PRESS RELEASE

BoD APPROVES RESULTS AS AT 30 JUNE 2014

- **CET1 ratio phased-in at 13.5% in line with best practices; CET1 fully phased at 12%**
- **Capital buffer estimated between EUR 6.5bn and EUR 4.5bn ahead of Comprehensive Assessment**[1]
- **EUR 10 bn of LTROs reimbursed since start of year**
- **Upturn in Total Funding: +1.6 QoQ**
- **Net result for the period at EUR -353mln affected by non-recurring items; "*Normalised*" Net Profit for the half-year period close to breakeven**
- **Union agreement signed for the release of 1,334 resources by 31/12/2014 through initiation of a Solidarity Fund**
- **Widiba: authorisation to carry out banking activities obtained; the online Bank will become fully operational in the 4Q14**

Bank's capital/financial rebalancing and de-risking process almost completed

- *Total net funding continues to grow (+1.6% QoQ) thanks to positive Asset Management performance (+4% QoQ) and direct funding, mainly from Current Accounts (+2% QoQ) and Time Deposits (+19 5% QoQ).*
- *EUR 1 bn new covered bond issuance launched in July. This is the third bond issuance for institutional customers since the start of the year, bringing the total amount to Eur 3 bn. The first 7 months of the year has seen the placement of over 80% of issues replacing bonds coming to maturity in 2014.*
- *ECB exposure in August curbed by EUR 18bn following the reimbursement of EUR10 bn of LTROs*[2]*.*
- *Counterbalancing capacity up to over EUR 29bn (EUR 21bn as at 31/03/2014 and EUR 16bn as at 31/12/2013), accounting for 14.7% of assets.*
- *Loans to customers stable on the previous quarter. The aggregate was impacted by the sharp fall in retail and corporate funding, which continues to be affected by the economic cycle, and by the increase in repurchase agreements to which temporary surpluses of liquidity from the capital increase have been allocated before being used to reimburse EUR 3bn of New Financial Instruments (NFIs)* [3]*.*

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[1] Estimated range vs. a Common Equity Tier 1 ratio threshold of 5.5% in a adverse Stress Test scenario (the ongoing exercise on the impact of an adverse macroeconomic scenario on the capital position of European Banks, carried out by regulatory authorities) and 8% in the Asset Quality Review (the ongoing review on the asset quality of European banks, carried out by regulatory authorities). The amounts correspond to a pre-tax absoprtion capacity of around EUR 9.5 bn and EUR 6.5 bn respectively.

[2] EUR 9 bn reimbursed at the end of July with a further EUR 1 bn on 13 August 2014

[3] On 28 February 2013, Banca Monte dei Paschi di Siena S.p.A. completed the issuance of New Financial Instruments provided for by articles 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended (the "New Financial Instruments"). In particular, the Ministry of Economy and Finance subscribed the New Financial Instruments issued by the Bank for a total of EUR 4.071 bn, of which EUR 1.9 bn allocated to full replacement of the Tremonti Bonds already issued by the Bank in 2009 (and included, as of end December 2012, in "Other forms of direct funding") and EUR 0.171 bn, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 March 2013, in consideration of the Bank's negative results as at 31 March 2013. From a Capital Adequacy standpoint, although included in Direct Funding, the NFIs qualify as Common Equity Tier 1 until December 2017.

- *Ongoing optimisation of Securities Portfolio, amounting to approx.EUR 34bn, down by around EUR 2.2bn on levels at 31 March 2014 (-6.2%) and by approx. EUR 6.4bn from the previous year.*
- *CET1 ratio phased-in at 13.5% as at 30 June 2014 (post EUR 5bn capital increase and repayment of 3bn of NFIs), compare to 10.8% pro forma at 31/12/2013. CET1 fully phased at 12.0%[4] as at 30 June 2014.*

Net result for the period affected by non-recurring items as well as weak macroeconomic scenario, only partially compensated for by the positive trend in cost of funding and continuing cost reduction

- *"Core" net interest income[5] up approx. 6% despite significant deleveraging[6],due to improved average funding/lending spread and, in particular, a steady reduction in the cost of funding; down, however, by around EUR 50mln from the previous quarter (excluding the reassessed amount of NFI repayment) owing to capital/financial rebalancing and de-risking actions being carried out (decline in lending, reimbursement of LTROs, downsizing of securities portfolio).*
- *Net fees and commissions grow (+2.6% YoY) as a result of higher revenues from asset management (+12.4% YoY), compensating for the decrease in the traditional banking fees component, which was affected by the downturn in loan disbursement activities (-10.2% YoY).*
- *Operating costs down by over EUR 100mln (-7.1% YoY), having benefitted from headcount reduction, structural cost containment actions and reorganisation of Group structure; good quarterly trend with personnel costs down 1.7% and other administrative expenses substantially stable on a like-for-like basis[7].*
- *Annualised cost of credit at 182bps (vs 211bps in 2013). The increase in provisioning in the 2nd quarter was affected by the transition to higher risk categories as well as provisions on a number of exposures of significant amounts – following certain events during the period – and revised estimated losses on certain NPLs[8].*
- *“Normalised” net loss for the period, exclusive of non-recurring items, close to breakeven; net loss for the period inclusive of these items EUR -353mln (EUR -379mln in June 2013).*

Confirmed ability and steadfast commitments to meet DG Comp targets

- *Capital increase completed in 2014 for twice the amount included in the Business Plan.*
- *Nominal EUR 3bn of NFIs reimbursed according to scheduled deadlines, reducing overhang for shareholders.*

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[4] The BIS 3 fully loaded ratio has been estimated on the basis of results as at 30 June 2014 and including then remaining amount of NFIs (EUR 1,071 mln) and the filter on AFS net reserves on European Government bonds

[5] Net of NFI coupon payment and reassessed value of NFI repayment.

