MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

BoD APPROVES RESULTS AS AT 30 JUNE 2015

Q2 net income stands at EUR 121 million

Confirming positive momentum in core operating activity

Shareholders' Meeting called for 15 September to elect new Chairman

Results as at June 30, 2015

- Q2 net income EUR 121 million, second consecutive positive quarter
- **First half 2015 income stands at EUR 193.6 million**, which is a significant turnaround to the first half of 2014 (EUR - 353 million)
- **Pre Provision Profit in the first half reached EUR 1,116 million almost double that of the same period in 2014** (+84% Y/Y)
- Excellent **liquidity position** post reimbursement of LTRO. ECB funding now only related to TLTRO (EUR 7.8 billion), Liquidity Coverage Ratio *(*LCR) and Net Stable Funding Ratio (NFSR) both above 100%
- Signs of **improvement in the overall quality of credit**

Capital Plan update

- EUR 3 billion capital increase successfully completed
- Remaining EUR 1,071 million nominal of NFI (state aid) fully reimbursed well ahead of 2017 deadline
- Common Equity Tier 1 ratio transitional stands at 11.3% and Common Equity Tier 1 ratio fully loaded has reached 10.7%[1], well above the 10.2% required SREP level
- Active NPLs disposal effort continues: sale of EUR 1.3 billion of gross NPLs completed in June, with one more billion euro to be sold during the year

Ordinary Shareholders' Meeting

- An Ordinary Shareholders' Meeting has been called for September 15, 2015 to elect a new chairman

Siena, 6 August 2015 – The Board of Directors of Banca Monte dei Paschi di Siena Spa today reviewed and approved the 2015 second quarter and half year results. At the same meeting the Board of Directors also resolved to call an Ordinary Shareholders' Meeting for September 15, for the nomination of a new director, to

[1] *The Bis 3 fully loaded ratio has been estimated including the filter on AFS net of reserves on Government bonds, excluding Alexandria transaction. The payment of NFIs coupon through the issue of new shares affects the Common Equity Tier 1 Ratio (transitional and fully loaded) by about 30 bps.*

integrate the current Board, and for the selection of the new chairman, granting interim powers to the Vice President and Managing Director for the running of the bank.

Main consolidated First Half 2015 Income Statement results:

- *Net profit of EUR 193.6 million versus a loss in the same period of 2014 (EUR -353 million)*
- *Net interest income of EUR 1,172 million, up 4.7% Y/Y (excluding the reassessed amount of NFI repayment recorded in the first semester of 2014), thanks to the lower average amount of NFI and to the improvement of the average spread rate (up circa 20 bps in the Commercial Network) which offset the decline in interest bearing assets*
- *Net commissions of EUR 927 million an increase of 6.4% Y/Y, thanks to a significant reduction of staff (FTEs -1,550 Y/Y) and of the number of branches (-150 Y/Y). Growth is primarily driven by Wealth Management fees (+16.7% Y/Y), especially by continuing fees (+21.1%); and substantially stable commissions from credit*
- *The result from financial operations amounted to EUR 231 million, an increase of EUR 157 million Y/Y thanks to the optimization of the bonds portfolio*
- *Operating costs at EUR 1,311 million confirm their downward trend (-1.5% Y/Y)*
- *Pre Provision Profit of EUR 1,116 million up substantially Y/Y (+ 84.4%)*
- *Annualised cost of credit at 168 bps vs 182 bps in the second half of 2014; Non Performing Exposure coverage at 48.8% essentially stable compared to the first quarter of 2015 and up 7.2% on an annual basis. The increase in adjustments, recorded in the second quarter includes an update of statistical models, excluding this effect the cost of credit is 140 bps, in line with the first quarter of 2015*

Main consolidated Balance Sheet results:

- *Loans outstanding at EUR 117 billion, down around EUR 15 billion Y/Y due to the reduced demand for credit, to the AQR effects and to the reduction of the use of repos; a decrease of EUR 5.7 billion in the quarter, of which EUR 4 billion of commercial counterparties*
- *Direct funding stands at EUR 126.2 billion (-3,5% Y/Y), due to a decrease in bonds, current account and the and the repayment of the NFI*
- *Indirect funding of about EUR 108 billion, up 1% Y/Y, with growth of the contribution from wealth management (+EUR 6.4 billion, of which EUR 5.0 billion funds) and a decrease of assets under custody (EUR -5.4 billion)*
- *Continued optimisation and de-risking of the securities portfolio, down EUR 3.3 billion on an annual basis, with a decline mainly due a drop in AFS. The Italian Government bonds' nominal value stands at about EUR 19.7 billion (EUR 21 billion at the end of 2014) with 19.3% maturing by the end of 2017*
- *Interbank exposure of EUR 10.5 billion, down 54.7% on an annual basis, thanks to the full repayment of the LTRO*
- *Unencumbered counterbalancing capacity of about EUR 20 billion (11.1% of total assets down from 14.7% as at end June 2014)*
- *Pro forma CET1 transitional ratio at 30 June 2015, including the capital increase for the payment of interest accrued on NFIs, at stands at 11.3%*

