investments in AXA, consolidated according to the net equity method moved to the reclassified item “Dividends, similar income and gains (losses) on investments” (EUR 65 million).

l) Item “**restructuring costs/one-off charges**” mainly includes restructuring charges for EUR -150 million allocated against the headcount reduction/solidarity fund manoeuvre signed on 31 December 2018, partially offset by recoveries recognised by INPS for previous headcount reduction/solidarity fund manoeuvres (EUR +35 million), and charges related to project initiatives, partly aimed at complying with the commitments undertaken with DG Comp (for a total net amount of EUR -87 million, including expected losses from the sale of subsidiary MP Belgio for EUR -59 million).

m) Item "**risks and charges related to the SRF, DGS and similar schemes**" includes the charges deriving from the Community directives DGSD to guarantee deposits and BRRD for the resolution of the banking crises, posted on the financial statements under item 190b “other administrative expenses”. As at 31 December 2018, total contributions for EUR 131 million were booked, of which EUR 69 million to the Single Resolution Fund (SRF), EUR 26 million to the National Resolution Fund (NRF) and EUR 36 million to the DGS.

n) Item “**DTA fees**” contains costs relating to the fees on DTAs which are convertible into tax credits, provided for by art. 11 of Law Decree no. 59 of 3 may 2016 converted into Law no. 119 of 30 June 2016, booked in item 190b “Other Administrative Expenses” for EUR 71 million.

o) Item "**tax expense (recovery) on income from continuing operations**" was cleared of the theoretical tax component relating to the Purchase Price Allocation (PPA), which was reclassified to a specific item for an amount of EUR 11 million.

p) Item “**profit (loss) from assets held for sale**” was cleared of the effects of the expected loss on the sale of subsidiary MP Belgio (EUR -59 million), reclassified as “restructuring costs/one-off charges”.

q) 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 -9 million and “**net adjustments to/recoveries on tangible and intangible assets**“ for EUR -25 million, net of a theoretical tax burden of EUR +11 million which integrates the item).

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

Reclassified Balance sheet

It should be noted that, in order to allow continuity in the reporting and reading of progressive results, subsidiary MP Belgio, although currently being sold, is included in individual balance sheet items.

a) Item “**cash and cash equivalents**” on the assets side includes the contribution of subsidiary MP Belgio, for EUR 5 million.

b) Item “**financial assets measured at fair value**” includes item 20 “financial assets measured at fair value through profit and loss” and item 30 “financial assets measured at fair value through other comprehensive income”. The contribution of subsidiary MP Belgio amounts to EUR 351 million.

c) Item “**loans to banks**” on the assets side was integrated with the contribution of subsidiary MP Belgio, for EUR 174 million.

d) Item “**loans to customers**” on the assets side was integrated with the contribution of subsidiary MP Belgio, for EUR 689 million.

e) Item “**property, plant and equipment/intangible assets**” was integrated with the contribution of subsidiary MP Belgio, for EUR 7 million.

f) Item “**other assets**” on the assets side incorporates item 50 “hedging derivatives”, item 60 “value adjustments to financial assets subject to macro-hedging”, item 110 “tax assets”, item 120 “Non-current assets held for sale and discontinued operations” (excluding EUR 1,234 million relating to the total assets of subsidiary MP Belgio, net of the intragroup quota) and item 130 “other assets”. This item also includes the contribution of subsidiary MP Belgio, for EUR 9 million.

g) Item “**deposits from customers and debt securities issued**” on the liabilities side includes item 10b “financial liabilities measured at amortised cost – deposits from customers”, item 10c “financial liabilities measured at amortised cost – outstanding securities” and item 30 “financial liabilities measured at fair value”. The contribution of subsidiary MP Belgio amounts to EUR 964 million.

h) Item “**deposits from banks**” on the liabilities side was integrated with the contribution of subsidiary MP Belgio, for EUR 148 million.

i) Item “**financial liabilities held for trading**” on the liabilities side was integrated with the contribution of subsidiary MP Belgio, for EUR 2 million.