[6] Current account overdraft and Mortgages down by more than EUR 9 bn from June 2013

[7] Costs booked in the second quarter were up 8.7% from the first quarter due to the recognition of costs relating to the provision of a number of services (particularly professional ones) which came into effect after the first quarter and other costs linked to the capital increase, asset disposal activities and strategic projects accounted for in the second quarter, without which the result would substantially be in line with that of the previous period.

[8] The review was conducted following fthe update to the value of real estate assets as collateral (as a consequence of the ongoing negative market price trends) and information regarding other sources of recovery being implemented by the Bank over the period, also required for AQR.

- *LTRO repayment in line with Business Plan; reimbursement of further EUR 4bn expected by the end of the year.*
- *De-risking of AFS portfolio continues with Italian goverment bonds standing at approx. EUR 19.2bn (nominal value) vs. EUR 22.4bn in June 2013.*
- *Cost reduction target for 2017 already achieved.*
- *Union agreement signed for initiation of an industry-wide Solidarity Fund to support the release of 1,334 resources by 31/12/2014, in line with cost containment and headcount reduction targets set out in the 2013-2017 Business Plan.*
- *In addition to the 400 branches already closed in 2013, further 150 branch closures planned by 1Q15, ahead of Plan.*

Siena, 7 August 2014 – The Board of Directors of Banca Monte dei Paschi di Siena Spa has today reviewed and approved the 2014 first half results.

Group profit and loss results for H1 2014

As at 30 June 2014 the Group's **Net income from banking and insurance** totalled approximately EUR 1,953 mln (-10.8% YoY) with Q2 2014 contributing approx. EUR 996 mln, up 4% on the previous quarter. More specifically:

- **Net interest income** amounted to approx. EUR 972 mln, down 10.4% on the same period last year, owing to approx. EUR 147 mln from the reassessed amount of NFI repayment[9] and EUR 44 mln in charges due as a result of the higher average amount of these financial instruments[10]. Excluding this amount, net interest income would reflect a year-on-year growth of approx. 6% mainly due to an improved funding/lending spread (approx. +49 bps) which was impacted by a lower cost of funding (average borrowing rate -38 bps), mainly with Corporate customers, and a higher average lending rate (+10 bps linked mainly to market interest rate trends). The second quarter contributed approx. EUR 526 mln, up 18% on Q1 2014 and 8% on the Q2 2013. Considering that the reassessed NFI repayment amount caused a negative impact of approx. EUR 143 mln in the first quarter of 2014 and a further EUR 11mln in the second quarter, the "normalised" quarterly net interest income (i.e. calculated excluding the "one off" impacts from the above-cited NFIs) would show a quarterly drop of 8.7% (approx. EUR -51mln), primarily to be seen in connection with the:
  - reduction in interest-bearing assets (loans and securities) as a result of continuing deleveraging of loans with retail and corporate customers and downsizing of the Securities portfolio;
  - replacement cost for LTROs reimbursed in the second quarter of 2014, amounting to approx. EUR 8 bn (approx. EUR -4 bn in terms of average volumes).

- **Net fees and commissions**, totalling approx. EUR 871 mln picked up by 2.6% YoY (+ EUR 22.4 mln) thanks to higher revenues from asset management, which was boosted by placements (mainly Funds). The aggregate registered a result of approx. EUR 426 mln in Q2 2014, down from the previous quarter (-4.4% QoQ) following a slowdown in placements especially for bancassurance and individual portfolio management;

- **Dividends, similar income and profit (loss) on investments**: the result, amounting to around EUR 50 mln (EUR 65.8 mln as at 30/06/2013), includes the contribution of AXA-MPS (consolidated at net equity), with Q2 2014 result just slightly lower than that of the previous quarter;

- **Net profit/loss from trading-valuation-repurchase of financial assets/liabilities** as at 30/06/2014 came to approx. EUR 74 mln, down from the same period in 2013 (approx. - EUR 122 mln; -62.4% YoY). A closer look at the result shows:
  - **Net profit from trading** showed a positive balance of approx. EUR 90 mln, largely owing to income from the subsidiary MPS Capital Services, but was down on the same period of last year (- EUR 31.6 mln, -25.9% YoY) when it had benefitted from a particularly favourable market trend;

[9] Note that as at 31/03/2014, the aggregate was affected by the repayment of State-subscribed securities (NFIs) adjusted to the contractual provisions governing the instruments, which bind the repayment amount to the consideration that the Monte dei Paschi di Siena Foundation communicated to have received for the sale of ordinary shares of Banca Monte dei Paschi, with a one-off negative impact on Q1 2014 of approx. EUR 143 mln.

[9] Note that on 28 February 2013, the MEF subscribed New Financial Instruments issued by BMPS for an approximate total of EUR 4bn, increasing the previous "Tremonti Bond" issuance (simultaneously reimbursed) by approx. EUR 2bn. Total interest expense recognised in the first half of 2014 was approx. EUR 196 mln, up by around EUR 44 mln vs. the interest expense recognised in the same period of 2013 (approx. EUR 152 mln).