Group profit and loss results for H1 2015

As at 30 June 2015 the Group's **Total Revenues** totaled approximately EUR 2,427 million (+25.3% Y/Y) with Q2 2015 contributing approx. EUR 1,160 million, down 8.5% on the previous quarter. More specifically:

- **Net interest income** at end of semester stood to about **EUR 1,172 million**, up 20.6% on the same period last year, which included about 147 million EUR for the recalculation of the repayment value of the NFI. Excluding this component, net interest income would show an annual growth of about 4.7%. This positive trend is sustained thanks to the lower average amount of the same NFI (about EUR 4 billion the average stock in the first half of 2014 compared with about EUR 1 billion for the first half 2015) and by the improving market spread (positively impacted by the reduction in funding costs), whilst, negatively affected by the decline in average interest-bearing loans and by the decrease of the securities subsequent to the optimization of the portfolio.

  The contribution of the second quarter amounted to approximately EUR 560 million, a decrease of approximately EUR 52 million on the previous quarter (-8.5%) mainly due to the following:

  - contraction in business customer loan volumes and simultaneous reduction of market parameters;
  - reduction in yield of the securities portfolio classified as available for sale as a result of the management policies designed to capture the best market opportunities;
  - gradually reducing exposure to ECB, replaced with commercial funding.

- **Net fees and commissions**, totalling approx. EUR 927 million increased by 6.4% Y/Y (+ EUR 56.1 million) thanks to higher revenues from asset management, which was boosted by placements and continuing fees. The aggregate registered a result of approx. EUR 484 million in Q2 2015, up from the previous quarter (+9.3% Q/Q) thanks to revenues from asset management and the increase in other services such as, for example, payments and consumer finance.

- **Net profit/loss from trading-valuation-repurchase of financial assets/liabilities** as at 30 June 2015 came to approximately EUR 231 million, up from the same period in 2014 (approximately EUR 157 million). A closer look at the result shows:

  - **Net profit from trading** showed a positive balance of approximately EUR 116 million, largely owing to income from the subsidiary MPS Capital Services, with an increase on the same period of the previous year (EUR +26 million, +28.8%);

  - **Disposal/repurchase of loans, available-for-sale financial assets and liabilities** totalling approximately EUR 133 million, mainly attributable to the disposal of AFS securities and investments. In the aggregate impact in Q2 there are also the effects of the disposal of the not performing loan portfolio of Consum.it, of approximately EUR -25 million;

- **Net profit (loss) on financial assets and liabilities designated at fair value** showed a negative balance of EUR 18.1 million (EUR -57.3 million accounted for at 30 June 2014), mainly attributable to the increase in value of certain bond issues placed with institutional and retail customers thanks to the improvement in the creditworthiness of the issuer Banca Monte dei Paschi di Siena.

As for the quarterly trend, the aggregate contributed approximately EUR 59 million, down from the previous quarter (-65.6% Q/Q) mainly attributable to the sale of securities classified as AFS.

Contribution to Total Revenues:

- **dividends, similar income and gains (losses)** on investments: the result, approximately **66 million EUR** (EUR 49.5 million in the first half of 2014), includes the contribution of AXA-MPS (consolidated in the net assets). The aggregate is up Q/Q to EUR 17.7 million;
- **net result from hedging**: positive for **EUR 18 million** (a loss of EUR 13.3 million at 30 June 2014).
- **Other income/expenses** (net of recovery of expenses reclassified in Other Administrative Expenses) positive for about **EUR 13 million** (-16.3 million in the first six months of 2014), with a contribution of the second quarter of about EUR 11 million, an increase compared to the first quarter of 2015 mainly due to lower legal fees.

Operating expenses totalled approximately **EUR 1,311 million** (-1.5% Y/Y) with Q2 2014 accounting for about EUR 657 million substantially stable (+0.6% Q/Q). More specifically:

- **Administrative expenses** stood at **EUR 1,209 million** (-1.9% on 30 June 2014), of which about EUR 604 million for the second quarter of 2015 remaining at the same levels as in the previous quarter (-0,2% Q/Q). Within this aggregate:
  - **Personnel expenses** amount to **EUR 834 million**, showing an annual decline of **2%** (-1.2% quarterly) mainly due to the headcount reductions implemented in late 2014 and early 2015, which together more than offset cost increases attributable to the effects of the CCNL 2012;
  - **Other administrative expenses** closed the half-year period at EUR 375 million, down 1.7% Y/Y thanks to structural cutbacks in spending, particularly IT, real estate, outsourcing and sponsorships. Costs booked in Q2 2015 (approx. EUR 189 million) were up 2% from the previous quarter, partially due to the acceleration of cost of providing certain services (in particular to professional users) for projects which started late at the beginning of the year.
- **Net value adjustments to tangible and intangible assets** were EUR 102 million, up 3.3% Y/Y with a contribution in the second quarter 2015 of approximately EUR 54 million (+11% vs the first quarter 2015) that was also affected by higher amortization of intangible assets.