j) Item “**provisions for pension and similar obligations**” on the liabilities side was integrated with the contribution of subsidiary MP Belgio for EUR 1 million, as was item “**other provisions for risks and charges**”.

k) Item “**other liabilities**” on the liabilities side incorporates item 40 “hedging derivatives”, item 50 “change in value of macro-hedged financial liabilities”, item 60 “tax liabilities”, item 70 “liabilities associated with groups of assets held for sale” (excluding EUR 1,123 million relating to the total liabilities of subsidiary MP Belgio, net of the intragroup quota) and item 80 “other liabilities” (inclusive of the contribution of subsidiary MP Belgio, for EUR 8 million).

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

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CONSOLIDATED REPORT ON OPERATIONS
Highlights at 31/12/2018

INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES	31/12/2018	31/12/17*	Chg.
Net interest income	1,742.8	1,788.3	-2.5%
Net fee and commission income	1,523.3	1,576.5	-3.4%
Other operating income	21.4	660.8	-96.8%
Total Revenues	3,287.5	4,025.6	-18.3%
Net impairment losses (reversals) on financial assets mesured at amortised cost and finanaicl assets measured at fair value through other comprehensive income	(624.6)	(5,416.8)	-88.5%
Net operating income	312.2	(3,934.2)	n.s.
Net profit (loss) for the period	278.6	(3,502.3)	n.s.
EARNING PER SHARE (EUR)	**31/12/2018**	**31/12/17***	**Var.**
Basic earnings per share	0.252	(7.299)	n.s.
Diluted earnings per share	0.252	(7.299)	n.s.
BALANCE SHEET FIGURES AND INDICATORS	**31/12/2018**	**31/12/17 ***	**Var.**
Total assets	130,481.0	139,154.2	-6.2%
Loans to customers	86,855.5	86,456.3	0.5%
Direct funding	90,471.7	97,801.8	-7.5%
Indirect funding	96,488.6	95,845.7	0.7%
of which: assets under management	55,887.7	58,599.4	-4.6%
of which: assets under custody	40,600.8	37,246.3	9.0%
Group net equity	8,992.0	10,429.1	-13.8%
OPERATING STRUCTURE	**31/12/2018**	**31/12/2017**	**Var.**
Total headcount - end of period	23,129	23,463	-334
Number of branches in Italy	1,529	1,745	-216

N.B.: *Total headcount refers to the effective workforce and therefore does not include resources posted outside the Group's perimeter*

CONSOLIDATED REPORT ON OPERATIONS
Highlights as at 31/12/2018

ALTERNATIVE PERFORMANCE MEASURES

MPS GROUP

PROFITABILITY RATIOS (%)	31/12/18	31/12/17 *	Chg.
Cost/Income ratio	71.5	63.2	8.3
R.O.E.	2.9	-41.6	44.5
Return on Assets (RoA) ratio	0.2	-2.5	2.7
ROTE (Return on tangible equity)	2.9	-41.6	44.5

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9.*

KEY CREDIT QUALITY RATIOS (%)	31/12/18	31/12/17 *	Chg.
Net non-performing loans / Loans to Customers	9.0	16.3	-7.3
Gross NPL ratio	17.3	35.8	-18.5
Growth rate of gross NPLs	-0.6	-1.5	0.9
Coverage non-performing loans	53.1	65.5	-12.4
Bad loans / Loans to Customers	3.7	8.3	-4.6
Loans to Customers measured at amortised cost - Stage 2 /Performing exposures measured at amortised cost	15.9	n.a.	
Coverage bad loans	62.4	75.7	-13.3
Net impairment losses on loans measured at amortised cost/ Loans to Customers measured at amortised cost (Provisioning)	0.7	5.8	-5.1
Texas Ratio	95.0	112.2	-17.2

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9. As at 31/12/2017, credit quality ratios include (both under non-performing exposures and under loans to customers) the portion of portfolio allocated to assets held for sale and mainly relating to the sale, through securitisation, of a set of exposures classified as bad loans, the derecognition of which was completed on 22 June 2018.*

