MONTE DEI PASCHI DI SIENA BANK

Consolidated Interim Report as at 30 September 2016

MONTE
DEI PASCHI
DI SIENA
BANK SINCE 1472

Consolidated Interim Report
Monte dei Paschi di Siena Group
30 September 2016

Banca Monte dei Paschi di Siena S.p.a.
Share Capital: € 9,001,756,820.7 fully paid in
Siena Companies' Register no. and tax code 00884060526
Member of the Italian Interbank Deposit Protection Fund. Banks Register no. 5274.
Monte dei Paschi di Siena Banking Group, registered with the Banking Groups Register

INTERIM REPORT ON OPERATIONS

Results in brief

The economic and financial indicators, based on accounting data, are those used in the internal systems of performance management and management reporting, and are consistent with the most commonly used metrics within the banking industry in order to ensure the comparability of figures presented.

Pursuant to the requirements set forth in the document "*Guidelines on Alternative Performance Measures*" published by the European Securities and Markets Authority (ESMA) in June 2016, this section contains the definitions and the methods for the calculation of alternative performance measures.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2016

INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES	30/09/16		30/09/15 (*)	Chg.
Net interest income	1,518.7	-	1,717.5	-11.6%
Net fee and commission income	1,402.4	-	1,358.3	3.2%
Other operating income	496.4	-	1,022.1	-51.4%
Total Revenues	3,417.5	-	4,098.0	-16.6%
Net impairment losses (reversals) on loans and financial assets	(2,018.8)	-	(1,417.7)	42.4%
Net operating income	(530.4)	-	713.3	n.s.
Net profit (loss) for the period	(848.7)	-	584.7	n.s.
EARNING PER SHARE (EUR)	**30/09/16**		**30/09/15 (*)**	**Chg.**
Basic earnings per share	-0.289		0.438	-0.727
Diluted earnings per share	-0.289		0.438	-0.727
BALANCE SHEET FIGURES AND INDICATORS	**30/09/16**		**31/12/15**	**Chg.**
Total assets	160,129.1		169,012.0	-5.3%
Loans to customers	104,612.4		111,366.4	-6.1%
Direct funding	105,461.4		119,274.6	-11.6%
Indirect funding	98,440.6		106,171.8	-7.3%
of which: assets under management	56,890.5		55,515.7	2.5%
of which: assets under custody	41,550.1		50,656.1	-18.0%
Group net equity	8,745.6		9,596.6	-8.9%
OPERATING STRUCTURE	**30/09/16**		**31/12/15**	**Chg.**
Total head count - end of period	25,641		25,731	-90
Number of branches in Italy	2,043		2,133	-90

(*) Book values of the previous period were restated in order to reflect the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2015 financial statements, to which reference should be made.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2016

ALTERNATIVE PERFORMANCE MEASURES

MPS GROUP

PROFITABILITY RATIOS (%)	30/09/16	31/12/15	Chg.
Cost/Income ratio	56,4	50,4	6,1
R.O.E.	-12,3	5,1	-17,4
Return on Assets (RoA) ratio	-0,7	0,2	-0,9
ROTE (Return on tangible equity)	-12,3	5,1	-17,4
KEY CREDIT QUALITY RATIOS (%)	42.643,0	42.369,0	Chg.
Net non-performing loans / Loans to Customers	21,5	21,7	-0,2
Coverage non-performing loans	50,6	48,5	2,2
Net doubtful loans / Loans to Customers	10,4	8,7	1,7
Coverage doubtful loans	61,4	63,4	-2,1
Net impairment losses on loans / Loans to Customers (Provisioning)	2,6	1,8	0,8
Texas Ratio	144,8	146,8	-2,0

Cost/Income ratio: ratio of Operating Expenses (Administrative Expenses and Net adjustments on property, plant and equipment and intangible assets) to Total revenues (for the composition of the aggregate, see reclassified Income Statement)

Return On Equity (ROE): ratio of the annualised Net profit for the period to the average between the shareholders' equity (including Profit and Valuation Reserves) at the end of period and the shareholders' equity at the end of the previous year.

Return On Asset (ROA): ratio of the annualised net profit for the period to the total assets at the end of the period.

Return On Tangible Equity (ROTE): ratio of the annualised Net profit for the period to the average between the shareholders' equity (including Profit and Valuation Reserves, cleared of Goodwill) at the end of the previous year and for the year under way.

Texas Ratio: ratio between Gross non-performing loans and the sum, in the denominator, of Tangible shareholders' equity and the Allowance for impairment on non-performing loans.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/09/2016

REGULATORY MEASURES

MPS GROUP

CAPITAL RATIOS (%)	30/09/16	31/12/15	Chg.
Common Equity Tier 1 (CET1) ratio	11.5	12.0	-0.5
Total Capital ratio	14.3	16.0	-1.7
FINANCIAL LEVERAGE INDEX (5)	30/09/16	31/12/15	Chg.
Leverage ratio - Transitional Phase	4.4	5.2	-0.8
LIQUIDITY RATIO (%)	30/09/16	31/12/15	Chg.
LCR	153.2	222.0	-68.8
NSFR	95.3	100.8	-5.5

Executive summary

Changes in the key items of the main aggregates of the Group for the first nine months of 2016 are summarised below:

- The Group recorded **Total revenues** of approximately **EUR 3,418 mln**, down by 16.6% compared to the same period of the previous year, due to the downturn in net interest income and in trading activity, with the latter positioned at lower levels than in 2015, when it benefited from the effects of the restatement of the "Alexandria" transaction (impact of approx. EUR +605 mln as at 30 September 2015). This revenue trend is affected by the performance of **Net interest income**, which amounted to **EUR 1,519 mln** (-11.6% Y/Y) due especially to the negative performance of interest bearing assets, particularly lending to businesses and the securities portfolio (decrease in the average volumes and decline in the relative returns), partially attenuated by the decrease in interest expenses following the decrease in the cost of corporate funding and repayment of the NFIs. **Net fee and commission income**, totalling approximately **EUR 1,402 mln** in the first nine months of 2016, recorded year-on-year growth of 3.2%, especially due to the optimisation of non-trading components within fee and commission expense (including the reduction of the cost of the State guarantee on "Monti Bonds"). Under other revenues, **Net profit (loss) from trading/valuation of financial assets** in the first nine months of 2016 stood at around **EUR 420 mln**, down over the same period of the previous year (approx. EUR -484 mln), which benefited from the positive effects of the restatement of the "Alexandria" transaction (approx. EUR +609 mln as at 30 September 2015).

- **Operating expenses** amounted to approximately **EUR 1,929 mln** (-1.9% Y/Y). **Personnel expenses**, which totalled about **EUR 1,239 mln**, declined year on year by 1.4% due to workforce downsizing and the one-off benefits realised in the second quarter. **Other administrative expenses** in the first nine months of 2016 were **EUR 533 mln**, down by 3.9% from the same period of 2015, mainly attributable to structural cost control measures. **Amortisation/Depreciation**, amounting to approximately **EUR 157 mln**, are slightly higher than the values from the corresponding period of the previous year.

- **Net impairment losses (reversals) on loans, financial assets and other transactions** amounted to approximately EUR 2,019 mln, up by 42.4% from those recorded in the same period of the previous year. This aggregate includes approximately EUR 750 mln in higher impairment losses due to the updated methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay and the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019 and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September. The ratio of annualised net impairment losses on loans for the first nine months of 2016 to total customer loans reflects a **Provisioning Rate of 258 bps**, which declines to around 162 bps excluding the impact of the higher impairment losses noted above.

- As a result of the trends in the main aggregates described above, in the first nine months of 2016 the Group recorded a **loss of approximately EUR 849 mln** (impacted by higher impairment losses on loans of approximately EUR 750 mln before taxes accounted for in Q3 2016, due to the aforementioned change in the loan policy) against a positive result of about EUR 585 mln recorded in the same period of 2015 (of which approx. EUR 500 mln related to the positive effects from restating the "Alexandria" transaction and about EUR 120 mln in capital gains realised following the disposal to Poste Italiane of the shareholding in Anima Holding SpA).

- **Total funding** at the end of September 2016 amounted to approximately **EUR 204 bn** (around EUR -22 bn versus 31 December 2015) with a decline in volumes of about EUR 6 bn recorded in the third quarter, concentrated in the direct component and referring to commercial activity.

- At the end of September 2016, **Loans to customers** amounted to about **EUR 105 bn**, down by EUR 6.8 bn as compared to the end of 2015 (EUR -2.9 bn over 30 June 2016). The quarterly trend in this aggregate was affected by the decline in commercial volumes (approximately EUR -2 bn) and the reduction in net non-performing loans (around EUR -1 bn), which was impacted by the abovementioned factors. At the end of September 2016, the **net exposure to non-performing loans** of the Group stood at **EUR 22.5 bn** (EUR -1.6 bn since the beginning of the year, around EUR -1 bn compared to 30 June 2016), with a quarterly rise in the share of net doubtful loans (from 9.8% in June 2016 to 10.4% as at 30 September 2016) against a significant reduction in the share of Unlikely to Pay (from 10.6% to 9.6%). The **Non-performing loan coverage** ratio was **50.6%**, up by approximately 260 bps Q/Q. In particular the unlikely to pay aggregate's coverage, which rose from 28.9% in June to 34.5% at the end of September, was affected by updating methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay, and by the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019, and also considering the indication provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September.

- With regard to capital ratios, as at 30 September 2016 the **Common Equity Tier 1 Ratio** stood at 11.49% (12.0% at the end of 2015) and the **Total Capital Ratio** at **14.29%**, compared to 16.0% recorded at the end of December 2015.

Shareholders

As at 30 September 2016, the Parent Company Banca Monte dei Paschi di Siena's share capital amounted to EUR 9,001,756,820.70, broken down into 2,932,079,864 ordinary shares.

According to the communications received pursuant to the applicable legislation and based on other information available, the entities that, as at 30 September 2016, directly and/or indirectly hold ordinary shares representing a shareholding exceeding 3% of the share capital of the Issuer and which do not fall under the cases of exemption set forth in art. 119-bis of the Issuers' Regulation, as well as on the basis of what is set forth on the CONSOB institutional website, are as follows:

Shareholder	% of Outstanding Ordinary Shares*
Ministry of Economy and Finances	4,024%
AXA S.A.**	3,170%

*Situation related to the size of the share capital as at 30 September 2016 amounted to Euro 9,001,756,820.70

**Share held directly and through 12 subsidiary companies

Compared to the breakdown of the share capital as at 30 June 2016, Fintech Advisory Inc. is no longer one of the largest shareholders.

As for the payment to the Ministry of Economy and Finance of the interest accrued on the New Financial Instruments (NFIs) redeemed on 15 June 2015, the same occurred on 1 July 2016 in a monetary form and not through the assignment of shares.

Information on the BMPS share

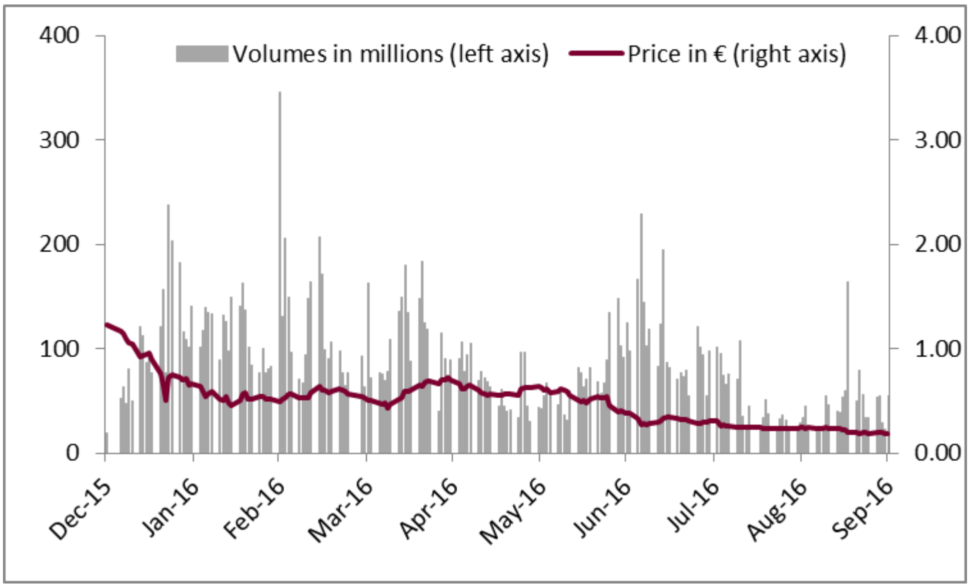
Share price and trends

In the third quarter of 2016, the European share indexes recorded positive performances (Milan +1.3%; Frankfurt +8.6%; Paris +5%; London +6.1%; Madrid +7.5%), without being impacted by Brexit. In September, volatility returned to the markets due to rising geopolitical risk caused by the constitutional referendum in Italy and the US presidential elections, as well as the events that involved Deutsche Bank. The European banking segment was impacted only in part by the results of the stress test published by the EBA last 29 July. Indeed, the FTSE IT Banks Italian sector index closed the quarter up 6.6%.