On the back of these factors, **Pre Provision Profit** came to **EUR 1,116 million** vs. EUR 605.3 million at the end of the first half of 2014.

The cost/income ratio[2] stood at 54% (vs. 68.7% as at the end of the first half of 2014).

Net impairment losses on loans stood at about EUR 984 million, down 18.5% versus the same period last year. The contribution of the second quarter amounted to approximately EUR 516 million (+ 10.2% vs the first quarter 2015), incorporates statistical adjustments of around EUR 120 million related to the recalibration of the Probability of Default (PD) and Loss Given Default (LGD) parameters.

The ratio of loan loss provisions over total customer loans in first half of 2015 reflects a **provisioning rate** of 168 bps (annualized), as compared to 182 bps in the first half of 2014.

Net impairment losses on financial assets showed a positive balance of approximately EUR 1.7 million with an impact in the second quarter of EUR -12.3 million including accounting entries related to unsecured signature loans and to AFS positions.

Taking these factors into account, **Net Operating Results** amounts to approximately **EUR 134 million** in contrast to that of the first half of 2014 which was a negative EUR -622 million.

The net **profit for the period** also included:

- **Provisions for risks and charges** about EUR -49 million with a negative contribution decreasing compared to the previous year (-40.8% Y/Y), representing in the second quarter approximately EUR -19 million improvement on the first quarter 2015;
- **Gains (losses) from investments:** approximately EUR 125 million (EUR 175 million recorded in the first half of 2014) of which EUR 120.1 million related to income from the disposal of 10.3% of the interest in the subsidiary Anima Holding SpA following the sale to Poste Italiane SpA, which was completed in June 2015;
- **Restructuring costs/One-off charges,** approximately EUR -0.6 million (of which EUR -0.3 million recorded in the second quarter of 2015) related to some resolutions of labor issues. The balance recorded in the first half of 2014 was related to the review of the incentives related to the early retirement of some workers made following the agreement of 19 December 2012 with the Trade Unions;
- **Gains (losses) on disposal of investments**, positive balance of approximately EUR 1 million compared to EUR 5.1 million recorded in the first half of 2014 relating to the outsourcing of the administrative and back office activity to the company Fruendo.

Due to the events mentioned above, in the first half of 2015 the **Profit (loss) before tax from continuing operations** amounted to approximately EUR 211 million which compares with a loss of EUR -527 million in the same period of the previous year.

Taxes on profit (loss) for the period from continuing operations amounted to approx. EUR +5 million (gains of about EUR 194 million in the first half of 2014) which affects mainly the proceed from ACE (Italian Low "Help Economic Growth" in art. 1 of the DL 201/2011) matured at 30 June 2015 and the effect of partial tax reduction (95%) amounting to EUR 49.4 million and a capital gain realized by the Holding Company due to the sale of stake in Anima Holding to Poste Italiane, under the PEX regime. In the comparison on a quarterly basis it must be noted that the first quarter 2015 included an extraordinary charge of approximately EUR 22 million resulting in rejection of such an instance of interpellation submitted by Banca Monte dei Paschi di Siena to the Agenzia dell'Entrate

[2] *The cost / income ratio is expressed as the ratio of Operating expenses and Total Revenues (Income from banking and insurance activities). Please note that with the quarter ending 31/03/2015, the Group has adopted a new reclassified income statement that includes in Total Revenues also the balance of "Other operating expenses / income".*

(The Italian Revenue Agency) under 'art. 11 Law 27/07/2000 nr. 212, for which it has been notified of the reply dated April 21, 2015.

Considering the net effects of PPA (approximately EUR -21 million) and including non-controlling interests (EUR -0.8 million), the **Group's profit** for the first half of 2015 amounted to approximately EUR 194 million compared with a loss of about EUR -353 million recorded in the first six months of 2014. the contribution of the second quarter amounted to approximately EUR 121 million (EUR 72.6 million profit in the first quarter 2015).

Group balance sheet H1 2015

As at 30 June 2015 the Group's **total funding** amounted to **EUR 235 bn** up 0.9% on 31 December 2014), with a growth of indirect funding (+2%) whilst direct funding remains stable. In the second quarter the aggregate recorded a decrease (-3.4%) mainly attributable to Direct Funding and to Assets Under Custody volumes which was also affected by the market trends.