[10] Note that on 28 February 2013, the MEF subscribed New Financial Instruments issued by BMPS for an approximate total of EUR 4bn, increasing the previous "Tremonti Bond" issuance (simultaneously reimbursed) by approx. EUR 2bn. Total interest expense recognised in the first half of 2014 was approx. EUR 196 mln, up by around EUR 44 mln vs. the interest expense recognised in the same period of 2013 (approx. EUR 152 mln).

- **Disposal/repurchase of loans, available-for-sale financial assets and liabilities** totalling approx. EUR 41 mln, mainly attributable to the disposal of AFS securities and investments. This included, in June, the Parent Company's bloc sale without recourse of a portfolio of NPLs to a securitisation vehicle financed by companies belonging to the Fortress Investment Group LLC with a loss of approx. EUR 13 mln;
- **Net profit (loss) on financial assets and liabilities designated at fair value** showed a negative balance of EUR 57.3 mln against a positive result of EUR 22.7 mln as at 30/06/2013, mainly due to the higher value of a number of bond issuances placed with Retail and Institutional customers, thanks to the considerable improvement in Banca MPS's creditworthiness.

As for the quarterly trend, the aggregate contributed approx. EUR 29 mln, down from the previous quarter (- EUR 16.5 mln, -36.7% QoQ) as a result of unrepeated realised profits, which were only partly offset by a lower impact of fair value measurements.

- **Net income from hedging**: negative balance of approx. EUR 13 bn (negative balance of EUR 5 mln as at 30/06/2013).

Net impairment losses (reversals) on loans stood at approx. EUR 1,208 mln, with an increase of approx. EUR 179 mln vs. the first half of last year (+17.4% YoY). The increase registered in the 2nd quarter was of approx. EUR 255 mln (+53.5% QoQ). Reasons which have determined this trend include i) provisions on a number of exposures of significant amounts due to certain events over the period; ii) revised estimated losses for certain NPLs, following the update to the value of real estate assets as collateral (as a consequence of the ongoing negative market price trends) and information regarding other sources of recovery being implemented by the Bank over the period, also required for the Asset Quality Review currently being performed by the Supervisory Authorities.
The ratio of annualised loan loss provisions over total customer loans is expressive of a provisioning rate of 182 bps, as compared to 211 bps in 2013.

Net impairment losses (reversals) on financial assets showed a negative balance of EUR 19 mln (vs. EUR -15.2 mln in Q1 2014; EUR -22 mln as at 30/06/2013) almost entirely due to the equity investment in Istituto per il Credito Sportivo classified in the AFS portfolio and already written off in the first quarter.

As a consequence, **income from banking and insurance** totalled approx. EUR 726 mln (-36.3% YoY) with the second quarter contributing roughly EUR 260 mln (EUR 465 mln in the first quarter of 2014).

Operating expenses totalled approx. EUR 1,331 mln (-7.1% YoY) with Q2 2014 accounting for approx. EUR 671 mln (+1.5% QoQ). More specifically:
- **Personnel expenses** amounted to around EUR 851 mln, (-2.8% YoY; -1.7% QoQ), particularly due to headcount reduction, initiatives to contain personnel costs, following agreements with the Trade Unions at the end of 2012, and a strong reduction in the holidays fund;
- **Other administrative expenses** (net of customer expense recovery) closed the half-year period at approx. EUR 381 mln, down 21.1% YoY thanks to structural cutbacks in spending, particularly on rental expenses, sponsorships and events, business trips and facility management and office supplies. Costs booked in Q2 2014 (approx. EUR 198.5 mln) were up 8.7% from the previous quarter, confirming the quarterly trend which was expected to rise after the first few months of the year due to the recognition of costs on a number of services (particularly professional ones) which came into effect after the first quarter and whose impact will also be seen in the income statements of subsequent periods; the result for the quarter was also affected by a number of costs linked to the capital increase, asset disposal activities and strategic projects without which the result would substantially be in line with that of the previous period;
- **Net value adjustments to tangible and intangible assets** were in the region of EUR 99 mln, up 31.3% YoY and 3.3% QoQ. The aggregate was mainly influenced by the higher depreciation of real estate owing to the consolidation of Perimetro at the end of 2013.

On the back of these factors, the **Net Operating Result** showed a negative balance of approximately EUR 605 mln (vs. EUR - 294.2 mln as at 30/06/2013).

The cost/income ratio stood at 68.2% (vs. 69% as at 31/03/2014).

A contribution to **Net result for the period** also came from:

- **Net provisions for risks and charges and other operating expenses/income**, which showed a balance of approx. EUR -98 mln as at 30/06/2014 against approx. EUR +20.1 mln as at 30/06/2013. The aggregate includes:
  - EUR - 82 mln in provisions to the fund for risks and charges, of which around EUR - 43 mln for lawsuits and claw-back actions , and approx. EUR - 38 mln for other provisions;
  - EUR - 16.3 mln in other operating expenses/income (net of recovery expenses reclassified to Other Administrative expenses). The latter was positively impacted by revenues from the "fast-track facility fees" (approx. EUR +30 mln) but affected by charges in connection with lawsuit settlements and writedowns on improvements of third-party goods;

- **Gains (losses) on equity investments** showed a net positive balance of of approx. EUR 175 mln, with Q2 2014 contributing EUR 133 mln, attributable to the capital gain from the disposal of Anima Holding (around EUR +92 mln, which included sale profit and an increase in the investment's value), Biverbanca earn-out[11] (approx. EUR +57 mln) and the depreciation of Fenice Holding S.p.A. (approx. EUR -16 mln);

- **Restructuring costs/One-off charges,** amounting to approx. EUR -4 mln, associated with revised early-retirement incentives already put in place following the Trade Union agreement of 19 December 2012.