On the other hand, share indexes have seen declines since the start of the year as a result of concerns in the opening months of the year: Milan -23.4%, Frankfurt -2.2%, Paris -4.1% and Madrid -8%, with the only exception being London, at +10.5%. The FTSE IT Banks index recorded negative performance of -50.3%.

BMPS stock closed the third quarter of 2016 at EUR 0.19, with a negative 84.9% performance since the start of the year.

BMPS SHARE PRICE (from 30/12/2015 to 30/09/2016)

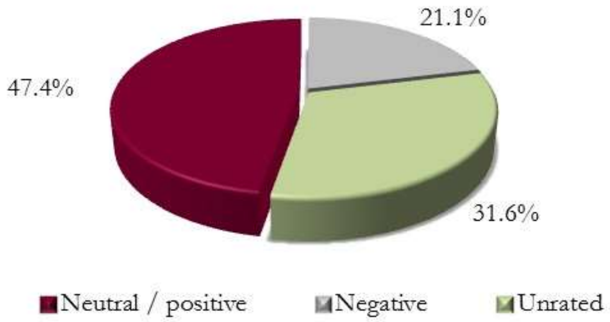


BMPS SHARE PRICE: STATISTICAL SUMMARY (from 30/09/2015 to 30/09/2016)	
Average	0.49
Lowest	0.19
Highest	1.17

In the first nine months of 2016, the volumes of BMPS shares traded on a daily basis averaged around 88 million.

MONTHLY VOLUMES OF SHARES TRADED	
2016 volumes summary (mln)	
January	2,228
February	2,609
March	2,433
April	2,220
May	1,444
June	1,666
July	2,251
August	1,072
September	1,058

BMPS SHARE RATINGS AS AT 30/09/2016



Ratings

The ratings given by the rating agencies as at 30 September 2016 are provided below:

Rating Agencies	Short-term debt	Outlook	Long-term debt	Outlook	Last update
DBRS	R-4	Under Review Negative	B (high)	Under Review Negative	30/09/16
Fitch Ratings	B	Rating Watch Negative	B-	Rating Watch Evolving	04/08/16
Moody's Investors Service	NP	-	B3	Under Review Uncertain	08/08/16

- On 30 September 2016, the rating agency DBRS changed the long-term rating to “B (high)” from “BB”, while it kept the short-term rating the same at “R-4”. The outlooks of both ratings, categorised as “Under Review with Negative Implications” since 12 July, remained unchanged. At the same time, DBRS lowered the Intrinsic Assessment (IA) to “B (high)”.

- On 4 August 2016, the Fitch rating agency confirmed the long-term rating of “B-” and the short-term rating of “B”. The outlook was changed to “Rating Watch Negative” for short-term debt and “Rating Watch Evolving” for long-term debt.

- On 8 August 2016, the Moody’s rating agency confirmed the long-term rating of “B3” and the short-term rating of “NP” (Not Prime). At the same time, it changed the long-term outlook from “Review for Downgrade” to “Review with Direction Uncertain”.

Reference context

This year is beginning to confirm the context of moderate growth and the lack of inflation that has characterised the global macroeconomic scenario for years now. The IMF has estimated global growth at just above 3% for this year, a growth rate similar to that seen in 2015. Several factors such as low interest rates and improvements in the job markets should continue to support the global economy, but the scenario remains marked by a number of risk factors, including the still uncertain impact of Brexit on the British and other economies. Growth accelerated in emerging economies in the first half of the year, and according to the IMF they should close 2016 with a growth rate of 4.2%, thanks especially to certain countries that experienced high-stress situations in recent years (Brazil and Russia).

In the Eurozone, the economic recovery is moving along at a satisfactory pace. Domestic demand continues to receive support from favourable financial conditions due to the ECB's accommodating monetary policy and improvements in the job market. However, the area's economic recovery is expected to be slowed down by persistent weakness in external demand, connected to stagnating global commerce. After 1.6% growth in the first half of the year, the Bloomberg consensus expects a continuation of current growth rates in the second half of 2016, followed by a slowdown in 2017.

In Italy, growth in the first half of the year was lower than the Eurozone average (0.8% compared to the same period of 2015) and forecast indicators do not point to an acceleration in the second half of the year. The government revised growth estimates downwards in the Updating Note to the 2016 Economy and Finance Document and now growth of 0.8% is expected for 2016, and 1% for 2017. The price situation continues to be impacted by a moderation in the trend, evident in the average annual inflation rate close to zero recorded to date in 2016.

As regard the financial markets, the moderately positive performance of the largest Eurozone share indexes in the third quarter alleviated the heavy losses seen since the start of the year. Around the time of the 23 June referendum in the United Kingdom, there was an increase in volatility in the global financial markets, peaking in the wake of the vote. The stressful phase evened out quickly, with prices recovering across asset classes. During the quarter, banking sector shares continued to perform worse than market indexes. At the same time, in the Eurozone long-term bond yields remained at extremely low levels. The German 10 year yield remained in negative territory for the majority of the third quarter, reaching a minimum of just above -0.2% at the start of July and exercising downwards pressure on the bonds of all area countries. Yields on the Italian ten-year government bond fluctuated around 1.25% during the quarter, with a stable spread with respect to German securities.

Within this context, the European Central Bank introduced no further expansionary measures, preferring to wait for the measures adopted in the course of the year (in particular the expansion of the purchase programme to corporate securities and the new refinancing programme of the banking system (TLTRO 2)) to begin to generate effects. As regards the other central banks, the market expects Federal Reserve to enact its second rate hike (after that of December 2015) in the coming months, while the Bank of Japan recently amended the measures it initially took, by repositioning its Quantitative and Qualitative Easing on the control of rate levels more than on control of the quantity of securities purchased.

Significant events in the first nine months of 2016

A new securitisation of lease receivables portfolio for EUR 1.6 bn was successfully finalised on **21 January**.

On **15 April 2016**, the Board of Directors of the Parent Company gave a mandate to the CEO to purchase 50 units of the Atlante Fund, for a total investment of EUR 50 mln.

By Decree dated **18 April 2016**, the MEF ordered Banca Tercas to return to the Interbank Deposit Protection Fund (IDPF) the contributions received at the time in compliance with the decision of the European Commission which ruled that the support received in 2014 by Tercas constitutes government aid and is therefore incompatible with the internal market regulations. Consequently, at the end of April, the IDPF repaid the amounts pertaining to each consortium and at the same time, the Voluntary Scheme, purposely established within the IDPF itself, charged the single participants in the Scheme a recalculated amount that was equal to the amount of the original intervention. The impact of the transaction was essentially neutral for the Group.

On **23 June**, a transfer agreement without recourse for a non-performing loan portfolio to Kruk Group, a debt collection agency active in the European market of non-performing loans, was executed. The sold portfolio consists of more than 40,000 positions with a gross book value of approximately EUR 290 mln (about EUR 350 mln including late payment interest accrued and/or other charges that are transferred along with the principal amount). The sold non-performing loans, of an unsecured nature, are consumer credits, personal loans and credit cards originated by the former subsidiary Consum.it (incorporated since 2015 into the Parent Company). The sale resulted in a slightly positive financial impact and did not have significant effects on the capital ratios of the Group.

On **30 June 2016**, Law Decree no. 59/2016 was converted into Law (no. 119), upon approval by the Council of Ministers (Cabinet) issued on 29 April, which sets forth, inter alia, provisions applicable to deferred tax receivables. This provision sets forth that in order to continue to hold the right to exploit the laws on the convertibility of the DTAs that are relevant as tax credits (see article 2, paragraph 55 et seq. of Law Decree no. 225/2010) and, consequently, benefit from the possibility to fully include said DTAs in the determination of the regulatory capital, it is necessary that an irrevocable option, providing for the payment of an annual fee until 2029, i.e. 1.5% of the difference between deferred tax assets and paid taxes, be exercised. Upon exercising this option, the Group recorded, as at 30 September 2016, both the entire fee pertaining to the year 2015 and the pro-rata amount estimated for 2016.

On **1 July 2016**, the Parent Company paid to the Ministry of Economy and Finance, in a monetary form, the interest accrued in 2015 on the New Financial Instruments redeemed on 15 June 2015 for an amount of approximately EUR 46.0 mln. This payment had no effect on the levels of capitalisation of the Group.

Upon authorisation obtained from the Public Prosecutor office, on **2 July 2016**, Banca Monte dei Paschi di Siena filed a plea bargaining petition referring to the pending criminal trial before the Preliminary Hearing Judge of Milan, as regards the claims filed against the Parent Company pursuant to Legislative Decree no. 231/2001 in terms of the entities' administrative liability resulting from the offence. Predicate offences with administrative liability of the Parent Company consist of false corporate communications, market abuse and obstruction to supervision and are charged exclusively to the former senior management for the period from 2009 to 2012. With the plea bargain, if accepted, the Parent Company exits the proceedings as defendant in the administrative offence following crimes committed by its own former executives, limiting the consequences to an administrative financial penalty of EUR 0.6 mln and a confiscation, for EUR 10 mln, without exposing itself to the risk of higher penalties. Within the same proceedings, the Parent Company is also bringing a civil action against its former Directors and executives who were in office when said events took place.

On **19 July 2016**, the Interbank Deposit Protection Fund disclosed the amount, pertaining to the Parent Company, of approx. EUR 19 mln, concerning the intervention, within the Voluntary Scheme, in favour of Cassa di Risparmio di Cesena, which was reconfirmed in the communication of 16 September and settled with a value date of 20 September 2016.

On **21 July**, the Bank received from the Revenue Agency a favourable answer to appeal filed in April about the tax relevance of some components of the restatement of the "Alexandria" transaction, recognised in the Financial Statements of 2015. In this regard, it must be noted that the restatement carried out in the Financial Statements of 2015, although with an overall pre-taxation neutral financial effect, entailed a different distribution of the income items related to the transaction within the 2009-2015 time frame compared with the original accounting, and that, in the 2015 Financial Statements (see chapter Balance adjustments – IAS 8), the taxation effect of the restatement was estimated in consideration of the non-relevance, for tax purposes, of some negative income components, due to an initial and restrictive interpretation of the Revenue Agency Circular 31/2013. Due to the response to such appeal, the Bank has recognised in the Income Statement for the first half of the year (in the income tax line item) the corresponding gain, of EUR 133.9 mln, primarily as a balancing entry of deferred tax assets.

On **29 July**, the results of the EBA's EU-wide stress test were published, showing a heftyCET1 ratio decrease in the adverse scenario (fully loaded at -2.4%). The 2016 Stress Test does not have a success/failure threshold, instead it was designed to provide significant information within the 2016 supervision process. The results will then be used by the competent authorities to assess the capacity of the Bank to comply the regulatory requirements in stressed scenarios on the basis of common methodologies and assumptions. The adverse stress scenario was designed by ECB/ESRB and covers a three-year horizon (2016-2018) under the assumption of static financial statements starting from December 2015; therefore, it does not take into account future changes in business strategies and the new Business Plan or other measures the Bank may take.