More specifically:

- **Direct funding**, totalling approximately **EUR 126 bn**, remained essentially stable compared to the end of 2014, whilst decreasing by 4% compared to 31 March 2015, with the Group market share[3] standing at 4.64% (figure updated as at March 2015). In the second quarter the aggregate recorded a decrease of **repurchase agreements** (-16.6%) especially with institutional counterparties and of expiration of **Bonds** (-4.6%). The commercial items recorded an increase with further recovery of **Current Account** (+2.3% with Corporate customers) and a further improvement of **Time Deposit** (+3.7%), supported by marketing of the "Conto Italiano di Deposito" product. The item "Other forms of Direct Funding" recorded a decrease due to the repayment of the NFI previously subscribed by The Ministry of Economy and Finance.

  Compared to 31 December 2014, Direct Funding remains essentially stable thanks to the increase in Time Deposit (+21.5%) and Current Accounts (+4.1%) that more than offset the decrease in repurchase agreements with institutional counterparties (-17%).

- At the end of the half year the Group's **indirect funding** volumes amounted to **EUR 108 bn**, down 2.6% compared to 31 march 2015 (+2% on 31 December 2014). More specifically:

  - **Wealth Management** ended the second quarter with volumes totalling approximately **EUR 55 bn**, remaining stable compared to the level at the end of March 2015 (-0.6%) and up 6.7% compared to the end of 2014. A breakdown of the aggregate shows:

    - **Mutual investment funds and open-end collective schemes (Sicav)**, amounting to approximately **EUR 25 bn**, up 2.5% compared to 31 March 2015 (+13.8% compared to 31 December 2014), due to the net flows of around EUR 0.9 bn during the quarter partially offset by a negative market trend.
    - **Individual portfolio management** amounting to approximately **EUR 6 bn**, down 6.6% compared to the end of March 2015 (+1.2% volume increase compared to 31 December 2014);
    - the **insurance component** of approximately EUR **24 bn** recorded a decrease by 2% compared to 31 March 2015 (+1.4% on 31 December 2014) due primarily to market trends. Insurance premiums collection in the second quarter, driven by Unit Linked

[3] *Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) with customers resident in Italy, and bonds net of repurchases and New Financial Instruments placed with Italian customers as first borrower - Source Area Research & Investor Relations.*

products, amounts to approximately EUR 1.8 bn, remaining stable versus the previous quarter.

- **Assets Under Custody**, amounting to approximately EUR 53 bn, registered a decrease of 4.6% compared to 31 March 2015 (-2.4% versus 31 December 2014) largely because of a remix of customers' investments towards forms of asset management and of the negative market effect especially on government bonds.

As at 30 June 2015 the Group's **Loans to customers** amounted to approximately EUR **117 bn**, down both compared to 31 March 2015 (-4.6%) and compared to the end of 2014 (-1.9%).

In the second quarter the decrease is due to the drop in Repurchase Agreements for about EUR 3 bn (-39.4% on 31 March 2015) used largely as a form of temporary deployment for surpluses of liquidity and in Other forms of lending for about EUR 1.8 bn (-6.5% Q/Q).

Compared to 31 December 2014 assets decreased by a total of EUR 2.2 bn (-1.9 %) accounted largely by Other forms of lending (-6.7% Y/Y), Current Accounts (-6.5%) and Mortgage Loans (-1.5%), whilst non-performing loans increased by 2.4% but being down compared to the previous quarter.

Group's market share, net of repurchasing agreements with institutional counterparties, came to 7.03% (last updated in March 2015) essentially stable compared to December 2014.

The aggregate was sustained in the first half by new loans, in the medium-term sector, up of 100% Y/Y (EUR +2.4 billion), which covered both households (EUR +0.9 bn) and companies (EUR +1.3 bn). This trend has allowed to slow the decline in commercial loans, but was not sufficient to offset the stock expiring (values that also include the planned "run off" of Consum.it).

As at 30 June 2015 the Group's **net non-performing exposures** totalled approximately **EUR 24 bn**, up 2.4% compared to the end of last year but down compared to the end of the first quarter (-0.3%). More specifically, in the second quarter bad loans ("sofferenze") increased by 3.8% while unlikely to pay loans and overdue and/or past due non-performing exposures were down (respectively -1.6% and -7.2%).

In the first months of the year the Supervisory Authority conducted a review of the Group's credit exposures in Residential Real Estate (EUR 29.8bn), Institutions (EUR 1.7bn), Project Finance (EUR 1.8bn) and Shipping (EUR 1.3bn), totaling about 23% of loans to customers and 8% of deteriorated loans, previously not included in the 2014 AQR exercise. Although the verification is substantially completed, it has been presented to the management of the Bank only as a preliminary estimate of the impact. The official announcement of the final results will take place at a later date. Nonetheless in the Financial Report as at 30 June 2015, the specific effects of the Credit File Review of EUR 41 million have been booked,

With regard to projections and collective provisions, considering the absence of a need to account for the results, and in line with what was done during the 2014 AQR, the Bank will only find out later the possible impact for accounting purposes. In any case, based on the information communicated informally, these results are not material.