- **Gains (losses) on disposal of investments** showed a positive balance of EUR 5.1 mln attributable to the capital gain from the disposal of administrative and back office activities to the company Fruendo, booked in the first quarter.

Taxes on profit (loss) for the period from continuing operations amounted to approximately EUR +194 mln (EUR -6 mln as at 30/06/2013). The aggregate was positively impacted by the deduction of ACE (following ministerial clarification in the Italian Revenue Agency's Circular 12/E of 23/05/2014) but affected by Law Decree 66 which provides for both a lower regional productivity tax (IRAP), with consequent writedown of related deferred tax assets previously recognised in the accounts, and a higher replacement tax on the revaluation of Bank of Italy shares, with the tax rate shifting from 12% to 26%.

The consolidated net result for the period - before Purchase Price Allocation (PPA) - posted a loss of EUR 334.2 mln (EUR -358 mln as at 30/06/2013). Considering the effects of PPA, the **Group's loss for the period** totalled approx. EUR 353 mln (approx EUR -379 mln as at 30/06/2013). It should be considered that the net result was affected by a number of non-recurring items, including the cost of NFIs (coupon payment and reassessed value of repayment) without which the "normalised" result would be close to breakeven.

Group balance-sheet aggregates for H1 2014

As at 30 June 2014, **total funding** volumes for the Group amounted to approx. EUR 238 bn, up 1.6% from the end of March 2014 (+2% from 31/12/2013). Indirect funding continued to grow in the second quarter (+1.8% QoQ), especially asset management, and direct funding began to rise again (+1.5% QoQ) with volumes increasing by approx. EUR 2 bn for short-term products. More specifically:

[11] The income refers to the Biverbanca sale price surcharge (Biverbanca sold by the Parent Company to Cassa di Risparmio di Asti in December 2012) corresponding to the quota attributable to the Parent Company from revalued Bank of Italy shareholdings held by Biverbanca and included in its Tier 1 capital net of substitute tax and impact of capital absorption for prudential purposes.

Direct funding for the Group, totalled around EUR 131 bn, returning to above the levels registered at the end of 2013 (+0.7%). In the second quarter, the aggregate posted an increase in Current Accounts (+2% QoQ) and Time Deposits (+19.5% QoQ) while a downturn was recorded for Bonds (-4.3% QoQ). A rise was also registered for sale & repurchase agreements (+5.3% QoQ), almost entirely representing a form of guaranteed funding on the institutional market, while a stable performance compared to levels at 31/03/2014 was registered for Other forms of Direct Funding (-0.1% QoQ), which include the recognition NFIs in the amount of EUR 4 bn.

Indirect funding volumes for the Group at the end of the half-year period came to approx. EUR 107 bn, up 1.8% from the previous quarter (+3.7% from 31/12/2013). More specifically:

- **Asset management** closed the period with volumes totalling approx. EUR 48.5 bn, up 4% as compared to 31/03/2014 and 7.6% from 31/12/2013. A breakdown of the aggregate shows:
  - **an insurance component** of EUR 22.3 bn (+1% on 31/03/2014; +2.6% on 31/12/2013), having benefitted from insurance premiums collected in the second quarter for an amount of approximately EUR 1.2 bn, driven by Unit Linked products. The Group's market share in Bancassurance came to 6.08% (most recent data available at May 2014);
  - **Mutual investment funds and open-end collective schemes (Sicav)** , amounting to approx. EUR 20 bn, up 8.3% on 31/03/2014 (+15.5% on 31/12/2013) thanks to net inflows of around EUR 1.1 bn in the second quarter, largely concentrated in guaranteed capital products. The Group's market share stood at 3.73% (most recent data available, at December 2013);
  - **Individual portfolio management**, totalling approximately EUR 6 bn, up 1.9% from the end of the previous quarter (+3.1% from 31/12/2013) and with a Group market share of 3.75% (most recent data available at June 2014).

- **Assets under custody**, amounting to EUR 58.7 bn, remained steady on levels in March (+0.1% QoQ) and at the end of the year (+0.7% on 31/12/2013).

Loans to customers of the Group amounted to approx. EUR 133 bn as at 30 June 2014, substantially stable on the end of the first quarter (+0,1% QoQ; +1.7% from 31/12/2013).
The aggregate reflects a significant rise in the second quarter for Repurchase Agreements, to which temporary surpluses of liquidity from the capital increase have been allocated.
As for types of lending with customers, a downward trend continued for on-demand funding (-4.4%) and mortgages (-2.8%), reflective of the continuing recessive economic cycle across the banking system.
Group market share, calculated net of Repos with institutional counterparties, remains substantially stable on end-of-prior quarter levels, standing at 7.26% (most recent update at May 2014).

The trend in the aggregate was affected by **special-purpose loan** disbursements in relation to which, in the second quarter:

- EUR 85 mln in new loans were granted by MPS Capital Services, up 24.5% on the first quarter of 2014.
- Leasing contracts totalled approx. EUR 101 mln (-14.7% QoQ). Factoring turnover totalled approx. EUR 1.2 bn (+7.8% QoQ);
- As for consumer lending, the Group signed a partnership with Compass in February 2014, in implementation of the 2013-2017 Business Plan guidelines. The partnership meets the aim to support the offer of credit to households, even during this challenging economic cycle, and continue to enhance its sales & distribution network through the placement of qualified third-party products while rapidly developing business segments with high distribution value.