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 31/12/2018

REGULATORY MEASURES

MPS GROUP

CAPITAL RATIOS (%)	31/12/18	31/12/17 *	Chg.
Common Equity Tier 1 (CET1) ratio	13.7	14.8	-1.1
Total Capital ratio	15.2	15.0	0.2
FINANCIAL LEVERAGE INDEX (5)	**31/12/18**	**31/12/17 ***	**Chg.**
Leverage ratio - Transitional Phase	5.5	6.0	-0.5
LIQUIDITY RATIO (%)	**31/12/18**	**31/12/17 ***	**Chg.**
LCR	231.7	199.5	32.2
NSFR	112.3	110.0	2.3
Loan to deposit ratio	96.0	88.4	7.6
Counterbalancing capacity	21.2	21.1	0.1

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9.*

Reclassified Consolidated Income Statement				
	31/12/18	31 12 2017*	Change	
MONTEPASCHI GROUP			Abs.	%
Net interest income	1,742.8	1,788.3	(45.5)	-2.5%
Net fee and commission income	1,523.3	1,576.5	(53.2)	-3.4%
Income from banking activities	**3,266.1**	**3,364.8**	**(98.7)**	**-2.9%**
Dividends, similar income and gains (losses) on equity investments	74.5	101.0	(26.5)	-26.2%
Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and maesured at fair value through profit and loss	(13.0)	574.8	(587.8)	n.s.
Net profit (loss) from hedging	(0.2)	(3.7)	3.5	-94.6%
Other operating income (expenses)	(39.9)	(11.3)	(28.6)	n.s.
Total Revenues	**3,287.5**	**4,025.6**	**(738.1)**	**-18.3%**
Administrative expenses:	(2,100.6)	(2,279.6)	179.1	-7.9%
a) personnel expenses	(1,462.9)	(1,575.4)	112.5	-7.1%
b) other administrative expenses	(637.7)	(704.3)	66.5	-9.4%
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(250.1)	(263.4)	13.3	-5.0%
Operating expenses	**(2,350.7)**	**(2,543.0)**	**192.3**	**-7.6%**
Pre Provision Profit	**936.8**	**1,482.6**	**(545.8)**	**-36.8%**
Net impairment losses (reversals) on:	**(624.6)**	**(5,416.8)**	**4,792.2**	**-88.5%**
a) financial assets measured at amortised cost	(628.1)	(5,323.7)	4,695.6	-88.2%
b) Financial assets measured at fair value through other comprehensive income	*3.5*	*(93.1)*	96.6	n.s.
Net operating income	**312.2**	**(3,934.2)**	**4,246.4**	**n.s.**
Net provisions for risks and charges	(69.0)	(276.1)	207.1	-75.0%
*of which commitments and guarantees issued***	*14.9*	*(43.2)*	*58.1*	*n.s.*
Gains (losses) on investments	1.3	(14.0)	15.3	n.s.
Restructuring costs / One-off costs	(201.7)	(330.2)	128.5	-38.9%
Risks and charges related to the SRF, DGS and similar schemes	(131.1)	(91.9)	(39.2)	42.7%
DTA Fee	(70.9)	(70.9)	0.0	-0.1%
Gains (losses) on disposal of investments	50.0	531.2	(481.2)	-90.6%
Profit (loss) before tax from continuing operations	**(109.2)**	**(4,186.2)**	**4,077.0**	**-97.4%**
Tax expense (recovery) on income from continuing operations	410.1	709.6	(299.4)	-42.2%
Net profit (loss) for the period including non-controlling interests	**300.9**	**(3,476.6)**	**3,777.5**	**n.s.**
Net profit (loss) attributable to non-controlling interests	0.1	0.1	-	n.s.
Profit (loss) for the period before PPA	**300.8**	**(3,476.7)**	**3,777.5**	**n.s.**
PPA (Purchase Price Allocation)	(22.2)	(25.6)	3.4	-13.1%
Net profit (loss) for the period	**278.6**	**(3,502.3)**	**3,780.9**	**n.s.**