As at 30 June 2015, coverage of non-performing exposures was 48.8% down 21 bps compared to 31 March 2015. Bad loans ("sofferenze") coverage amounts to 64.3% down 115 bps compared to the previous quarter. The value of the coverage, however, is affected by the impact of the sale of Consum.it non-performing loans portfolio, characterized by a high level of coverage.

As at 30 June 2015, unlikely to pay loans coverage amounts to 31.2% (-39 bps versus 31 March 2015) while overdue and/or past due non-performing exposures coverage increased to 22.8% compared to 18.1% as at the end of March 2015.

As at 30 June 2015 the Group's **securities and derivatives portfolio** amounted to around EUR **31 bn**, down EUR 3 bn compared to 31 March 2015 due to the decrease in the Held For Trading portfolio (EUR -1.5 bn), resulting from activities of the subsidiary MPS Capital Services and in the Available For Sales portfolio (EUR -1.4 bn) resulting from the government bonds market trends, the effect of which is partially offset by hedging instruments. The bonds portfolio recognised under L&R remained substantially stable.

As at 30 June 2015 the Group's **net interbank position** stood at EUR **10.5 bn in funding**, a decrease of 54.7% Y/Y, due to the full repayment of the LTRO, an improvement of EUR 4.2 bn compared to 31 March 2015 and EUR 9.4 bn with respect to the end of 2014. In the second quarter ECB exposure was reduced to around EUR -3.3 bn (decrease of auctions and increase of Target Long Term Refinancing Operations) due to the capital increase net of reimbursement of NFI and to the further increase of commercial liquidity in the quarter.

As at 30 June 2015 the operational liquidity position showed an **unencumbered Counterbalancing Capacity of approx. EUR 20 bn**, up EUR 2.4 bn compared to end of March 2015.

As at 30 June 2015 the **Group's shareholders' equity and non-controlling interests** came to approximately EUR **9.4 bn** (EUR +3.4 bn compared to 31 December 2014), an increase of around EUR 3 bn compared to the first quarter 2015 due to the capital increase realized by Banca Monte dei Paschi di Siena in June. More specifically, Capital decreases from EUR 12.5 bn at the end of March 2015 to EUR 8.8 bn (EUR -3.7 bn): EUR +3 bn thanks to the 2015 capital increase and EUR -7.3bn, due to the coverage of loss both for the financial year 2014 and carried forward from the previous financial periods allocated as at 31 March 2015 in the item Reserves.

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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 Betunio, declares that the accounting information contained in this press release corresponds to the underlying documentary evidence and accounting records.

Reclassified accounts

Income statement and balance sheet reclassification principles

As of the first quarter of 2015, the structure of the reclassified consolidated Income Statement has been amended to introduce the concept of "Pre Provision Profit", in accordance with the practice already adopted by the leading Italian banking groups and the EURpean supervisory authorities. The differences between the new structure of the Reclassified Income Statement and the one applied by Group until 31 December 2014 are as follows:

- the inclusion of "Other operating income (expense)" in "Total Revenues" (previously "Net income from banking and insurance"), which had been accounted for under "Net provisions to reserves for risks and charges and other operating income (expense)" until 31 December 2014;
- reporting of "net value adjustments to loans and financial assets" under operating expenses, thereby introducing the item "Gross Operating Result" which is the difference between ordinary revenues and operating costs;
- The "Net Operating Result" is, therefore, calculated as the difference between the Gross Operating Result and the Net impairment losses (reversals) on financial assets.

The comparative figures for the periods have been re-aggregated according to the new structure of the Income Statement reclassified on the basis of operating criteria.

In view of the above, provided below are the Income Statement and Balance Sheet accounts reclassified on the basis of operating criteria with a description of the reclassifications made in the first semester of 2015:

Income Statement

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 (EUR 5,4 bn).

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 58 million, corresponding to the share of profit and loss for the period contributed by investments 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) The income statement item "**Other operating income (expense)** excludes stamp duty and client expense recovery, which have been reclassified to the item "**Other administrative expenses**".

d) The income statement item “**Personnel expenses**” was reduced by EUR 0.6 million owing to the termination of a number of employment contracts. 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 180 million) posted under item 220 “Other operating expenses (income)”.

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

g) The income statement item “**Restructuring costs/one-off charges**” includes one-off charges of approx. n the reclassified income statement includes EUR 0.6 million reclassified out of Personal Expenses.