As at 30 June 2014, the Group's net exposure to **impaired loans** totalled approx. EUR 22 bn, up by around 2.4% on the end of March 2014 (+6.9% from 31/12/2013). In the second quarter, a reduction in Past Due exposures (-16.6%) was offset by an increase in Watchlists (+8.6%). NPLs underwent a more modest increase (+2.7%) against the one registered in the previous quarter (+5%) while Restructured Loans grew by 6.2% (+9.5% growth registered in the first quarter).

Coverage of impaired loans continued to stand at 41.6%, on the same levels as at 31/03/2014 (-20 bps on 31/12/2013) with coverage on watchlists at 20.9% (up by 20 bps from 31/03/2014). **Coverage of NPLs** came to 58.2% against 58.5% registered at 31/03/2014 (-30 bps). For a correct understanding of this trend, it should be noted that in June the Parent Company completed the non-recourse sale of a portfolio of NPLs. In a like-for-like comparison, coverage of NPLs would show an increase of around 40 bps QoQ.

The Group's **securities and derivatives portfolio**, amounting to approx.EUR 34 bn, down by approx. EUR 2.2 bn as compared to 31/03/2014 and by approx. EUR 1.5 bn as compared to 31/12/2013 (-4.2%). Downsizing of the Held For Trading (HFT) portfolio in the second quarter (around - EUR 2.2 bn) was due to the reduction in Government bond exposures of the subsidiary MPS Capital Service.
The AFS portfolio, stable on March-end levels, was characterised by a recovery in market value which was reflected in an improvement of the net equity reserve and portfolio optimisation with the sale of long/term positions and partial buyback of shorter-term securities.
Bonds recognised under L&R remained stable.

As at 30 June 2014, the Group's **net interbank position** stood in the region of EUR 23 bn in funding, with an improvement of EUR 7.6 bn compared to 31/03/2014 and EUR 3.6 bn vs 31/12/2013. The aggregate's quarterly trend was mainly influenced by the repayment of LTROs in Q2 2014, amounting to approx. EUR 8 bn (- EUR 4 bn in average quarterly volumes). Subsequent to the end of the half-year period, the Bank redeemed a futher EUR 2 bn for a total of EUR 10 bn since the start of the year; the ECB exposure has thereby been reduced to EUR 18 bn with the objective of bringing this figure to EUR 14 bn by the end of the year.

The operating liquidity position as at 30/06/2014 showed an unencumbered **Counterbalancing Capacity** of around EUR 29 bn, an improvement compared to the values registered at the end of March 2014 when it stood at EUR 21 bn.

As at 30/06/2014, the Group's **net equity** and non-controlling interests came to approx. EUR 11 bn, registering a rise of + EUR 4.8 bn on 31/03/2014 (+76.2% QoQ) as a result of the capital increase. The value of the capital increase has not been recognised under the item Capital but under Other reserves since, as at 30 June 2014, the Notice attesting the Subscription to a capital increase had not yet been filed with the Registry of Companies.
Valuation Reserves registered an improvement compared to both the end of the year and the previous quarter (+ EUR 422 mln and + EUR 153 mln respectively) owing to the higher value of the AFS portfolio as a result of a tighter Italian spread.

Pursuant to CRR/CRD IV, a new regulatory framework (Basel 3) for the measurement of regulatory capital and capital requirements entered into force as of 1 January 2014; on the basis of these new rules, as at 30/06/2014 Common Equity Tier 1 ratio (CET1 ratio) stood at 13.5% (pro-forma 10.8% as at 31/12/2013) and the Total Capital ratio at 17.6% (pro-forma 15.1% as at 31/12/2013).

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This press release will be available at www.mps.it

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Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Arturo Betunioi, declares that the accounting information contained in this press release corresponds to the underlying documentary evidence and accounting records.

Arturo Betunio

Reclassified accounts

Income statement and balance sheet reclassification principles

The following accounting statements illustrate balance-sheet and income statement accounts reclassified on the basis of operating criteria.

Following are the reclassifications made to the consolidated profit and loss account as at 30 June 2014:

a) **“Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities"** in the reclassified income statement, 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 held in the Group's securities portfolio (approx. EUR 13 mln)**.**

b) **“Dividends, similar income and gains (losses) on investments”** in the reclassified income statement incorporates item 70 “Dividends and similar income” and a portion of item 240 “Gains (losses) on investments” (approx. EUR 34 mln, corresponding to the share of profit and loss for the period contributed by investment in associate AXA, consolidated at equity). Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate;

c) “**Net impairment losses (reversals) of financial assets**” includes the item 130b “Financial assets available for sale”, 130c “Financial assets held to maturity” and 130d ”Other financial transactions”.

d) The income statement item “**Personnel expenses**” was reduced by approx. EUR 4 mln in restructuring charges referring to revised estimates of early-retirement incentives already put in place following Union agreement of 19 December 2012. The amount was reclassified under “Restructuring costs/One-off charges”.

e) “**Other administrative expenses**” in the reclassified income statement was deducted of the portion of stamp duty and client expense recovery (approx. EUR 156 million) posted under item 220 “Other operating expenses (income)”.

f) The item **“Net provisions for risks and charges and other operating income (expenses)”** in the reclassified income statement, which incorporates item 190 “Net provisions for risks and charges” and item 220 “Other operating expenses (income)”, excludes stamp duty and client expense recoveries as described under item e) above "**Other administrative expenses**".

g) The income statement item “**Restructuring costs/One-off charges**” includes one-off charges for approx. EUR 4 mln associated with revised estimates of early-retirement incentives already put in place following Union agreement of 19 December 2012 and reclassified out of Personnel expenses (see item d).

h) **“Gains (losses) on investments”** was cleared of components reclassified as “Dividends and similar income" (see item b);

i) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular **“Interest income”** for approx. EUR 14.3 mln and **Depreciation/amortisation** for approx. EUR 13.8 mln, net of a theoretical tax burden of approx. - EUR 9 mln which integrates the item).