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9.*

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

Quarterly trend in reclassified consolidated income statement

Montepaschi Group	4°Q 2018	3°Q 2018	2°Q 2018	1°Q 2018	4°Q 2017*	3°Q 2017*	2°Q 2017*	1°Q 2017*
	2018				2017			
Net interest income	430.8	442.1	448.5	421.5	414.6	470.4	445.9	457.4
Net fee and commission income	360.4	353.4	403.0	406.5	363.3	355.7	431.2	426.3
Income from banking activities	**791.2**	**795.5**	**851.5**	**828.0**	**777.9**	**826.1**	**877.1**	**883.7**
Dividends, similar income and gains (losses) on equity investments	19.5	20.7	16.2	18.1	32.3	22.4	25.7	20.5
Net profit (loss) from trading and financial assets/liabilities measured at amortised cost and maesured at fair value through profit and loss	(18.8)	(2.0)	(29.5)	37.4	3.4	528.5	18.3	24.5
Net profit (loss) from hedging	0.8	(1.2)	(0.9)	1.1	0.8	(2.7)	(2.0)	0.2
Other operating income (expenses)	(23.6)	(3.4)	(5.1)	(7.8)	(12.0)	(3.9)	0.3	4.3
Total Revenues	**769.1**	**809.5**	**832.2**	**876.8**	**802.4**	**1,370.5**	**919.5**	**933.2**
Administrative expenses:	(554.3)	(504.2)	(526.4)	(515.7)	(579.4)	(561.1)	(568.2)	(570.9)
a) personnel expenses	(364.9)	(364.0)	(366.2)	(367.8)	(387.1)	(388.8)	(395.1)	(404.4)
b) other administrative expenses	(189.5)	(140.2)	(160.1)	(147.9)	(192.3)	(172.3)	(173.1)	(166.5)
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(81.0)	(56.9)	(55.1)	(57.1)	(71.1)	(64.7)	(70.9)	(56.6)
Operating expenses	**(635.4)**	**(561.1)**	**(581.4)**	**(572.8)**	**(650.5)**	**(625.8)**	**(639.1)**	**(627.5)**
Pre Provision Profit	**133.7**	**248.3**	**250.8**	**304.0**	**151.9**	**744.7**	**280.4**	**305.6**
Net impairment losses (reversals) on:	**(256.5)**	**(121.4)**	**(108.8)**	**(137.9)**	**(581.6)**	**(204.7)**	**(4,321.4)**	**(309.1)**
a) financial assets measured at amortised cost	*(267.0)*	*(115.9)*	*(108.1)*	*(137.1)*	*(551.7)*	*(175.0)*	*(4,288.8)*	*(308.2)*
b) Financial assets measured at fair value through other comprehensive income	*10.5*	*(5.5)*	*(0.7)*	*(0.8)*	*(29.9)*	*(29.7)*	*(32.6)*	*(0.9)*
Net operating income	**(122.8)**	**126.9**	**142.0**	**166.1**	**(429.7)**	**540.0**	**(4,041.0)**	**(3.5)**
Net provisions for risks and charges	(53.7)	(16.6)	(51.3)	52.6	(142.1)	(27.6)	(66.8)	(39.6)
*of which commitments and guarantees issued***	*(22.3)*	*(9.5)*	*1.8*	*44.9*	*24.0*	*(19.8)*	*(53.4)*	*6.0*
Gains (losses) on investments	0.3	5.0	0.0	(4.0)	8.9	(19.1)	0.2	(4.0)
Restructuring costs / One-off costs	(140.6)	(27.8)	(16.3)	(17.0)	(34.5)	(278.0)	(17.7)	-
Risks and charges related to the SRF, DGS and similar schemes	(7.6)	(28.6)	(25.9)	(69.0)	2.3	(31.2)	0.4	(63.4)
DTA Fee	(17.7)	(17.7)	(17.7)	(17.7)	(17.7)	(17.7)	(17.5)	(18.0)
Gains (losses) on disposal of investments	(0.1)	0.2	49.6	0.3	(2.3)	1.8	532.0	(0.3)
Profit (loss) before tax from continuing operations	**(342.2)**	**41.4**	**80.4**	**111.3**	**(615.2)**	**168.2**	**(3,610.6)**	**(128.6)**
Tax expense (recovery) on income from continuing operations	245.7	55.0	26.1	83.3	119.7	79.9	543.5	(33.5)
Net profit (loss) for the period including non-controlling interests	**(96.6)**	**96.4**	**106.5**	**194.6**	**(495.5)**	**248.1**	**(3,067.1)**	**(162.1)**
Net profit (loss) attributable to non-controlling interests	-	0.1	-	-	(0.1)	0.1	(0.1)	-
Profit (loss) for the period before PPA	**(96.6)**	**96.3**	**106.5**	**194.6**	**(495.6)**	**248.0**	**(3,067.0)**	**(162.1)**
PPA (Purchase Price Allocation)	(4.1)	(5.5)	(5.6)	(7.0)	(6.0)	(6.1)	(6.4)	(7.1)
Net profit (loss) for the period	**(100.7)**	**90.8**	**100.9**	**187.6**	**(501.6)**	**241.9**	**(3,073.4)**	**(169.2)**