Still on **29 July 2016** the Board of Directors of the Parent Company approved the guidelines of a transaction consisting of a combination of closely connected contextual transactions to be considered as strictly related elements of an overall plan aimed at deconsolidating the whole doubtful loan portfolio ("sofferenze") - (EUR 27.7 bn, net EUR 10.2 bn as at 31 March 2016) and at recapitalising the Parent Company for a maximum estimated amount of EUR 5 bn.

On **8 September**, the Board of Directors and the Chief Executive Officer Fabrizio Viola agreed that the Bank's top management should be changed.

On **14 September**, the Board of Directors approved the conditions for the termination of the employment relationship of Fabrizio Viola as of 15 October 2016. The Board also unanimously approved the co-opting of Marco Morelli as the new Chief Executive Officer and General Manager as of 20 September 2016. At the same board meeting, Chairman Massimo Tononi resigned from his position as Chairman and member of the Board of Directors of the Parent Company as of the end of the Shareholders' meeting for the approval of activities in preparation for the implementation of the transaction presented to the market on 29 July.

Under the chairmanship of Massimo Tononi, on **26 September 2016** the Board of Directors of the Parent Company held a meeting, the first one in which Marco Morelli participated as Chief Executive Officer and General Manager. Aside from ordinary matters, the meeting took stock of the extraordinary transaction announced on 29 July. In light of the rapid evolution of the market and the preliminary indications received from institutional investors, detailed analyses were launched in order to, inter alia, incorporate within the transaction structure the possibility of including a liability management exercise within the transaction (i.e., an offer to holders of debt instruments issued, or guaranteed, by the Parent Company, for the purpose of their voluntary conversion into capital) in accordance with methods still under development. The Board of Directors, confirming the objectives of the transaction announced on 29 July, intends to finalise the best structure to ensure its full success soon. The quick schedule of board meetings envisages the approval of the Business Plan at the time of the presentation of the Group results as at 30 September 2016; in addition, the Shareholders' Meeting will be held by the end of November 2016.

Significant events after the 3rd quarter of 2016

On **14 October**, the Parent Company's Board of Directors appointed Antonio Nucci as Chief Commercial Officer and Deputy General Manager of the Parent Company. At the same board meeting, a non-binding proposal sent by letter by Mr Passera and received on 13 October was also analysed relating to the potential capital strengthening of the Parent Company. In this regard, the Board of Directors granted a specific mandate to the Chief Executive Officer to initiate the necessary investigations.

With respect to the request for a plea bargain referring to the pending criminal trial before the Preliminary Hearing Judge of Milan, submitted by the Parent Company on 2 July 2016, the position was closed and, consequently, at the moment the Parent Company is not civilly liable for its former top management, now accused. With the plea bargain, accepted by the Preliminary Hearing Judge on **14 October 2016**, the Parent Company exits the proceedings as defendant in the administrative offence following crimes committed by its own former executives, limiting the consequences to an administrative financial penalty of EUR 600 mln and a confiscation, for EUR 10 mln, without exposing itself to the risk of higher penalties.

On **18 October**, the Parent Company's Board of Directors, which met under the chairmanship of Massimo Tononi, continued its investigations into the content of the Business Plan that will be approved on 24 October. In addition, in confirming its firm intention to continue to implement the recapitalisation transaction and the simultaneous transfer of doubtful loans previously disclosed to the market, the Board of Directors acknowledged the update from the Chief Executive Officer and the advisors regarding the non-binding proposal received from Mr Passera on 13 October. The Board decided to continue with its investigations through its advisors, just after the presentation of the Business Plan. Lastly, it was confirmed that the shareholders' meeting would be called by the end of October.

On **24 October**, the Parent Company's Board of Directors has approved to convene an Ordinary and Extraordinary Shareholders' Meeting in order to adopt the resolutions required to implement a transaction (the "Transacion"), aimed at (i) the derecognition of the portfolio of doubtful loans of BMPS as at 30 June 2016 amounting to up EUR 27.6 Bn GBV (excluding doubtful leasing loans equal to approx. EUR 0.9 Bn, to be transferred separately), also through distribution of the junior notes to shareholders of the Bank, and (ii) carrying out a recapitalisation of the Bank of up to EUR 5 Bn. For more details see the chapter "Prospects and outlook on operations" of this Consolidated interim report.

In the same meeting on **24 October,** the Parent Company's Board of Directors approved the Business Plan 2016-2019 of the bank that is based of 4 main pillars: i) *the relaunch of the commercial business* which is based on the acceleration of the digitalization process and an higher focus on the Retail, Small Business and Affluent channels; ii) *the renewal of the operating model focused on increasing efficiency* with the reduction of 2,600 FTEs, the increasing allocation of remaining FTEs to commercial activity and the closing of ca. 500 branches; iii) *the improvement of asset quality and credit risk management* that, together with the impacts arising from the "Transaction", will lead to a sustainable lower cost of risk; iv) *the strengthening of the liquidity and capital position* through the derecognition of the doubtful loans and the capital plan that will have positive impact in terms of key ratios

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Financial Statements

Consolidated Balance Sheet

	Assets	30 09 2016	31 12 2015
10	Cash and cash equivalents	941.4	1,188.8
20	Financial assets held for trading	18,746.3	18,017.4
40	Financial assets available for sale	17,002.0	17,191.2
60	Loans to banks	7,669.4	8,242.1
70	Loans to customers	104,612.4	111,366.4
80	Hedging derivatives	528.2	556.4
90	Change in value of macro-hedged financial assets (+/-)	216.4	139.6
100	Equity investments	910.7	908.4
120	Property, plant and equipment	2,657.0	2,741.7
130	Intangible assets	359.9	400.1
	of which: goodwill	*7.9*	*7.9*
140	Tax assets	4,236.0	5,542.5
	a) current	*1,004.6*	*2,229.1*
	b) deferred	*3,231.4*	*3,313.4*
	under Law 214/2011	*2,367.8*	*2,389.5*
150	Non-current assets and groups of assets held for sale and discontinued operations	19.6	29.3
160	Other assets	2,229.8	2,688.1
	Total Assets	**160,129.1**	**169,012.0**

follow: Consolidated Balance sheet

	Liabilities and Shareholders' Equity	30 09 2016	31 12 2015
10	Deposits from banks	25,282.4	17,493.1
20	Deposits from customers	79,065.2	87,806.3
30	Debt securities issued	24,820.9	29,394.4
40	Financial liabilities held for trading	13,802.7	15,921.7
50	Financial liabilities designated at fair value	1,575.3	2,073.9
60	Hedging derivatives	1,219.6	1,205.3
80	Tax liabilities	116.3	91.4
	a) current	*10.1*	*28.5*
	b) deferred	*106.2*	*62.9*
100	Other liabilities	4,153.3	4,039.9
110	Provision for employee severance pay	251.3	246.2
120	Provisions for risks and charges:	1,070.0	1,116.9
	a) post-employment benefits	*51.2*	*49.4*
	b) other provisions	*1,018.8*	*1,067.5*
140	Valuation reserves	(24.7)	(21.8)
170	Reserves	617.2	222.1
180	Share premium	-	6.3
190	Share capital	9,001.8	9,001.8
210	Non-controlling interests (+/-)	26.5	26.3
220	Profit (loss) (+/-)	(848.7)	388.2
	Total Liabilities and Shareholders' Equity	**160,129.1**	**169,012.0**

Consolidated Income statement

Items		30 09 2016	30 09 2015*
10	Interest income and similar revenues	2,547.1	3,123.0
20	Interest expense and similar charges	(1,043.1)	(1,429.0)
30	**Net interest income**	**1,504.0**	**1,694.0**
40	Fee and commission income	1,623.4	1,628.0
50	Fee and commission expense	(221.0)	(269.7)
60	**Net fee and commission income**	**1,402.4**	**1,358.3**
70	Dividends and similar income	13.2	18.4
80	Net profit (loss) from trading	151.6	759.9
90	Net profit (loss) from hedging	(1.7)	9.8
100	Gains/(losses) on disposal/repurchase of:	157.3	140.5
	a) loans	*(2.9)*	*(26.9)*
	b) financial assets available for sale	*112.4*	*176.1*
	d) financial liabilities	*47.8*	*(8.7)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	107.2	(5.6)
120	**Net interest and other banking income**	**3,334.0**	**3,975.3**
130	Net impairment (losses)/reversals on	(2,018.8)	(1,417.7)
	a) loans	*(2,021.6)*	*(1,413.9)*
	b) financial assets available for sale	*(18.4)*	*(6.1)*
	d) other financial transactions	*21.2*	*2.3*
140	**Net income from banking activities**	**1,315.2**	**2,557.6**
180	Administrative expenses:	(2,279.0)	(2,082.0)
	a) personnel expenses	*(1,239.4)*	*(1,259.3)*
	b) other administrative expenses	*(1,039.6)*	*(822.7)*
190	Net provisions for risks and charges	(3.6)	(59.9)
200	Net adjustments to/recoveries on property, plant and equipment	(81.2)	(90.1)
210	Net adjustments to/recoveries on intangible assets	(96.7)	(87.2)
220	Other operating expenses/income	292.7	281.9
230	**Operating expenses**	**(2,167.8)**	**(2,037.3)**
240	Gains (losses) on investments	66.2	212.7
270	Gains (losses) on disposal of investments	12.8	1.9
280	**Profit (loss) before tax from continuing operations**	**(773.6)**	**734.9**
290	Tax (expense)/recovery on income from continuing operations	(73.7)	(148.9)
300	**Profit (loss) after tax from continuing operations**	**(847.3)**	**586.0**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-
320	**Profit (loss)**	**(847.3)**	**586.0**
330	Profit (loss) attributable to non-controlling interests	1.4	1.3
340	**Parent company's net profit (loss)**	**(848.7)**	**584.7**

	30 09 2016	30 09 2015*
Basic Earnings per Share (Basic EPS)	**(0.289)**	**0.438**
of continuing operations	(0.289)	0.438
Diluted Earnings per Share (Diluted EPS)	**(0.289)**	**0.438**
of continuing operations	(0.289)	0.438

** The balances of the previous period were restated reflecting the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" of the 2015 financial statements, which are referenced for further details.*

Consolidated statement of comprehensive income

	Items	30 09 2016	30 09 2015*
10	**Profit (loss)**	**(847.3)**	**586.0**
	Other comprehensive income after tax not recycled to profit and loss	**(5.3)**	**15.7**
40	Actuarial gains (losses) on defined benefit plans	(5.1)	15.6
60	Share of valuation reserves of equity-accounted investments	(0.2)	0.1
	Other comprehensive income after tax recycled to profit and loss	**2.5**	**207.4**
80	Exchange differences	(1.9)	5.4
90	Cash flow hedges	35.6	30.6
100	Financial assets available for sale	(10.8)	124.4
110	Non current assets held for sale	(19.6)	(1.8)
120	Share of valuation reserves of equity-accounted investments	(0.8)	48.8
130	**Total other comprehensive income after tax**	**(2.8)**	**223.1**
140	**Total comprehensive income (Item 10+130)**	**(850.1)**	**809.1**
150	Consolidated comprehensive income attributable to non-controlling interests	1.4	1.3
160	**Consolidated comprehensive income attributable to Parent Company**	**(851.5)**	**807.8**

** The balances of the previous period were restated reflecting the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" of the 2015 financial statements, which are referenced for further details.*