Listed below are the major reclassifications made to the consolidated **Balance Sheet:**

j) **“Tradable Financial assets”** on the assets side of the reclassified balance-sheet includes item 20 "Financial assets held for trading", item 30 "Financial assets designated at fair value" and item 40 "Financial assets available for sale".

k) **“Other assets”** on the assets side of the reclassified balance-sheet incorporates item 80 "Hedging derivatives", item 90 "Changes in value of macro-hedged financial assets", item 140 "*Tax assets*", item 150 "Non-current assets held for sale and discontinued operations" and item 160 "Other assets";

l) **“Deposits from customers and debt securities issued”** on the liabilities side of the reclassified balance-sheet includes item 20 "Deposits from customers", item 30 "Debt securities issued" and item 50 "Financial liabilities designated at fair value";

m) **“Other liabilities”** on the liabilities side of the reclassified balance sheet incorporates item 60 “Hedging derivatives”, item 70 “Changes in value of macro-hedged financial liabilities", item 80 “Tax liabilities”, item 90 “Liabilities included with assets held for sale and discontinued operations” and item 100 “Other liabilities”.

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 06/30/14

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
INCOME STATEMENT FIGURES (in EUR mln)	**06/30/14**	**06/30/13** (*)	**% chg**
Income from banking activities	1,843.0	1,933.5	-4.7%
Income from financial and insurance activities	1,952.8	2,190.4	-10.8%
Net operating income	-605.3	-294.2	105.7%
Profit (loss) for the period	-353.0	-379.4	-6.9%
BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**06/30/14**	**12/31/13**	**% chg**
Direct funding	130,777	129,836	0.7%
Indirect funding	107,215	103,397	3.7%
of which: assets under management	*48,535*	*45,106*	7.6%
of which: assets under custody	*58,680*	*58,292*	0.7%
Loans to customer	132,770	130,598	1.7%
Group net equity	11,048	6,147	79.7%
KEY CREDIT QUALITY RATIOS (%)	**06/30/14**	**12/31/13**	**Abs. chg**
Net doubtful loans/Loans to Customers	7.2	6.8	0.4
Net substandard loans/Loans to Customers	6.3	5.8	0.5
PROFITABILITY RATIOS (%)	**06/30/14**	**12/31/13**	**Abs. chg**
Cost/Income ratio	68.2	71.0	-2.9
Net loan loss provisions / End-of-period loans	1.82	2.11	-0.3
CAPITAL RATIOS (%)	**06/30/14**	**Dec.13 (BIS 3)**	**Dec.13 (BIS 2)**
Solvency ratio	17.6	15.1	15.2
Common Equity Tier 1 ratio (CET1 ratio)	13.5	10.8	10.6
Return on Asset ratio (RoA)	-0.18	-0.19	0.01
INFORMATION ON BMPS STOCK	**30/06/2014** (**)	**12/31/13**	
Number of ordinary shares outstanding	5,116,513,875	11,681,539,706	
Price per ordinary share:	from 12/31/13 to 06/30/14	from 12/31/12 to 12/31/13 (***)	**% chg**
average	1.42	1.35	5.3%
low	1.03	0.97	7.1%
high	2.56	1.87	36.7%
OPERATING STRUCTURE	**06/30/14**	**31/12/13**	**Abs. chg**
Total head count - end of period	27,293	28,417	-1,124
Number of branches in Italy	2,333	2,334	-1
Number of specialised centres	283	287	-4
Financial advisory branches	119	125	-6
Number of branches & representative offices abroad	39	39	

(*) The 2013 Balance Sheet and Profit and Loss Statement figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014.

(**) As at 30 June, BMPS's ordinary shares in issue totalled 116,815,397 due to the reverse split of ordinary shares at a ratio of 1 share for every 100 shares held, which took place on 5 May 2014. Following the capital increase, which began on 9 June,concluded on 4 July 2014 and was fully subscribed for approx. EUR 5bn, the number of BMPS shares amounts to 5,116,513,875 with a share capital of EUR 12,484,206,649

(***) Values were restated following the Capital Increase which began on the 9 June and ended on 4 July 2014