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9.*

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

Reclassified Balance Sheet

ASSETS	31 12 2018	31 12 2017*	Chg abs.	Chg %
Cash and cash equivalents	950.6	4,092.3	(3,141.7)	-76.8%
Financial assets measured at amortised cost :				
a) Loans to customers	86,855.5	86,456.3	399.2	0.5%
b) Loans to banks	12,504.2	9,966.2	2,538.0	25.5%
Financial assets measured at fair value	20,296.2	24,168.4	(3,872.2)	-16.0%
Equity investments	922.8	1,034.6	(111.8)	-10.8%
Property, plant and equipment / Intangible assets	2,727.3	2,854.2	(126.9)	-4.4%
of which:	-	-		
a) goodwill	*7.9*	*7.9*	-	
Other assets	6,224.4	10,582.2	(4,357.8)	-41.2%
Total assets	**130,481.0**	**139,154.2**	**(8,673.2)**	**-6.2%**

LIABILITIES	31 12 2018	31 12 2017*	Chg abs.	Chg %
Payables				
a) Deposits from customers and securities issued	90,471.7	97,801.8	(7,330.1)	-7.5%
b) Deposits from banks	21,986.3	21,084.9	901.4	4.3%
Financial liabilities held for trading	3,175.7	4,476.9	(1,301.2)	-29.1%
Provisions for specific use				
a) Provisions for staff severance indemnities	192.1	199.5	(7.4)	-3.7%
b) Provisione related to guarantees and other commitments given	242.4	226.4	16.0	7.1%
c) Pensions and other post-retirement benefit obligations	37.9	50.1	(12.2)	-24.4%
d) Other provisions	1,199.9	1,088.4	111.5	10.2%
Other liabilities	4,180.8	3,794.8	386.0	10.2%
Group net equity	8,992.0	10,429.1	(1,437.1)	-13.8%
a) Valuation reserves	(176.7)	51.7	(228.4)	n.s.
c) Equity instruments carried at equity	-	-	-	
d) Reserves	(1,124.8)	3,864.8	(4,989.6)	n.s.
e) Share premium	-	-	-	
f) Share capital	10,328.6	10,328.6	-	
g) Treasury shares (-)	(313.7)	(313.7)	-	
h) Net profit (loss) for the period	278.6	(3,502.3)	3,780.9	n.s.
Non-controlling interests	2.2	2.3	(0.1)	-4.3%
Total Liabilities and Shareholders' Equity	**130,481.0**	**139,154.2**	**(8,673.2)**	**-6.2%**