Consolidated statement of changes in equity – 30 September 2016

	Balance as at 31 12 2015	Changes in opening balances	Balance as at 01 01 2016	Allocation of profit from prior year		Change during the period									Total Equity as at 30 09 2016	Group equity as at 30 09 2016	Non-controlling interest as at 30 09 2016
							Shareolder's equity transactions										
				Reserves	Dividends and other payout	Change in reserves	Issue of new share	Purchase of treasury share	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Change in equity investments	Total Comprehensive income for 30 09 2016			
Share capital	9,015.2	-	9,015.2	-	-	-	-	-	-	-	-	-	-	-	9,015.2	9,001.8	13.4
a) ordinary shares	9,015.2	-	9,015.2	-	-	-	-	-	-	-	-	-	-	-	9,015.2	9,001.8	13.4
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	6.5	-	6.5	(6.3)	-	-	-	-	-	-	-	-	-	-	0.2	-	0.2
Reserves:	231.7	-	231.7	396.2	-	(0.3)	-	-	-	-	-	-	(0.1)	-	627.5	617.2	10.3
a) from profits	440.1	-	440.1	307.4	-	-	-	-	-	-	-	-	(0.1)	-	747.4	737.1	10.3
b) other	(208.4)	-	(208.4)	88.8	-	(0.3)	-	-	-	-	-	-	-	-	(119.9)	(119.9)	-
Valuation reserves	(20.6)	-	(20.6)	-	-	-	-	-	-	-	-	-	-	(2.8)	(23.4)	(24.7)	1.2
Equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	389.9	-	389.9	(389.8)	(0.1)	-	-	-	-	-	-	-	-	(847.3)	(847.3)	(848.7)	1.4
Total equity	9,622.7	-	9,622.7	-	(0.1)	(0.3)	-	-	-	-	-	-	(0.1)	(850.1)	8,772.1	8,745.6	26.5
Group equity	9,596.4	-	9,596.4	-	-	(0.3)	-	-	-	-	-	-	1.0	(851.5)	8,745.6	8,745.6	X
Non-controlling interests	26.3	-	26.3	-	(0.1)	-	-	-	-	-	-	-	(1.1)	1.4	26.5	X	26.5

As at 30 September 2016 the net equity, including non-controlling interests and the result for the period, amounts to EUR 8,772.1 mln, as compared to EUR 9,622.7 mln as at 31 December 2015, with a total decrease of EUR 850.6 mln.

The most significant phenomena impacting the net equity, in addition to the EUR 847.3 mln loss for the period, were:

1. The profit of 2015, amounting to EUR 389.9 mln, for the portion attributed to the Parent Company was used to cover negative reserves, in compliance with the resolution issued by the Shareholders' Meeting on 14 April 2016;
2. The column "Changes in equity investments" includes the decrease in non-controlling interests referring to the upward change of the investment held by the Parent Company in the subsidiary MPS Capital Services S.p.A., in execution of its share capital increase finalised in February 2016;
3. The column "Changes in reserve" corresponding to the row "Reserves - Other" includes primarily the decrease in a shareholding investment in a subsidiary;
4. "Valuation reserves" show overall a negative change amounting to EUR 2.8 mln, the details of which are available in the Consolidated statement of comprehensive income;
5. Non-controlling interests is up by EUR 0.2 mln, largely as a result of the combination of what was discussed at point 2 and the comprehensive income for the period.

Consolidated statement of changes in equity – 30 September 2015

	Balance as at 31 12 2014	Changes in opening balances*	Balance as at 01 01 2015	Allocation of profit from prior year: Reserves	Allocation of profit from prior year: Dividends and other payout	Change during the period: Change in reserves	Shareolder's equity transactions: Issue of new share	Shareolder's equity transactions: Purchase of treasury share	Shareolder's equity transactions: Extraordinary distribution of dividends	Shareolder's equity transactions: Change in equity instruments	Shareolder's equity transactions: Treasury shares derivatives	Shareolder's equity transactions: Stock options	Shareolder's equity transactions: Change in equity investments	Total Comprehensive income for 30 09 2015**	Total Equity as at 30 09 2015	Group equity as at 30 09 2015	Non-controlling interest as at 30 09 2015
Share capital	12,497.6	-	12,497.6	(6,718.7)	-	-	3,236.3	-	-	-	-	-	-	-	9,015.2	9,001.8	13.4
a) ordinary shares	12,497.6	-	12,497.6	(6,718.7)	-	-	3,236.3	-	-	-	-	-	-	-	9,015.2	9,001.8	13.4
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	2.5	-	2.5	(2.3)	-	-	6.3	-	-	-	-	-	-	-	6.5	6.3	0.2
Reserves:	(483.0)	(563.5)	(1,046.5)	1,366.8	-	0.2	(88.8)	-	-	-	-	-	-	-	231.7	222.3	9.4
a) from profits	(187.4)	(563.5)	(750.9)	1,190.3	-	0.7	-	-	-	-	-	-	-	-	440.1	430.7	9.4
b) other	(295.6)	-	(295.6)	176.5	-	(0.5)	(88.8)	-	-	-	-	-	-	-	(208.4)	(208.4)	-
Valuation reserves	(684.2)	423.1	(261.1)	(45.8)	-	0.3	-	-	-	-	-	-	-	223.1	(83.5)	(84.7)	1.2
Equity instruments	3.0	-	3.0	(3.0)	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	(5,347.3)	(55.8)	(5,403.1)	5,403.0	(0.1)	-	-	-	-	-	-	-	-	586.0	585.8	584.5	1.3
Total equity	5,988.7	(196.2)	5,792.4	-	(0.1)	0.5	3,153.8	-	-	-	-	-	-	809.1	9,755.7	9,730.2	25.5
Group equity	5,965.0	(196.1)	5,768.8	-	-	(0.2)	3,153.8	-	-	-	-	-	-	807.8	9,730.2	9,730.2	X
Non-controlling interests	23.6	-	23.6	-	(0.1)	0.7	-	-	-	-	-	-	-	1.3	25.5	X	25.5

** The column "Changes in opening balances" is reflective of changes as at 31.12.2014 described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" in the Financial Statements of 2015, which are referenced for further details.*

*** The column of Comprehensive income as at 30 September 2015 was restated in order to reflect the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2015 financial statements, to which reference should be made.*

As at 30 September 2015 the net equity, including non-controlling interests and the result for the period, amounts to EUR 9,755.7 mln, as compared to EUR 5,792.4 mln as at 1 January 2015, with a total increase of EUR 3,963.3 mln.

The most significant phenomena impacting the net equity, in addition to the EUR 586.0 mln profit for the period, were:

1. in April 2015, the Ordinary Shareholders' Meeting of the Parent Company resolved to cover the 2014 loss for the year and the losses carried forward from previous years, for a total of EUR 7,320.1 mln, as follows:
   - for EUR 601.4 through the use of available reserves;
   - for the remainder of the loss, namely EUR 6,718.7 mln, the Extraordinary Shareholders' Meeting resolved to reduce capital, pursuant to article 2446 of the Italian Civil Code.

   After covering the losses, the Parent Company's share capital amounted to EUR 5,765.5 mln.
2. in June 2015, the share capital increase was completed, for EUR 2,993.2 mln, resulting in:
   - an increase in the "Share capital" item for the same amount;
   - a decrease in the item "Reserves - other" for EUR 88.8 mln, due to costs incurred for the transaction, net of the relative taxes;
   - an increase in the item "Share premium reserve" for EUR 5.4 mln, relating to the proceeds, net of taxes, on the sale of 1,054,573 option rights not exercised during the offering period and which were subsequently sold in the market.
3. in July 2015, in implementation of the resolution adopted by the Board of Directors of the Parent Company on 21 May 2015, an additional capital increase was completed for EUR 243.1 mln, used exclusively for the payment in shares of the interest accrued as at 31 December 2014 on the New Financial Instruments, in favour of the Ministry of Economy and Finance, pursuant to the regulations governing them.

   The "Share capital" item of the Parent Company as at 30 September 2015 amounted to EUR 9,001.8 mln following the three events mentioned above.
4. the "Valuation reserves" show a positive change for the period primarily attributable to comprehensive income, amounting to EUR 223.1 mln, the details of which are shown in the relative statement.

Non-controlling interests grew EUR 1.9 mln, largely as a result of comprehensive income for the period.

Consolidated cash flow statement - indirect method

A. OPERATING ACTIVITIES	30 09 2016	30 09 2015*
1. Cash flow from operations	**906.5**	**(90.9)**
profit (loss) (+/-)	(847.3)	586.0
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(356.3)	(1,514.5)
net profit (loss) from hedging	1.7	(9.8)
net impairment losses/reversals	1,829.3	1,100.9
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	177.9	177.3
net provisions for risks and charges and other costs/revenues (+/-)	14.6	68.7
tax espense (recovery) on income from continuing operations	73.7	115.2
other adjustments	12.9	(614.7)
2. Cash flow from (used in) financial assets	**7,149.9**	**11,162.3**
financial assets held for trading	(515.8)	2,619.6
financial assets available for sale	420.5	(86.6)
loans to banks: on demand	545.1	1,276.0
loans to customers	4,911.1	6,117.3
other assets	1,789.0	1,236.0
3. Cash flow from (used in) financial liabilities	**(8,282.6)**	**(14,440.1)**
deposits from banks: on demand	7,789.3	(9,842.8)
deposits from customers	(8,741.1)	1,888.3
debt securities issued	(4,655.4)	(1,501.2)
financial liabilities held for trading	(2,095.0)	(3,820.3)
financial liabilities designated at fair value	(379.5)	(368.9)
hedging derivatives	-	1,600.9
other liabilities	(200.9)	(2,396.1)
Net cash flow from (used in) operating activities	**(226.2)**	**(3,368.7)**

follow: Consolidated cash flow statement – indirect methods

B. INVESTMENT ACTIVITIES	30 09 2016	30 09 2015*
1. Cash flow from	**70.8**	**345.7**
sales of equity investments	13.4	218.2
dividends collected on equity investments	56.4	121.6
sales of property, plant and equipment	0.6	5.7
sales of intangible assets	0.4	0.2
2. Cash flow used in	**(91.9)**	**(82.0)**
purchase of property, plant and equipment	(38.8)	(19.5)
purchase of intangible assets	(53.1)	(62.5)
Net cash flow from (used in) investment activities	**(21.1)**	**263.7**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	-	2,910.7
dividend distribution and other	(0.1)	(0.1)
Net cash flow from (used in) funding activities	**(0.1)**	**2,910.6**

NET CASH FLOW FROM (USED IN) OPERATING, INVESTM	**(247.4)**	**(194.4)**

Reconciliation

Accounts	30 09 2016	30 09 2015*
Cash and cash equivalent at beginning of period	1,188.8	1,006.6
Net increase (decrease) in cash and cash equivalents	(247.4)	(194.4)
Cash and cash equivalents at end of period	941.4	812.2

** The balances of the previous period were restated reflecting the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" of the 2015 financial statements, which are referenced for further details.*

EXPLANATORY NOTES

Accounting policies

General accounting standards

Legislative Decree 25 of 15 February 2016, which transposes the new Transparency Directive (2013/50/EU), has removed the publication requirement for interim reports, previously set forth by paragraph 5 of art. 154-ter of the Consolidated Law on Finance. The recent decree also attributes to CONSOB the right to establish any further disclosure requirements, in addition to the annual financial statements and the half-year report, only after an impact assessment that also takes into account the policy adopted by other EU countries.

On 5 August 2016, CONSOB published a consultation paper on interim reports on its website and invited the market, on the basis of the results of the preliminary consultation launched in April 2016, to provide an opinion on its regulatory proposals in this regard.

In particular, CONSOB submitted a proposal to the market to leave it up to the listed companies themselves to decide whether to publish periodic financial reports other than annual and half-year report.

Any companies that choose to publish additional financial reports will need to notify the market of this decision, specifying the relative informational elements, so as to ensure that the decisions taken are clear and stable over time. So that the policy is sufficiently stable, the decision to suspend publication must be justified and made public, and it will come into effect starting in the subsequent year. The same issuers must also report the timing expected for the publication of that information and guarantee the consistency, accuracy and comparability of the information disclosed to the public with previous financial reports. The regulatory proposal envisages the introduction within the Issuers' Regulation of the new article 82-ter (Additional periodic financial information), based on the regulatory mandate granted to CONSOB by art. 154-ter, paragraph 5 of the Consolidated Law on Finance. The consultation was completed on 19 September 2016.