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

i) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular **“Net interest income”** for EUR 18,2 million and **Depreciation/Amortisation** for EUR 13,8 million net of a theoretical tax burden of approx -10,6 million that is included in the related item).

<u>**Balance Sheet**</u>

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 "Change in value of macro-hedged financial assets", item 140 "Tax assets", item 150 "Non-current assets and groups of 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 “Change in value of macro-hedged financial liabilities", item 80 “Tax liabilities”, item 90 “Liabilities associated with non-current assets held for sale and discontinued operations” and item 100 “Other liabilities”.

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CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/06/2015

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	30/06/15	30/06/14	% chg
Income from banking activities	2,098.9	1,843.0	13.9%
Income from banking and insurance activities	2,426.8	1,936.5	25.3%
Net operating income	133.6	(621.6)	-121.5%
Net profit (loss) for the period	193.6	(353.0)	n.s.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**30/06/15**	**31/12/14**	**% chg**
Direct funding	126,238	126,224	0.0%
Indirect funding	108,286	106,140	2.0%
of which: assets under management	*54,969*	*51,519*	*6.7%*
of which: assets under custody	*53,317*	*54,622*	*-2.4%*
Loans to customers	117,436	119,676	-1.9%
Group net equity	9,373	5,965	57.1%
KEY CREDIT QUALITY RATIOS (%)	**30/06/15**	**31/12/14**	**Abs. chg**
Net doubtful loans/Loans to Customers	7.7	7.1	0.6
Net Unlikely to pay/Loans to Customers	10.2	9.7	0.5
Net NP past due and overdue exposures/Loans to Customers	2.2	2.6	-0.3
PROFITABILITY RATIOS (%)	**30/06/15**	**31/12/14**	**Abs. chg**
Cost/Income ratio	54.0	65.1	-11.1
Net loan loss provisions / End-of-period loans	1.68	6.54	-4.9
CAPITAL RATIOS (%)	**30/06/15**	**31/12/14**	**Abs. chg**
Total Capital ratio	15.4	13.0	2.4
Common Equity Tier 1 (CET1) ratio	11.0	8.7	2.3
Return on Assets (RoA) ratio	0.04	-2.91	2.95
INFORMATION ON BMPS STOCK	**30/06/15**	**31/12/14**	
Number of ordinary shares outstanding	2,814,082,624	5,116,513,875	-2,302,431,251
Price per ordinary share:	**From 31/12/14 to 31/03/15**	**From 31/12/13 to 31/12/14**	**% chg**
average	2.13	1.19	78.3%
low	1.63	0.46	250.8%
high	2.56	2.56	0.0%
OPERATING STRUCTURE	**30/06/15**	**31/12/14**	**Abs. chg**
Total head count - end of period	25,742	25,961	(219)
Number of branches in Italy	2,183	2,186	(3)
Number of specialised centres	273	279	(6)
Financial advisory branches	115	118	(3)
Number of branches & representative offices abroad	40	40	-

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Reclassified Income Statement (Euro mln)				
	30/06/15	30/06/14	Change	
Montepaschi Group			Abs.	%
Net interest income	1,171.7	972.0	199.8	20.6%
Net fee and commission income	927.1	871.0	56.1	6.4%
Income from banking activities	**2,098.9**	**1,843.0**	**255.9**	**13.9%**
Dividends, similar income and gains (losses) on investments	66.3	49.5	16.9	34.1%
Net profit (loss) from trading	230.8	73.7	157.1	n.s.
Net profit (loss) from hedging	18.0	(13.3)	31.3	n.s.
Other operating income (expenses)	12.7	(16.3)	29.0	n.s.
Income from banking and insurance activities	**2,426.8**	**1,936.5**	**490.2**	**25.3%**
Administrative expenses:	(1,208.6)	(1,232.4)	23.8	-1.9%
a) personnel expenses	(833.8)	(851.3)	17.4	-2.0%
b) other administrative expenses	(374.8)	(381.1)	6.3	-1.7%
Net losses/reversal on impairment on property, plant and equipment / Net adjustm	(102.1)	(98.8)	(3.3)	3.3%
Operating expenses	**(1,310.7)**	**(1,331.2)**	**20.5**	**-1.5%**
Pre Provision Profit	**1,116.0**	**605.3**	**510.7**	**84.4%**
Net impairment losses (reversals) on:	**(982.4)**	**(1,226.9)**	**244.5**	**-19.9%**
a) loans	(984.0)	(1,208.0)	223.9	-18.5%
b) financial assets	1.7	(19.0)	20.6	-108.8%
Net operating income	**133.6**	**(621.6)**	**755.2**	**-121.5%**
Net provisions for risks and charges	(48.6)	(82.0)	33.4	-40.8%
Gains (losses) on investments	125.1	175.3	(50.2)	-28.6%
Restructuring costs / One-off costs	(0.6)	(3.8)	3.3	n.s.
Gains (losses) on disposal of investments	1.0	5.1	(4.1)	-80.0%
Profit (loss) before tax from continuing operations	**210.6**	**(527.0)**	**737.6**	**-140.0%**
Tax expense (recovery) on income from continuing operations	5.2	193.9	(188.7)	-97.3%
Profit (loss) after tax from continuing operations	**215.8**	**(333.1)**	**549.0**	**n.s.**
Net profit (loss) for the period including non-controlling interests	**215.8**	**(333.1)**	**549.0**	**n.s.**
Net profit (loss) attributable to non-controlling interests	(0.8)	(1.1)	0.3	-29.4%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**215.0**	**(334.2)**	**549.3**	**n.s.**
PPA (Purchase Price Allocation)	(21.4)	(18.8)	(2.6)	14.0%
Net profit (loss) for the period	**193.6**	**(353.0)**	**546.6**	**n.s.**