RECLASSIFIED INCOME STATEMENT *(in EUR mln)*				
MPS Group	06/30/2014	06/30/2013 (*)	Change Ins.	Change %
Net interest income	972.0	1,084.9	(112.9)	-10.4%
Net fee and commission income	871.0	848.6	22.4	2.6%
Income from banking activities	**1,843.0**	**1,933.5**	**(90.5)**	**-4.7%**
Dividends, similar income and gains (losses) on investments	49.5	65.8	(16.3)	-24.8%
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	73.7	196.1	(122.4)	-62.4%
Net profit (loss) from hedging	(13.3)	(5.0)	(8.3)	n.m.
Income from financial and insurance activities	**1,952.8**	**2,190.4**	**(237.6)**	**-10.8%**
Net impairment losses (reversals) on:	**(1,226.9)**	**(1,051.0)**	**(175.9)**	**16.7%**
a) loans	(1,208.0)	(1,029.0)	(179.0)	17.4%
b) financial assets	(19.0)	(22.0)	3.1	-14.0%
Net income from financial and insurance activities	**725.9**	**1,139.4**	**(413.5)**	**-36.3%**
Administrative expenses:	(1,232.4)	(1,358.3)	125.9	-9.3%
a) personnel expenses	(851.3)	(875.5)	24.2	-2.8%
b) other administrative expenses	(381.1)	(482.8)	101.7	-21.1%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(98.8)	(75.3)	(23.6)	31.3%
Operating expenses	**(1,331.2)**	**(1,433.6)**	**102.4**	**-7.1%**
Net operating income	**(605.3)**	**(294.2)**	**(311.1)**	**105.7%**
Net provisions for risks and charges and other operating expenses/income	(98.3)	20.1	(118.4)	n.m.
Gains (losses) on investments	175.3	(31.6)	206.9	n.m.
Reorganisation costs / one-off charges	(3.8)	(17.6)	13.7	n.m.
Gains (losses) on disposal of investments	5.1	(1.7)	6.8	n.m.
Profit (loss) before tax from continuing operations	**(527.0)**	**(325.0)**	**(202.0)**	**62.2%**
Tax expense (recovery) on income from continuing operations	193.9	(6.1)	200.0	n.m.
Profit (loss) after tax from continuing operations	**(333.1)**	**(331.1)**	**(2.0)**	**0.6%**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	(25.7)	25.7	n.m.
Net profit (loss) for the period including non-controlling interests	**(333.1)**	**(356.8)**	**23.7**	**-6.6%**
Net profit (loss) attributable to non-controlling interests	(1.1)	(1.0)	(0.1)	6.0%
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(334.2)**	**(357.9)**	**23.7**	**-6.6%**
PPA (Purchase Price Allocation)	(18.8)	(21.5)	2.7	-12.6%
Net profit (loss) for the period	**(353.0)**	**(379.4)**	**26.4**	**-6.9%**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014

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QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)	2014		2013 (*)			
MPS Group	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	526.2	445.8	564.0	507.3	487.2	597.7
Net fee and commission income	425.8	445.2	404.8	404.2	417.3	431.3
Income from banking activities	**952.0**	**891.0**	**968.8**	**911.5**	**904.4**	**1,029.0**
Dividends, similar income and gains (losses) on investments	23.8	25.7	32.9	31.1	38.6	27.2
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	28.6	45.1	(271.6)	89.6	76.5	119.5
Net profit (loss) from hedging	(8.7)	(4.6)	5.0	7.0	(0.9)	(4.0)
Income from financial and insurance activities	**995.6**	**957.2**	**735.2**	**1,039.1**	**1,018.7**	**1,171.8**
Net impairment losses (reversals) on:	**(735.2)**	**(491.7)**	**(1,252.8)**	**(519.3)**	**(556.5)**	**(494.5)**
a) loans	(731.4)	(476.6)	(1,209.7)	(511.0)	(544.8)	(484.2)
b) financial assets	(3.8)	(15.2)	(43.1)	(8.3)	(11.7)	(10.3)
Net income from financial and insurance activities	**260.4**	**465.5**	**(517.6)**	**519.8**	**462.1**	**677.3**
Administrative expenses:	(620.4)	(611.9)	(640.9)	(658.8)	(668.7)	(689.7)
a) personnel expenses	(421.9)	(429.3)	(414.3)	(429.0)	(422.6)	(452.9)
b) other administrative expenses	(198.5)	(182.6)	(226.6)	(229.8)	(246.1)	(236.8)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(50.2)	(48.6)	(45.4)	(38.0)	(36.0)	(39.3)
Operating expenses	**(670.7)**	**(660.5)**	**(686.3)**	**(696.9)**	**(704.7)**	**(728.9)**
Net operating income	**(410.2)**	**(195.0)**	**(1,204.0)**	**(177.1)**	**(242.5)**	**(51.7)**
Net provisions for risks and charges and other operating expenses/income	(45.2)	(53.2)	(223.0)	(29.2)	11.5	8.5
Gains (losses) on investments	133.4	41.9	(25.9)	(0.5)	(32.6)	1.0
Reorganisation costs / one-off charges	(2.7)	(1.1)	(6.7)	(0.2)	(17.6)	-
Gains (losses) on disposal of investments	0.4	4.7	1.9	1.2	(1.9)	0.2
Profit (loss) before tax from continuing operations	**(324.3)**	**(202.7)**	**(1,457.7)**	**(205.7)**	**(283.1)**	**(41.9)**
Tax expense (recovery) on income from continuing operations	155.4	38.4	563.5	89.8	31.3	(37.4)
Profit (loss) after tax from continuing operations	**(168.9)**	**(164.3)**	**(894.2)**	**(116.0)**	**(251.8)**	**(79.3)**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	(12.6)	(12.9)	(12.9)	(12.9)
Net profit (loss) for the period including non-controlling interests	**(168.9)**	**(164.3)**	**(906.8)**	**(128.8)**	**(264.6)**	**(92.2)**
Net profit (loss) attributable to non-controlling interests	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(169.5)**	**(164.7)**	**(907.3)**	**(129.3)**	**(265.2)**	**(92.7)**
PPA (Purchase Price Allocation)	(9.4)	(9.4)	(9.1)	(9.2)	(13.0)	(8.5)
Net profit (loss) for the period	**(178.9)**	**(174.1)**	**(916.3)**	**(138.6)**	**(278.2)**	**(101.2)**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014