Pending the complete definition of the regulatory framework, the Group has decided to voluntarily provide the Interim Report on Operations in order to ensure continuous disclosure to the market with respect to operational and financial performance. This decision is not binding for the future, as it could be revised in light of regulatory evolutions.

In addition, the Interim Report on Operations incorporates non-financial company information providing the details on the activities, capital, risks and relations that are significant to the Group's current and future performance. This document highlights the key developments with respect to the contents of the 2015 Financial Statements, to which the reader is referred for a more complete overview of the topics.

Statement of compliance with international accounting principles

This Interim consolidated financial statements of the Monte dei Paschi di Siena Group as at 30 September 2016, approved by the Board of Directors on 24 October 2016, was drafted on the basis of the IAS/IFRS currently in force[1], with no exceptions applied.

In order to prepare this Interim consolidated financial statements, the provisions of IAS 34 "Interim financial reporting" were adopted, in relation to the upcoming publication of the Registration Document, taking into account the planned capital increase within the overall transaction, as described in the "Prospects and outlook on operations" section. The preparation of this Interim consolidated financial statements does not modify the definition of the interim financial reporting period, which continues to be six months.

[1] These standards, transposed into our legal system by Legislative Decree 38/2005 which exercised the option laid out by EC Regulation 1606/2002 on international accounting standards, are applied based on the occurrence of the events they govern as of their obligatory date of application, if not specified otherwise.

With specific reference to the classification, recognition, valuation and derecognition of the various asset and liability entries, as well as the methods for recognising revenue and costs, the accounting standards used for the preparation of this Interim consolidated financial statements are the same as those used for preparation of the Consolidated Annual Report as at 31 December 2015, to which the reader is referred for more detail[2], with the exception of the entry into force as of 2016 of certain amendments to a number of international accounting standards listed below, none of which are significant for the Group.

The Interim consolidated financial statements, prepared using the Euro as the reporting currency, comprises the Consolidated Balance Sheet, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the Explanatory Notes; the tables of the Interim consolidated financial statements and the Explanatory Notes, unless otherwise noted, are prepared in millions of Euro.

The Interim consolidated financial statements were prepared based on a going assumption, according to the generally accepted principles of accrual accounting, relevance and materiality of information, priority of substance over form and with a view to encouraging consistency with future statements.

In addition, the "Reconciliation between the reclassified consolidated income statement and balance sheet and the related statutory accounts" and the "Pro-forma consolidated statements for the representation of the so-called "Alexandria" transaction in "open balances", following the previous statements", are herewith attached.

The Interim consolidated financial statements show, in addition to the amounts pertaining to the relevant period, also the corresponding comparison data as at 30 September 2015 for the Income Statement and 31 December 2015 for the Balance Sheet.

The layouts used and the rules for preparing the financial statements are consistent with the provisions of Circular no. 262 issued by the Bank of Italy by measure of 22 December 2005 as amended.

The Consolidated interim report as at 30 September 2016 is accompanied by the Declaration of the Financial Reporting Officer, pursuant to paragraph 2 of art. 154 bis of the Consolidated Law on Finance, and is subject to a limited review.

Following are the accounting standards, the mandatory application of which, for the Group, started on 1 January 2016.

In November 2013, the IASB published the amendment to **IAS 19 "Employee contributions to defined benefit plans"**. The amendment clarifies the accounting of contributions from employees (or third parties) to defined benefit plans. More specifically, it outlines the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service, with a view to simplifying the accounting of contributions which are not dependent on the number of years of service, but which, for example, are determined as a fixed percentage of salary. The amendment was endorsed by the European Commission with Regulation no. 2015/29 on 17 December 2014 and is mandatorily to be applied for annual periods beginning on or after 1 February 2015.

On 12 December 2013 the IASB issued a set of amendments to the IFRSs as part of the **project "Improvements to international accounting standards, 2010-2012 cycle"**, relating to the topics briefly summarised below:

a) **IFRS 2 "Share-based payments".** The definitions of "vesting condition" and "market condition" were amended and definitions of "performance condition" and "service conditions" (which were previously part of the definition of "vesting condition") were added.

[2] *Notes to the financial statements - Part A – Accounting policies of the Consolidated Financial Statements as at 31 December 2015.*

b) **IFRS 3 "Business combinations".** The amendment clarifies that contingent consideration that is classified as asset or a liability shall be measured at fair value at each reporting date subsequent to first-time recognition.

c) **IFRS 8 "Operating segments".** The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.

d) **IFRS 13 "Fair value measurement"**. The amendment clarifies that amending IAS 39 and IFRS 9 following the publication of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of discounting is immaterial.

e) **IAS 16 "Property, plant and equipment"**. The amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

f) **IAS 24 "Related party disclosures".** The amendment clarifies that an entity providing key management personnel services to the reporting entity is a related party of the reporting entity.

g) **IAS 38 "Intangible assets".** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The document was endorsed by the European Commission with Regulation no. 2015/28 on 17 December 2014 and is mandatorily to be applied for annual periods beginning on or after 1 February 2015.

On 6 May 2014, the IASB issued some amendments to IFRS 11 "**Joint Arrangements**" regarding accounting for the acquisition of a joint operation if such operation possesses a business. The amendments require the application of IFRS 3 Business Combinations relating to the recognition of the effects of a business combination to recognise the acquisition of a joint operation in which the activity constitutes a business. The document was endorsed by the European Commission on 24 November 2015 with Regulation no. 2015/2173 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

On 12 May 2014, the IASB published "**Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**", in order to clarify that a revenue-based amortisation method is not considered to be appropriate as it only reflects the revenue generated by the asset and not the method of consumption of economic benefits incorporated in the asset.
The European Commission endorsed the amendment with Regulation 2015/2231 on 2 December 2015. The new standards apply as of 1 January 2016, but early adoption is permitted.

On 25 September 2014, the IASB issued the document "**Annual Improvements to IFRSs: 2012-2014 Cycle**" regarding the topics briefly summarised below:

a) **IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations":** the amendment regards specific cases in which an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution or vice versa, or when an asset can no longer be classified as held for distribution. The amendments clarify that:
   - these reclassifications should not be considered a change in a plan to sell or a distribution plan, and the same classification and measurement criteria remain in force;
   - assets that no longer fulfil held-for-distribution classification criteria should be treated in the same way as assets for which held-for-sale accounting is discontinued.

b) **IFRS 7 "Financial Instruments: Disclosure**: the amendment provides additional guidance to clarify the following aspects:

- whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.
- offsetting disclosures are not explicitly required for all interim financial statements, although they could be necessary to comply with the requirements established by IAS 34 if this information is significant.

c) **IAS 19 "Employee Benefits":** high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The depth of the market for high quality corporate bonds should be assessed at currency level.

d) **IAS 34 "Interim Financial Reporting":** if the required disclosure is presented in the interim financial report but outside of the interim financial statements, the disclosure must be incorporated in the interim financial statements by cross-reference to other parts of the interim financial report. This document is provided to users of financial statements in the same manners and with the same timing as the interim financial statements.

The document was endorsed by the European Commission with Regulation no. 2015/2343 on 15 December 2015 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

On 18 December 2014 the IASB issued "**Amendments to IAS 1: Disclosure Initiative**" which has the clear objective of encouraging the use of professional judgement in determining the information to be included in the disclosure.

The following aspects are clarified in that document:

- as regards the materiality of information, the disclosure should not be compromised by aggregation or the presentation of irrelevant information; the assessment of materiality applies to the entire financial statements and prevails even when a specific disclosure is required by a standard.
- in the income statement, statement of comprehensive income and statement of financial position, specific items may be separated and combined as a pertinent and additional guide to the statement subtotals;
- the entity may define the order of presentation of the notes in order to facilitate understanding and comparison.

The IASB also eliminated the instructions and examples for identifying significant accounting policies.

The document was endorsed by the European Commission with Regulation no. 2015/2406 on 18 December 2015 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

On 12 August 2014, the IASB issued the document "**Equity Method in Separate Financial Statements - Amendments to IAS 27**", which introduced the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. As a result, an entity may recognise such investments in its separate financial statements based on one of the following methods:

- at cost; or
- according to IFRS 9 (or IAS 39); or
- using the equity method.

The document was endorsed by the European Commission with Regulation no. 2015/2441 on 18 December 2015 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

The application of the abovementioned new accounting rules didn't produce any significant impacts on this Interim consolidated financial statements.

Going concern

As known, the Parent Company has initiated certain activities aimed at addressing the non-performing exposures (NPE) through specific sales transactions. In this context the draft decision of the ECB of 23 June 2016 should be read, in which it was required to adhere to specific reduction targets of the doubtful loans (sofferenze) portfolio, whose main contents were communicated to the market on July 4, 2016. In addition, the EBA EU-wide stress tests in 2016 disclosed on July 29, 2016 results have scored for the Group a strong reduction of CET1 under the adverse scenario. The 2016 Stress Test does not have a threshold of success / failure, but is instead designed as a significant element of information as part of the supervision process for 2016 (SREP). The results will then be used by the competent authorities to assess the parent's ability to comply with regulatory constraints in stressed scenarios on the basis of common methodologies and assumptions.

In any case, in respect of prudential requirements, it should be noted that at the request of the ECB, the Parent Company is currently required to comply with the basis of established target ratios of total capital and Tier 1 common equity of 10.9% and 10.2% . As of December 31, 2016, the target ratio of CET 1 is raised to 10.75%. The target ratios required by the ECB will have to be respected at all times in which the Authority's decision is in force; similarly, during this period the parent company may not distribute dividends to shareholders or pay cash flows to holders of Additional Tier 1 instruments. As at September 30, 2016, the CET1 on a consolidated basis was equal to 11.49%, a level significantly higher than the required one.

In this context and with particular reference to the risk profile of the Group and the stock of non performing exposures, the Board of Directors of the Parent Company approved an operation to strengthen capital announced to the market on July 29, 2016. More specifically, the operation provides a combination of transactions related to each other, namely:

- de-recognition from the financial statements of BMPS of large part of the doubtful loans portfolio;
- recapitalization of the Bank.

For this purpose the Board of Directors on October 24, 2016, convened the Extraordinary Shareholders Meeting to approve, through a mechanism of delegation, a capital increase for a maximum of 5 billion euro, also separately, with the exclusion or limitation of pre-emption right.

The completion of the transaction will allow the Parent Company to:

- comply with the reduction targets of the doubtful loans (sofferenze) portfolio required within the ECB's draft letter, whose main contents were communicated to the market on July 4, 2016;
- reduce the risk profile of the Bank;
- significantly improve the future profitability of the Bank for the benefit of all stakeholders.

The Transaction will also allow the Parent Company to remove most of the critical factors that in the EU-wide 2016 EBA stress tests have recorded a sharp reduction of CET1 under the adverse scenario.

The completion of the Transaction is subject, inter alia, to the receipt of all the regulatory and supervisory bodies approvals.

With reference to the operations envisaged, it is mentioned that the doubtful loans (sofferenze) portfolio underlying the securitization, the doubtful lease portfolio and the doubtful loans (sofferenze) collection platform, were not reclassified as " non-current assets and groups of assets held for sale ", as the conditions required under IFRS5 were not met at the reference date of this Interim consolidated financial statements.

It should also be noted that an inspection by the ECB and the Bank of Italy was launched in May 2016, concerning the risks of credit, counterparty and the internal control system, the conclusion of which is scheduled by the end of 2016. In particular, the purpose of the inspection is to conduct a review on the process of credit risk management and control system at various levels.

As required by the accounting principles, and with reference to the indications given in the context of Document # 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and IVASS and subsequent updates, the Bank, having assessed the status of implementation of the project outlined above, the remaining uncertainties related to the fulfillment of the conditions for its implementation as well as to the possible outcome of the aforementioned inspection in due course by the ECB, subject to the actual completion of the Transaction, has a reasonable expectation to continue in operational existence for the foreseeable future and it has therefore prepared its interim financial statements under the going concern assumption.