Quarterly trend in reclassified incomen statement (Euro mln)

	2015		2014			
Montepaschi Group	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	559.9	611.9	610.9	580.6	526.2	445.8
Net fee and commission income	484.2	443.0	405.2	421.5	425.8	445.2
Income from banking activities	**1,044.0**	**1,054.9**	**1,016.2**	**1,002.1**	**952.0**	**891.0**
Dividends, similar income and gains (losses) on investments	42.0	24.3	38.8	32.6	23.8	25.7
Net profit (loss) from trading	59.1	171.8	41.1	147.3	28.6	45.1
Net profit (loss) from hedging	3.2	14.8	(4.7)	2.2	(8.7)	(4.6)
Other operating income (expenses)	11.3	1.4	17.9	2.0	(17.7)	1.3
Income from banking and insurance activities	**1,159.6**	**1,267.2**	**1,109.4**	**1,186.1**	**978.0**	**958.6**
Administrative expenses:	(603.7)	(604.9)	(658.2)	(623.8)	(620.4)	(611.9)
a) personnel expenses	(414.4)	(419.4)	(430.7)	(427.9)	(421.9)	(429.3)
b) other administrative expenses	(189.2)	(185.5)	(227.5)	(195.9)	(198.5)	(182.6)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(53.7)	(48.4)	(76.3)	(65.6)	(50.2)	(48.6)
Operating expenses	**(657.4)**	**(653.3)**	**(734.5)**	**(689.5)**	**(670.7)**	**(660.5)**
Pre Provision Profit	**502.2**	**613.8**	**374.9**	**496.7**	**307.3**	**298.0**
Net impairment losses (reversals) on:	**(528.1)**	**(454.2)**	**(5,502.2)**	**(1,296.1)**	**(735.2)**	**(491.7)**
a) loans	(515.8)	(468.2)	(5,357.0)	(1,256.5)	(731.4)	(476.6)
b) financial assets	(12.3)	14.0	(145.2)	(39.6)	(3.8)	(15.2)
Net operating income	**(26.0)**	**159.6**	**(5,127.3)**	**(799.4)**	**(427.9)**	**(193.7)**
Net provisions for risks and charges	(18.8)	(29.8)	(57.2)	(37.3)	(27.5)	(54.5)
Gains (losses) on investments	124.9	0.2	(72.0)	(13.4)	133.4	41.9
Restructuring costs / One-off costs	(0.3)	(0.2)	(53.8)	(318.2)	(2.7)	(1.1)
Gains (losses) on disposal of investments	0.6	0.4	77.9	1.7	0.4	4.7
Profit (loss) before tax from continuing operations	**80.5**	**130.2**	**(5,232.5)**	**(1,166.6)**	**(324.3)**	**(202.7)**
Tax expense (recovery) on income from continuing operations	49.5	(44.3)	1,736.8	374.2	155.4	38.4
Profit (loss) after tax from continuing operations	**130.0**	**85.9**	**(3,495.7)**	**(792.4)**	**(168.9)**	**(164.3)**
Net profit (loss) for the period including non-controlling interests	**130.0**	**85.9**	**(3,495.7)**	**(792.4)**	**(168.9)**	**(164.3)**
Net profit (loss) attributable to non-controlling interests	(0.3)	(0.5)	0.6	4.9	(0.6)	(0.5)
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**129.6**	**85.4**	**(3,495.2)**	**(787.5)**	**(169.5)**	**(164.7)**
PPA (Purchase Price Allocation)	(8.7)	(12.8)	(10.1)	(9.2)	(9.4)	(9.4)
Impairment on goodwill and intangibles	-	-	(687.9)	-	-	-
Net profit (loss) for the period	**121.0**	**72.6**	**(4,193.2)**	**(796.7)**	**(178.9)**	**(174.1)**