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9.*

Reclassified Balance Sheet - Quarterly Trend

ASSETS	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/17*	30/09/17*	30/06/17*	31/03/17*
Cash and cash equivalents	950.6	714.1	721.2	896.9	4,092.3	821.9	843.1	879.1
Financial assets measured at amortised cost :								
a) Loans to customers	86,855.5	87,464.9	87,010.1	89,320.4	86,456.3	91,041.1	89,713.1	102,406.9
b) Loans to banks	12,504.2	8,724.2	8,636.3	6,374.5	9,966.2	12,897.0	13,116.4	8,451.4
Financial assets measured at fair value	20,296.2	25,430.0	29,257.2	25,652.3	24,168.4	25,403.0	24,089.8	26,511.8
Equity investments	922.8	905.1	896.8	1,075.8	1,034.6	1,001.2	1,023.6	1,013.0
Property, plant and equipment / Intangible assets	2,727.3	2,746.9	2,789.9	2,831.2	2,854.2	2,833.7	2,844.7	2,894.2
of which:								
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Other assets	6,224.4	6,199.8	6,411.4	10,620.6	*10,582.2*	11,101.2	11,958.8	6,648.2
Total assets	**130,481.0**	**132,185.0**	**135,722.8**	**136,771.8**	**139,154.2**	**145,099.1**	**143,589.5**	**148,804.6**

LIABILITIES	31/12/2018	30/09/2018	30/06/2018	31/03/2018	31/12/17*	30/09/17*	30/06/17*	31/03/17*
Payables								
a) Deposits from customers and securities issued	90,471.7	93,906.0	96,833.9	97,856.8	97,801.8	102,968.4	106,543.9	109,390.0
b) Deposits from banks	21,986.3	20,838.9	20,794.8	20,483.1	21,084.9	21,566.1	22,802.8	22,837.5
Financial liabilities held for trading	3,175.7	3,000.6	3,173.6	3,625.4	4,476.9	4,201.1	4,449.9	4,412.4
Provisions for specific use								
a) Provisions for staff severance indemnities	192.1	194.6	196.3	197.3	199.5	234.7	233.7	252.5
b) Provisione related to guarantees and other	242.4	219.2	209.7	223.4	226.4	249.3	230.6	177.2
c) Pensions and other post-retirement benefit	37.9	40.5	43.8	49.4	50.1	45.9	47.3	52.5
d) Other provisions	1,199.9	1,067.4	1,112.5	1,086.6	1,088.4	959.8	958.8	954.2
Other liabilities	4,180.8	3,946.7	4,361.5	3,949.2	3,794.8	3,927.1	5,272.6	4,684.0
Group net equity	8,992.0	8,968.9	8,994.5	9,298.3	10,429.1	10,944.5	3,047.7	6,041.9
a) Valuation reserves	(176.7)	(305.0)	(194.0)	196.7	51.7	60.5	102.0	7.4
c) Equity instruments carried at equity	-	-	-	-	-	-	-	-
d) Reserves	(1,124.8)	(1,120.3)	(1,114.9)	(1,100.8)	3,864.8	(1,494.4)	(1,177.4)	(1,162.0)
e) Share premium	-	-	-	-	-	-	-	-
f) Share capital	10,328.6	10,328.6	10,328.6	10,328.6	10,328.6	15,692.8	7,365.7	7,365.7
g) Treasury shares (-)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)	(313.7)	-	-
h) Net profit (loss) for the period	278.6	379.3	288.5	187.5	(3,502.3)	(3,000.7)	(3,242.6)	(169.2)
Non-controlling interests	2.2	2.2	2.2	2.3	2.3	2.2	2.2	2.4
Total Liabilities and Shareholders' Equity	**130,481.0**	**132,185.0**	**135,722.8**	**136,771.8**	**139,154.2**	**145,099.1**	**143,589.5**	**148,804.6**

* *The Group has elected not to restate comparative data on a consistent basis in the year of initial application of IFRS9.*

MONTE DEI PASCHI DI SIENA
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Fine Comunicato n.0035-11	Numero di Pagine: 21