Risks and uncertainties relating to the use of estimates and significant accounting choices

In accordance with the IFRSs, management is required to formulate assessments, estimates and forecasts which may have an influence on the application of the accounting principles as well as on the amounts of assets/liabilities and costs/revenues recognised in the financial statements. Estimates and related forecasts are based on past experience or other factors deemed reasonable in the specific circumstances and were made to estimate the carrying value of assets and liabilities that cannot be easily inferred from other sources. In particular, estimates were used in support of the carrying amounts recognised for the most significant items posted in the Interim consolidated financial statements as at 30 September 2016, in accordance with the afore-mentioned accounting principles and regulatory provisions. Production of these estimates involves the use of available information and adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

For details about risks and uncertainties related to the use of estimates, see the Financial Statements 2015.

Disclosure on changes in accounting estimates

Pursuant to paragraphs 39-40 of IAS 8, it should be noted that during the period the Bank updated the criteria for estimating loans and deferred tax assets (DTA).

As regards loans, having assessed the new recovery model outlined in the Business Plan 2017-2019 and the indications provided in the "Draft guidance to banks on non – performing loans" issued by the ECB in September, it has been updated the methodology for the calculation of the discounting adjustment, and increased the threshold for the individual impairment of Unlikely to pay exposures.

The update in the estimated time to recovery of the expected future cash flows of the Unlikely to pay exposures led to an increase in the average discounting period from around 2-2.5 years to around 5-6 years, with a gross impact, recognized in the income statement for the period, equal to Euro 531.3 million.

With regard to the increase in the threshold for the individual impairment of Unlikely to pay exposures, it has been raised from EUR 20,000 to Euro EUR 150,000, with a gross negative impact, recognized in the income statement for the period, equal to approximately Euro 218 million. As a result of this change, the impairment methodology has been made consistent with the recovery process, which provides for the outsourcing of exposures of up to EUR 150,000 with an "industrial" approach.

The method for carrying out the probability test established in IAS 12 for the recognition of DTAs was also revised. This update in methodology was required in light of unused tax losses, the tax loss being accrued as at 30 September 2016 and the resulting variance with respect to forecasts as well as the planned transaction for the deconsolidation of doubtful loans which, in combination, extended the deferred tax asset recovery horizon. The decision to update the policy also results from changes in tax regulations, including the change in the tax regime for impairment losses on customer loans (Law

Decree 83/2015), which now allows for their full deductibility in the year in which they are recognised. The methodology evolution introduced in the probability test consists of applying an increasing discount factor to future taxable income (the "risk adjusted profits approach") so as to reflect with the greatest possible reasonableness the probability of it being generated.

This methodology, applied to the most recent forecasts regarding the Group's future income outlined in the new 2017-2019 Business Plan, resulted in the write-down of the DTAs previously recognised by approximately EUR 256 mln and the non-recognition of DTAs connected to the tax loss being accrued as at 30 September 2016 of approximately EUR 237 mln.

The changes in accounting estimates also take into account the most recent developments observed in macroeconomic and sectorial variables.

Scope and methods of consolidation

Investments in subsidiaries

	Name	Headquarters	Registered Office	Type of relationship (*)	Ownership Relationship: Held by	Ownership Relationship: areHolding	Available votes % (**)
A	**Companies**						
A.0	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena	Siena				
	A.1 Companies consolidated on a line-by-line basis						
A.1	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	Florence	1	A.0	99.979	
A.2	MPS LEASING E FACTORING BANCA PER I SERVIZI	Siena	Siena	1	A.0	100.000	
A.3	MONTE PASCHI FIDUCIARIA S.p.a.	Siena	Siena	1	A.0	100.000	
A.4	WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1	A.0	100.000	
A.5	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Castelnuovo Berardenga	Castelnuovo Berardenga	1	A.0	100.000	
A.6	G.IMM ASTOR S.r.l.	Lecce	Lecce	1	A.0	52.000	
A.7	AIACE REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.8	ENEA REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.9	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	Siena	1	A.0	99.790	
					A.1	0.060	
					A.2	0.030	
					A.4	0.030	
						99.910	
A.10	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Siena	Siena	1	A.0	98.914	98.716
					A.1	0.120	0.142
					A.2	0.049	0.057
					A.3	0.012	0.014
					A.9	0.905	1.072
						100.000	
A.11	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	Mantua	1	A.0	100.000	
A.12	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE S.p.a.	Rome	Rome	4	A.0	40.197	
A.13	BANCA MONTE PASCHI BELGIO S.A.	Brussels	Brussels	1	A.0	99.900	
					A.1	0.100	
						100.000	
A.14	MPS PREFERRED CAPITAL I LLC	New York	Delaware	1	A.0	100.000	
A.15	MPS PREFERRED CAPITAL II LLC	New York	Delaware	1	A.0	100.000	
A.16	MPS CAPITAL TRUST I	New York	Delaware	4			
A.17	MPS CAPITAL TRUST II	New York	Delaware	4			
A.18	MONTE PASCHI BANQUE S.A.	Paris	Paris	1	A.0	100.000	
18.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Paris	Paris		A.18	100.000	
18.2	IMMOBILIERE VICTOR HUGO S.C.I.	Paris	Paris		A.18	100.000	
A.19	MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	Luxembourg	1	A.0	99.200	
					A.18	0.800	
						100.00	
A.20	ANTONVENETA CAPITAL L.L.C. I	New York	Delaware	1	A.0	100.000	
A.21	ANTONVENETA CAPITAL L.L.C. II	New York	Delaware	1	A.0	100.000	
A.22	ANTONVENETA CAPITAL TRUST I	New York	Delaware	1	A.0	100.000	
A.23	ANTONVENETA CAPITAL TRUST II	New York	Delaware	1	A.0	100.000	
A.24	MPS COVERED BOND S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.25	MPS COVERED BOND 2 S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.26	CIRENE FINANCE S.r.l.	Conegliano	Conegliano	1	A.0	60.000	
A.27	CONSUM.IT SECURITISATION S.r.l.	Conegliano	Conegliano	1	A.0	100.000	
A.28	SIENA MORTGAGES 07-5 S.p.a.	Conegliano	Conegliano	4	A.0	7.000	
A.29	SIENA MORTGAGES 09-6 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.30	SIENA MORTGAGES 10-7 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.31	SIENA CONSUMER S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.32	SIENA CONSUMER 2015 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.33	SIENA PMI 2015 S.r.l.	Milan	Milan	4	A.0	10.000	
A.34	SIENA LEASE 2016 2 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.35	SIENA PMI 2016 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.36	CASAFORTE S.r.l.	Rome	Rome	4	A.0	-	
A.37	PATAGONIA FINANCE S.A.	Luxembourg	Luxembourg	4	A.0	-	

(*) Type of relationship:

1. = majority of voting rights at ordinary shareholders' meetings
2. = dominant influence at ordinary shareholders' meetings
3. = agreements with other shareholders
4. = other forms of control
5. = unified management under art. 26 paragraph 1 of Leg. Decree 87/92
6. = unified management under art. 26 paragraph 2 of Leg. Decree 87/92

(**) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential

The Interim consolidated financial statements includes the balance sheet and income statement data of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of their being going concerns or wound-up companies, or of whether the equity investment consists of a merchant banking transaction. The scope of consolidation includes all types of entities, regardless of nature, for which the new concept of control introduced by IFRS 10 applies. Structured entities are also consolidated when the requirement of actual control recurs, even if there is no stake in the entity.

For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2015 Consolidated Financial Statements, Part A "Accounting Policies".

The vehicle Siena PMI 2016 S.r.l. was included in the scope of consolidation during the reporting period.

Income statement and balance sheet reclassification principles

As regards the approach adopted for the Financial Statements 2015, also confirmed in the previous Interim reports, the reclassified income statement was amended by introducing the new item "DTA fee". The DTA (Deferred Tax Assets) fee, that can be converted into tax credit, as set forth in art. 11 of Law Decree no. 59 of 3 May 2016, converted into Law no. 119 of 30 June 2016, recognised as a counter entry under the item of the Income Statement 180b "Other administrative expenses", is recognised under said item.

In the statements with financial and economic reclassified data, the comparison figures of 2015 are restated (and therefore differ from those published in the interim report on operations as at 30 September 2015) in order to guarantee an accurate report for the public as regards the representation criteria of the impacts of the "Alexandria" transaction. For additional information, please refer to the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", in the consolidated notes to the financial statements of 2015.

Reclassified income statement

a) The item "**Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities**" includes item 80 "Net profit (loss) from trading", item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and item 110 "Net profit (loss) from financial assets and liabilities designated at fair value". The item incorporates dividends earned on securities other than equity investments (EUR 3.6 mln).

b) The item "**Dividends, similar income and gains (losses) on investments**" incorporates the item 70 "Dividends and similar income" and a portion of item 240 "Gains (losses) on investments" (around EUR 57 mln, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity). Dividends earned on securities other than equity investments, as outlined above, have also been eliminated from the aggregate.

c) The item "**Other operating expenses (income)**" includes the balance of item 220 of the financial statements "Other operating expenses (income)" net of the recovery of stamp duty and customer expenses, which are stated under the reclassified item "Other administrative expenses".

d) The item "**Other administrative expenses**" includes the balance of item 180b of the financial statements "Other administrative expenses", reduced by the following cost items:

   i. Expenses, amounting to EUR 102 mln, resulting from EU BRRD directives for the resolution of bank crises (posted under the reclassified item "Risks and charges associated with SRF, DGS and similar schemes");

   ii. DTA fee, convertible into tax credit, for a total amount of EUR 124 mln (posted to the reclassified item "DTA fee").

   This item includes also the portion of stamp duty and client expenses recovery (approx. EUR 281 mln) posted under item 220 "Other operating expenses/income".

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

f) The item "**Risks and charges associated with SRF, DGS and similar schemes**" includes the expenses deriving from the EU directives DGSD for deposit guarantee and BRRD for the resolution of bank crises, posted in the financial statements under item 180b "Other administrative expenses". As at 30 September 2016, there were charges recognised associated with SRF (approximately EUR 72 mln) and with DGS (estimated at around EUR 30 mln).

g) The item "**DTA fee**" includes the expenses related to the fees paid on DTA that can be converted into tax credit as set forth in art. 11 of Law Decree no. 59 of 3 May 2016, converted into Law no. 119 of 30 June 2016, recognised in the Financial Statements item 180b "Other administrative expenses".

h) The item "**Gains (losses) on investments**" includes the balance of item no. 240 "Gains (losses) on investments" after deducting the portion of profit for the period contributed by investments in the associate AXA, consolidated at equity and posted under the reclassified item "Dividends, similar income and gains (losses) on investments".

i) The overall negative effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular "**Interest income**" for EUR 14.7 mln and **Depreciation/amortisation** for EUR 20.7 mln, net of a theoretical tax burden of EUR -11.7 mln which integrates the item).

Reclassified balance sheet

j) The item "**Tradable financial assets**", under Assets, includes the financial statements item 20 "Financial assets held for trading" and item 40 "Financial assets available for sale".

k) The item "**Other assets**", under Assets, includes the financial statements 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 available for sale and discontinued operations" and item 160 "Other assets".

l) The item "**Deposits from customers and debt securities issued**" under Liabilities, includes the financial statements item 20 "Deposits from customers", item 30 "Debt securities issued" and item 50 "Financial liabilities designated at fair value".

m) The item "**Other liabilities**", under Liabilities, includes the financial statements 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 available for sale and discontinued operations" and item 100 "Other liabilities".

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The reconciliation between the statutory accounts and the reclassified consolidated income statement and balance sheet are included in the "Annexes" section.