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RECLASSIFIED BALANCE SHEET - (in EUR mln)				
	06/30/2014	12/31/2013	Chg. vs 12/31/13	
ASSETS		(*)	abs.	%
Cash and cash equivalents	860	877	(17)	-2.0%
Receivables :				
a) Loans to customers	132,770	130,598	2,173	1.7%
b) Loans to banks	8,638	10,485	(1,847)	-17.6%
Financial assets held for trading	39,863	42,919	(3,056)	-7.1%
Financial assets held to maturity	-	-	-	
Equity investments	952	970	(19)	-1.9%
Property, plant and equipment / Intangible assets	3,971	4,046	(75)	-1.9%
of which:				
a) goodwill	*670*	*670*	-	
Other assets	9,474	8,566	909	10.6%
Total assets	**196,528**	**198,461**	**(1,933)**	**-1.0%**

	06/30/2014	12/31/2013	Chg. vs 12/31/13	
LIABILITIES		(*)	abs.	%
Payables				
a) Deposits from customers and securities issued	130,777	129,836	941	0.7%
b) Deposits from banks	31,810	37,279	(5,469)	-14.7%
Financial liabilities held for trading	11,718	16,410	(4,691)	-28.6%
Provisions for specific use				
a) Provisions for staff severance indemnities	285	261	23	8.9%
b) Pensions and other post retirement benefit obligations	59	61	(2)	-3.2%
c) Other provisions	991	1,066	(75)	-7.0%
Other liabilities	9,811	7,367	2,443	33.2%
Group net equity	11,048	6,147	4,901	79.7%
a) Valuation reserves	(634)	(1,056)	422	-39.9%
c) Equity instruments	3	3	-	
d) Reserves	4,548	1,175	3,373	n.s.
e) Share premium	-	-	-	
f) Share capital	7,485	7,485	-	
g) Treasury shares (-)	(0)	(25)	25	-100.0%
h) Net profit (loss) for the year	(353)	(1,434)	1,081	-75.4%
Non-controlling interests	29	33	(4)	-12.4%
Total Liabilities and Shareholders' Equity	**196,528**	**198,461**	**(1,933)**	**-1.0%**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014

RECLASSIFIED BALANCE SHEET - Quarterly Trend						
(in EUR mln)						
ASSETS	06/30/2014	03/31/2014	12/31/2013 (*)	09/30/2013 (**)	06/30/2013 (**)	03/31/2013 (**)
Cash and cash equivalents	860	823	877	785	684	697
Receivables :						
a) Loans to customers	132,770	132,677	130,598	135,564	138,082	140,510
b) Loans to banks	8,638	10,204	10,485	11,439	12,240	13,676
Financial assets held for trading	39,863	43,500	42,919	45,777	49,655	46,389
Financial assets held to maturity	-	-	-	-	-	-
Equity investments	952	960	970	994	971	1,029
Property, plant and equipment / Intangible assets	3,971	4,004	4,046	2,441	2,465	2,496
of which:						
a) goodwill	*670*	*670*	*670*	*670*	*670*	*670*
Other assets	9,474	8,855	8,566	9,447	9,774	10,086
Total assets	**196,528**	**201,022**	**198,461**	**206,446**	**213,870**	**214,883**

LIABILITIES	06/30/2014	03/31/2014	12/31/2013 (*)	09/30/2013 (**)	06/30/2013 (**)	03/31/2013 (**)
Payables						
a) Deposits from customers and securities issued	130,777	128,859	129,836	132,286	137,078	135,311
b) Deposits from banks	31,810	40,991	37,279	42,377	41,741	42,753
Financial liabilities held for trading	11,718	14,630	16,410	14,909	18,630	19,571
Provisions for specific use			-	-	-	-
a) Provisions for staff severance indemnities	285	273	261	282	269	291
b) Pensions and other post retirement benefit obligations	59	60	61	47	48	40
c) Other provisions	991	1,020	1,066	1,185	1,207	1,124
Other liabilities	9,811	8,905	7,367	8,922	8,339	9,595
Group net equity	11,048	6,251	6,147	6,435	6,555	6,195
a) Valuation reserves	(634)	(788)	(1,056)	(1,697)	(1,714)	(2,309)
c) Equity instruments	3	3	3	3	3	3
d) Reserves	4,548	(274)	1,175	1,187	1,187	886
e) Share premium	-	-	-	-	-	255
f) Share capital	7,485	7,485	7,485	7,485	7,485	7,485
g) Treasury shares (-)	(0)	(0)	(25)	(25)	(25)	(25)
h) Net profit (loss) for the period	(353)	(174)	(1,434)	(518)	(380)	(101)
Non-controlling interests	29	34	33	3	3	3
Total Liabilities and Shareholders' Equity	**196,528**	**201,022**	**198,461**	**206,446**	**213,870**	**214,883**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014

(**) Quarterly values for the previous year have been restated to reflect the changes resulting from reclassification of the Financial Instruments, "Fresh 2008", amounting to EUR 76 mln, from Equity Instruments to Deposits from banks and the retrospective application of the amendment to IAS 32 "Offsetting Financial Assets and Liabilities" in compliance with the provisions of IAS 8 (Accounting policies, changes in estimates and Principi contabili, changes in accounting estimates and errors)