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified balance sheet (Euro mln)				
	30/06/15	**31/12/14**	**Chg vs 31/12/14**	
ASSETS			**abs.**	**%**
Cash and cash equivalents	822	1,007	(185)	-18.3%
Receivables :				
a) Loans to customers	117,436	119,676	(2,240)	-1.9%
b) Loans to banks	8,327	7,723	604	7.8%
Financial assets held for trading	36,335	39,776	(3,441)	-8.7%
Financial assets held to maturity	-	-	-	
Equity investments	908	1,014	(106)	-10.5%
Property, plant and equipment / Intangible assets	3,122	3,229	(106)	-3.3%
of which:				
a) goodwill	*8*	*8*	-	
Other assets	10,754	11,019	(265)	-2.4%
Total assets	**177,705**	**183,444**	**(5,739)**	**-3.1%**

	30/06/15	**31/12/14**	**Chg vs 31/12/14**	
LIABILITIES			**abs.**	**%**
Payables				
a) Deposits from customers and securities issued	126,238	126,224	14	0.0%
b) Deposits from banks	18,831	27,648	(8,817)	-31.9%
Financial liabilities held for trading	13,415	13,702	(287)	-2.1%
Provisions for specific use				
a) Provisions for staff severance indemnities	246	271	(25)	-9.2%
b) Pensions and other post retirement benefit obligations	50	66	(16)	-23.8%
c) Other provisions	1,106	1,085	21	1.9%
Other liabilities	8,421	8,459	(38)	-0.4%
Group net equity	9,373	5,965	3,408	57.1%
a) Valuation reserves	(668)	(685)	17	-2.5%
c) Equity instruments carried at equity	-	3	(3)	-100.0%
d) Reserves	1,085	(496)	1,581	n.s.
e) Share premium	4	2	2	
f) Share capital	8,759	12,484	(3,726)	-29.8%
g) Treasury shares (-)	-	(0)	0	-100.0%
h) Net profit (loss) for the year	194	(5,343)	5,537	-103.6%
Non-controlling interests	24	24	1	2.9%
Total Liabilities and Shareholders' Equity	**177,705**	**183,444**	**(5,739)**	**-3.1%**

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

Reclassified Balance Sheet - Quarterly Trend (Euro mln)

ASSETS	30/06/15	31/03/15	31/12/14	30/09/14	30/06/14	31/03/14
Cash and cash equivalents	822	682	1,007	878	860	823
Receivables :						
a) Loans to customers	117,436	123,139	119,676	126,307	132,770	132,677
b) Loans to banks	8,327	7,856	7,723	6,884	8,638	10,204
Financial assets held for trading	36,335	41,236	39,776	41,856	39,863	43,500
Financial assets held to maturity	-	-	-	-	-	-
Equity investments	908	947	1,014	1,001	952	960
Property, plant and equipment / Intangible assets	3,122	3,139	3,229	3,934	3,971	4,004
of which:						
a) goodwill	*8*	*8*	*8*	*670*	*670*	*670*
Other assets	10,754	10,526	11,019	9,837	9,474	8,855
Total assets	**177,705**	**187,525**	**183,444**	**190,697**	**196,528**	**201,022**

LIABILITIES	30/06/15	31/03/15	31/12/14	30/09/14	30/06/14	31/03/14
Payables						
a) Deposits from customers and securities issued	126,238	131,511	126,224	126,610	130,777	128,859
b) Deposits from banks	18,831	22,519	27,648	29,425	31,810	40,991
Financial liabilities held for trading	13,415	16,381	13,702	13,144	11,718	14,630
Provisions for specific use						
a) Provisions for staff severance indemnities	246	268	271	295	285	273
b) Pensions and other post retirement benefit obligations	50	52	66	59	59	60
c) Other provisions	1,106	1,104	1,085	1,024	991	1,020
Other liabilities	8,421	9,195	8,459	9,777	9,811	8,905
Group net equity	9,373	6,471	5,965	10,340	11,048	6,251
a) Valuation reserves	(668)	(253)	(685)	(549)	(634)	(788)
c) Equity instruments carried at equity	-	3	3	3	3	3
d) Reserves	1,085	(5,838)	(496)	(451)	4,548	(274)
e) Share premium	4	2	2	2	-	-
f) Share capital	8,759	12,484	12,484	12,484	7,485	7,485
g) Treasury shares (-)	-	(0)	(0)	(0)	(0)	(0)
h) Net profit (loss) for the period	194	73	(5,343)	(1,150)	(353)	(174)
Non-controlling interests	24	24	24	24	29	34
Total Liabilities and Shareholders' Equity	**177,705**	**187,525**	**183,444**	**190,697**	**196,528**	**201,022**