Reclassified consolidated income statement

Reclassified Consolidated Income Statement				
	30/09/16	30/09/15	Change	
Montepaschi Group		(*)	Abs.	%
Net interest income	1,518.7	1,717.5	(198.8)	-11.6%
Net fee and commission income	1,402.4	1,358.3	44.1	3.2%
Income from banking activities	**2,921.1**	**3,075.8**	**(154.7)**	**-5.0%**
Dividends, similar income and gains (losses) on equity investments	66.5	95.1	(28.6)	-30.1%
Net profit (loss) from trading/ valuation of financial assets	419.7	904.2	(484.5)	-53.6%
Net profit (loss) from hedging	(1.7)	9.8	(11.5)	-117.3%
Other operating income (expenses)	11.9	13.1	(1.2)	-9.1%
Total Revenues	**3,417.5**	**4,098.0**	**(680.5)**	**-16.6%**
Administrative expenses:	(1,771.9)	(1,810.4)	38.5	-2.1%
a) personnel expenses	(1,239.4)	(1,256.5)	17.1	-1.4%
b) other administrative expenses	(532.5)	(553.9)	21.4	-3.9%
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(157.2)	(156.6)	(0.6)	0.4%
Operating expenses	**(1,929.1)**	**(1,967.0)**	**37.9**	**-1.9%**
Pre Provision Profit	**1,488.4**	**2,131.0**	**(642.6)**	**-30.2%**
Net impairment losses (reversals) on:	**(2,018.8)**	**(1,417.7)**	**(601.1)**	**42.4%**
a) loans	(2,021.6)	(1,413.9)	(607.7)	43.0%
b) financial assets	2.8	(3.8)	6.6	n.s.
Net operating income	**(530.4)**	**713.3**	**(1,243.7)**	**n.s.**
Net provisions for risks and charges	(3.6)	(5.3)	1.7	-32.1%
Gains (losses) on investments	9.3	126.6	(117.3)	-92.7%
Restructuring costs / One-off costs	-	(2.8)	2.8	n.s.
Risks and charges related to the SRF, DGS and similar schemes	(102.0)	(54.6)	(47.4)	86.8%
DTA Fee	(124.3)	-	(124.3)	n.s.
Gains (losses) on disposal of investments	12.8	1.9	10.9	n.s.
Profit (loss) before tax from continuing operations	**(738.2)**	**779.1**	**(1,517.3)**	**n.s.**
Tax expense (recovery) on income from continuing operations	(85.4)	(163.5)	78.1	-47.8%
Profit (loss) after tax from continuing operations	**(823.6)**	**615.6**	**(1,439.2)**	**n.s.**
Net profit (loss) for the period including non-controlling interests	**(823.6)**	**615.6**	**(1,439.2)**	**n.s.**
Net profit (loss) attributable to non-controlling interests	1.4	1.3	0.1	7.7%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(825.0)**	**614.3**	**(1,439.3)**	**n.s.**
PPA (Purchase Price Allocation)	(23.7)	(29.6)	5.9	-19.9%
Net profit (loss) for the period	**(848.7)**	**584.7**	**(1,433.4)**	**n.s.**

(*) *The balances of previous period were restated in order to reflect the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2015 financial statements, to which reference should be made.*

Quarterly trend in reclassified consolidated income statement						
	2016			2015		
Montepaschi Group	3°Q 2016	2°Q 2016	1°Q 2016	3°Q 2015 (*)	2°Q 2015 (*)	1°Q 2015 (*)
Net interest income	483.5	486.9	548.3	556.8	553.9	606.8
Net fee and commission income	461.7	483.8	456.9	431.1	484.2	443.0
Income from banking activities	**945.2**	**970.7**	**1,005.2**	**987.9**	**1,038.1**	**1,049.8**
Dividends, similar income and gains (losses) on equity investments	23.3	23.9	19.3	28.7	42.1	24.3
Net profit (loss) from trading/ valuation of financial assets	102.7	151.3	165.7	458.9	163.6	281.7
Net profit (loss) from hedging	(0.4)	(1.4)	0.1	(6.3)	0.2	15.9
Other operating income (expenses)	2.2	14.7	(5.0)	0.5	11.3	1.3
Total Revenues	**1,073.0**	**1,159.1**	**1,185.4**	**1,469.6**	**1,255.3**	**1,373.0**
Administrative expenses:	(595.1)	(582.1)	(594.7)	(601.7)	(603.7)	(604.9)
a) personnel expenses	(418.4)	(403.4)	(417.6)	(422.7)	(414.5)	(419.4)
b) other administrative expenses	(176.7)	(178.7)	(177.1)	(179.1)	(189.3)	(185.5)
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(55.2)	(51.7)	(50.3)	(54.5)	(53.7)	(48.4)
Operating expenses	**(650.3)**	**(633.8)**	**(645.0)**	**(656.2)**	**(657.4)**	**(653.3)**
Pre Provision Profit	**422.7**	**525.4**	**540.3**	**813.4**	**597.9**	**719.7**
Net impairment losses (reversals) on:	**(1,301.6)**	**(368.0)**	**(349.2)**	**(435.3)**	**(528.2)**	**(454.2)**
a) loans	(1,303.3)	(372.4)	(345.9)	(429.9)	(515.8)	(468.2)
b) financial assets	1.7	4.4	(3.3)	(5.4)	(12.4)	14.0
Net operating income	**(878.9)**	**157.4**	**191.1**	**378.1**	**69.7**	**265.5**
Net provisions for risks and charges	(27.5)	29.2	(5.3)	43.3	(18.8)	(29.8)
Gains (losses) on investments	1.6	0.2	7.5	1.5	124.9	0.2
Restructuring costs / One-off costs	-	-	-	(2.2)	(0.3)	(0.2)
Risks and charges related to the SRF, DGS and similar schemes	(31.2)	0.3	(71.1)	(54.6)	-	-
DTA Fee	(15.5)	(108.8)	-	-	-	-
Gains (losses) on disposal of investments	12.8	-	-	0.9	0.6	0.4
Profit (loss) before tax from continuing operations	**(938.7)**	**78.3**	**122.2**	**367.0**	**176.0**	**236.1**
Tax expense (recovery) on income from continuing operations	(203.9)	139.2	(20.7)	(102.5)	18.1	(79.1)
Profit (loss) after tax from continuing operations	**(1,142.6)**	**217.5**	**101.5**	**264.5**	**194.2**	**157.0**
Net profit (loss) for the period including non-controlling interests	**(1,142.6)**	**217.5**	**101.5**	**264.5**	**194.2**	**157.0**
Net profit (loss) attributable to non-controlling interests	0.6	0.3	0.5	0.5	0.3	0.5
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(1,143.2)**	**217.2**	**101.0**	**264.0**	**193.9**	**156.5**
PPA (Purchase Price Allocation)	(7.5)	(8.3)	(7.9)	(8.2)	(8.7)	(12.8)
Net profit (loss) for the period	**(1,150.7)**	**208.9**	**93.1**	**255.8**	**185.2**	**143.7**

(*) The balances of the first three quarters of previous period were restated, reflecting the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" of the 2015 financial statements, which are referenced for further details.

Trends in revenues

In the first nine months of 2016, the Group recorded total **Revenues** of approximately **EUR 3,418 mln**, down by 16.6% compared to the same period of the previous year, due to the downturn in net interest income and in trading activity, with the latter positioned at lower levels than in 2015, when it benefited from the effects of the restatement of the "Alexandria" transaction (impact of approx. EUR +605 mln as at 30 September 2015). In Q3 2016, Revenues declined by 7.4% compared to the previous quarter, due in particular to the lower fee and commission income and the decline in other revenue from banking and insurance business.

In the first nine months of 2016, **Net interest income** amounted to approx. **EUR 1,519 mln**, down by 11.6% compared to the same period of 2015 due mainly to the negative trend of interest-bearing assets, in particular lending to businesses and the securities portfolio (reduction in average volumes and decline in the related returns). This trend is partially attenuated by the decrease in interest expenses following the reduction in the cost of corporate funding and repayment of the NFIs. The contribution of Q3 2016, amounting to approx. EUR 484 mln, remained at the same levels as the previous quarter (-0.7%).

Items	30 09 2016	30 09 2015*	Chg. Y/Y		3°Q 2016	2°Q 2016	Chg. Q/Q	
			Abs.	%			Abs.	%
Relations with customers	2,015.7	2,371.9	(356.2)	-15.0%	646.2	647.1	(0.9)	-0.1%
of which interest income on non-performing assets	*496.1*	*613.3*	*(117.2)*	*-19.1%*	*149.0*	*165.1*	*(16.1)*	*-9.8%*
Securities issued	(607.8)	(794.4)	186.6	-23.5%	(180.3)	(209.0)	28.7	-13.7%
Net Differentials on hedging derivatives	(24.2)	(44.7)	20.5	-45.9%	(23.2)	1.9	(25.1)	n.s.
Relations with banks	(39.1)	(67.6)	28.5	-42.2%	(6.7)	(14.6)	7.9	-54.1%
Trading portfolios	56.4	72.0	(15.6)	-21.7%	12.4	23.7	(11.3)	-47.7%
Portfolios designated at fair value	(32.3)	(52.1)	19.8	-38.0%	(9.4)	(13.0)	3.6	-27.7%
Financial assets available for sale	146.9	225.4	(78.5)	-34.8%	43.8	49.8	(6.0)	-12.0%
Other net interest income	3.1	7.0	(3.9)	-55.7%	0.7	1.0	(0.3)	-30.0%
Net interest income	**1,518.7**	**1,717.5**	**(198.8)**	**-11.6%**	**483.5**	**486.9**	**(3.4)**	**-0.7%**

(*) The balances of previous period were restated in order to reflect the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2015 financial statements, to which reference should be made.

Net fee and commission income, totalling approximately **EUR 1,402 mln** in the first nine months of 2016, recorded year-on-year growth of 3.2%, especially due to the optimisation of non-trading components within fee and commission expense (including the reduction of the cost of the State guarantee on "Monti Bonds"). The contribution of the Q3 2016 amounted to around EUR 462 mln and was lower than that of the previous quarter (-4.6%), primarily due to the downturn in income from commercial banking activity and the decline in commissions from product placement, which were partly impacted by typical seasonal fluctuations in the summer period.

Services / Values	30 09 2016	30 09 2015	Chg. Y/Y		3°Q 2016	2°Q 2016	Chg. Q/Q	
			Abs.	%			Abs.	%
Guarantees given / received	32.2	28.1	4.1	14.6%	10.2	9.9	0.3	3.0%
Collection and payment services	59.0	69.2	(10.2)	-14.7%	17.8	20.2	(2.4)	-11.8%
Current account keeping	391.2	401.5	(10.3)	-2.6%	129.1	131.6	(2.5)	-1.9%
Credit and debit cards	174.3	157.8	16.5	10.4%	59.3	58.9	0.4	0.6%
Commercial banking activities	**656.7**	**656.6**	**0.1**	**0.0%**	**216.4**	**220.6**	**(4.2)**	**-1.9%**
Receipts and trasmission of orders	32.0	39.8	(7.8)	-19.6%	9.4	10.1	(0.7)	-6.9%
Trading activities on financial instruments and currencies	24.5	12.2	12.3	100.8%	11.0	7.7	3.3	42.9%
Distribution of third party services	360.8	351.9	8.9	2.5%	120.1	133.0	(12.9)	-9.7%
Insurance services	129.8	163.9	(34.1)	-20.8%	41.3	44.8	(3.5)	-7.8%
Placement/ offering of financial instruments and services	(20.9)	(38.2)	17.3	-45.3%	(8.6)	(7.0)	(1.6)	22.9%
Asset management	45.7	41.2	4.5	10.9%	14.7	15.3	(0.6)	-3.9%
Management, brokerage and advisory services	**571.9**	**570.8**	**1.1**	**0.2%**	**187.9**	**203.9**	**(16.0)**	**-7.8%**
Other advisory services	**173.8**	**130.9**	**42.9**	**32.8%**	**57.4**	**59.3**	**(1.9)**	**-3.2%**
Net fee and commission income	**1,402.4**	**1,358.3**	**44.1**	**3.2%**	**461.7**	**483.8**	**(22.1)**	**-4.6%**

Dividends, similar income and gains (losses) on investments amounted to approx. **EUR 67 mln** (compared to around EUR 95 mln in the first nine months of 2015) and relate primarily to the contribution of AXA-MPS (consolidated using the equity method). This aggregate, which in the previous quarter benefitted from dividends from the investment held in Bankit, remained substantially stable Q/Q (EUR 23.3 mln in Q3 2016 against EUR 23.9 mln in Q2 2016) thanks to the growing contribution of AXA-MPS.

Net profit (loss) from trading/valuation of financial assets in the first nine months of 2016 stood at around **EUR 420 mln**, down over the same period of the previous year (approx. EUR -484 mln), which benefitted from the positive effects of the restatement of the "Alexandria" transaction (approx. EUR +609 mln as at 30 September 2015). An analysis of the main aggregates show the following:

- positive trading results amounting to approx. EUR 155 mln, down compared with those of the first nine months of 2015, positively affected by the restatement of the "Alexandria" transaction. The contribution of Q3 2016 was down slightly with respect to the previous quarter;
- positive FVO result for about EUR 107 mln (of which approximately EUR 39 mln referring to the third quarter) due mainly to the reduction in the value of liabilities valued at fair value (approximately EUR -6 mln recorded as at 30 September 2015);
- gains on disposal/repurchase of approximately EUR 157 mln, higher than the values recorded in the same period in the previous year (+12% Y/Y). The contribution of Q3 2016, equal to around EUR 29 mln, was attributable to capital gains realised due to the disposal of the AFS security

portfolio (around EUR 25 mln, down compared to those recognised in the previous quarter, which also included the disposal of the equity investment held by Banca Monte dei Paschi di Siena in VISA Europe) as well as the profit achieved following the disposal of a number of loan positions (around EUR 4 mln).

Items	30 09 2016	30 09 2015*	Chg. Y/Y		3°Q 2016	2°Q 2016	Chg. Q/Q	
			Abs.	%			Abs.	%
Held for Trading	(27.7)	(32.8)	5.1	-15.6%	(53.9)	9.4	(63.3)	n.s.
Trading liabilities	21.5	24.7	(3.2)	-13.0%	39.1	0.1	39.0	n.s.
Exchange rate effects	12.5	26.1	(13.6)	-52.1%	(10.3)	12.8	(23.1)	n.s.
Derivatives	148.9	751.3	(602.4)	-80.2%	60.3	35.7	24.6	68.9%
Trading results	**155.2**	**769.3**	**(614.1)**	**-79.8%**	**35.2**	**58.0**	**(22.8)**	**-39.3%**
FVO Results	107.2	(5.6)	112.8	n.s.	38.8	(14.4)	53.2	n.s.
Disposal / repurchase	157.3	140.5	16.8	12.0%	28.7	107.7	(79.0)	-73.4%
Net profit (loss) from trading	**419.7**	**904.2**	**(484.5)**	**-53.6%**	**102.7**	**151.3**	**(48.6)**	**-32.1%**

(*) The balances of previous period were restated in order to reflect the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2015 financial statements, to which reference should be made.

The following items make up the Revenues:

- **Net profit (loss) from hedging** amounting to EUR -1.7 mln (positive by about EUR 9.8 mln as at 30 September 2015);
- Positive **Other operating income/expenses** for about **EUR 11.9 mln** (positive balance of about EUR 13 mln in the first nine months of 2015) with a positive contribution of about EUR 2 mln from Q3 2016, down compared to the previous quarter which benefitted from the contribution connected to the current transaction with CartaSì, concerning the VISA Europe operation.

Operating expenses

In the first nine months of 2016, **Operating expenses** totalled approximately **EUR 1,929 mln**, down 1.9% on the same period of last year. Q3 recorded approx. EUR 650 mln, with 2.6% growth compared to Q2 of 2016 due to trends in Personnel expenses and Amortisation/Depreciation. A closer look at the individual aggregates reveals the following:

- **Administrative expenses** stood at approx. **EUR 1,772 mln** (-2.1% compared to Y/Y), of which EUR 595 mln pertaining to Q3 2016, up 2.2% compared to the previous quarter. A breakdown of the aggregate shows:
    - **Personnel expenses**, which totalled about **EUR 1,239 mln**, declined year on year by 1.4% (around EUR -17 mln) due to workforce downsizing, but especially the one-off benefits realised in the second quarter of 2016, connected to the second-level bargaining agreement signed on 24 December 2015. In Q3 2016, entries were made for around EUR 418 mln, 3.7% higher than the expenses of the previous quarter, which benefitted from the one-off effects noted above.
    - **Other administrative expenses** stood at about **EUR 533 mln**, down by 3.9% from the first nine months of 2015, mainly attributable to structural cost control measures (which involved, in particular, the management of the real estate/security segment) and lower legal expenses. The expenses posted in Q3 2016 amounted approx. to EUR 177 mln, slightly lower than those of the previous quarter (-1.1%).
- **Amortisation/Depreciation** in the first nine months of 2016 amounted to approx. **EUR 157 mln**, slightly higher than the figures recorded in the same period of last year (+0.4%), with a Y/Y decline in the tangible assets component and an increase in the intangible assets component. The

portion of Q3 2016 was higher than in the previous quarter (+6.8%) due to greater amortisation related to the development of IT platforms.

At September 30, 2016 was performed the monitoring of qualitative and quantitative impairment key indicators, based on both external and internal factors, in order to verify the existence of any signs of goodwill's impairment. The analysis carried out, which takes into account the evolution of the reference scenario, the discount rate and the sizes of the Business Plan and the related financial projections, there were no signs of potential impairment of the goodwill recorded at September 30, 2016.

Type of transaction	30 09 2016	30 09 2015	Chg Y/Y		3°Q 2016	2°Q 2016	Chg Q/Q	
			Abs.	%			Abs.	%
Wages and salaries	(888.1)	(907.2)	19.1	-2.1%	(300.0)	(286.4)	(13.6)	4.7%
Social-welfare charges	(245.1)	(250.4)	5.3	-2.1%	(82.2)	(81.0)	(1.2)	1.5%
Other personnel expenses	(106.2)	(98.9)	(7.3)	7.4%	(36.2)	(36.0)	(0.2)	0.6%
Personnel expenses	**(1,239.4)**	**(1,256.5)**	**17.1**	**-1.4%**	**(418.4)**	**(403.4)**	**(15.0)**	**3.7%**
Taxes	(224.3)	(227.7)	3.4	-1.5%	(74.1)	(76.3)	2.2	-2.9%
Furnishing, real estate and security expenses	(143.2)	(146.6)	3.4	-2.3%	(48.1)	(45.8)	(2.3)	5.0%
General operating expenses	(149.1)	(150.9)	1.8	-1.2%	(48.1)	(50.2)	2.1	-4.2%
Information technology expenses	(132.9)	(132.4)	(0.5)	0.4%	(41.9)	(46.5)	4.6	-9.9%
Legal and professional expenses	(105.6)	(106.5)	0.9	-0.8%	(31.4)	(40.5)	9.1	-22.5%
Indirect personnel costs	(9.0)	(7.4)	(1.6)	21.6%	(2.5)	(3.5)	1.0	-28.6%
Insurance	(24.0)	(18.8)	(5.2)	27.7%	(8.9)	(8.2)	(0.7)	8.5%
Advertising, sponsorship and promotions	(9.6)	(9.6)	-	0.0%	(2.5)	(3.1)	0.6	-19.4%
Other	(15.6)	(22.8)	7.2	-31.6%	(5.8)	(3.6)	(2.2)	61.4%
Expenses recovery	280.8	268.8	12.0	4.5%	86.6	99.0	(12.4)	-12.5%
Other administrative expenses	**(532.5)**	**(553.9)**	**21.4**	**-3.9%**	**(176.7)**	**(178.7)**	**2.0**	**-1.1%**
Tangible assets	(81.2)	(90.1)	8.9	-9.9%	(28.2)	(26.6)	(1.6)	6.0%
Intangible assets	(76.0)	(66.5)	(9.5)	14.3%	(27.0)	(25.1)	(1.9)	7.6%
Amortization and impairment losses	**(157.2)**	**(156.6)**	**(0.6)**	**0.4%**	**(55.2)**	**(51.7)**	**(3.5)**	**6.8%**
Operating costs	**(1,929.1)**	**(1,967.0)**	**37.9**	**-1.9%**	**(650.3)**	**(633.8)**	**(16.5)**	**2.6%**

As a result of these factors, the Group's **Gross Operating Income** totalled approximately **EUR 1,488 mln** (approx. EUR 2,131 mln in the first nine months of 2015), with EUR 423 mln attributable to Q3 2016, down 19.5% on the previous quarter.

Net impairment losses (reversals) on loans and financial assets

In the first nine months of 2016, the Group booked **Net impairment losses (reversals) on loans, financial assets and other transactions** for approx. **EUR 2,019 mln**, up by 42.4% compared with the same period of last year. In the third quarter, net value adjustment, which came to around EUR 1,302 mln (EUR +934 mln Q/Q), include approximately EUR 750 mln in higher impairment losses due to the updated methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay and the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019 and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September. Excluding these elements, net value adjustment for the quarter would amount to around EUR 552 mln, with 49.9% growth Q/Q (around EUR +184 mln) ascribable to the slight rise in "transitions to default from performing loans", and the considerable downturn in "transfers to performing loans" as well as increases in coverage, mainly in the Unlikely to pay category.

The ratio of annualised net impairment losses on loans for the first nine months of 2016 to total customer loans reflects a **Provisioning Rate of 258 bps**, which declines to around 162 bps excluding the impact of changes in the loan policies as indicated above.

Reversals	30 09 2016	30 09 2015	Chg. Y/Y		3°Q 2016	2°Q 2016	Chg. Q/Q	
			Abs.	%			Abs.	%
Loans to banks	(0.3)	(14.5)	14.2	-97.9%	0.1	0.1	-	0.0%
- Loans	(0.4)	(0.9)	0.5	-55.6%	0.1	0.1	-	0.0%
- Debt securities	0.1	(13.6)	13.7	-100.7%	-	-	-	n.s.
Loans to customers	(2,021.3)	(1,399.4)	(621.9)	44.4%	(1,303.4)	(372.5)	(930.9)	n.s.
- Loans	(2,021.2)	(1,398.8)	(622.4)	44.5%	(1,303.2)	(372.6)	(930.6)	n.s.
- Debt securities	(0.1)	(0.6)	0.5	-83.3%	(0.2)	0.1	(0.3)	n.s.
Impairment losses on loans	**(2,021.6)**	**(1,413.9)**	**(607.7)**	**43.0%**	**(1,303.3)**	**(372.4)**	**(930.9)**	**n.s.**
Financial assets available for sale	(18.4)	(6.1)	(12.3)	n.s.	(2.3)	(5.3)	3.0	-56.6%
Guarantees and commitments	21.2	2.3	18.9	n.s.	4.0	9.7	(5.7)	-58.8%
Total financial activities and other operations	**2.8**	**(3.8)**	**6.6**	**n.s.**	**1.7**	**4.4**	**(2.7)**	**-61.4%**
Total	**(2,018.8)**	**(1,417.7)**	**(601.1)**	**42.4%**	**(1,301.6)**	**(368.0)**	**(933.6)**	**n.s.**

Consequently, in the first nine months of 2016, the **Net operating income** of the Group was **negative at approx. EUR 530 mln** (also impacted by the effects of changes in loan policies as indicated above), against a positive value of around EUR 713 mln in the same period of last year, which also included the positive effects from the restatement of the "Alexandria" transaction.

Non-operating income, tax and net profit for the period

The **result for the period** included the following items:

- **Net provisions for risks and charges** recorded a negative balance of **EUR -3.6 mln** against EUR -5.3 mln in the first nine months of 2015. The quarterly trend in this aggregate was impacted by the release in the second quarter of 2016 of some provisions allocated for risks that ceased to exist or that manifested themselves to a lesser extent than initially expected as well as higher provisions for legal risks recognised in the third quarter of 2016.
- **Gains on investments**, amounting to approx. **EUR 9 mln** (about EUR 1.6 mln referring to the third quarter) to be attributed mainly to the capital gain realised from the transfer of Fabrica

Immobiliare SGR, occurring in Q1 2016. The result of approximately EUR 127 mln realised in the first nine months of 2015 was due to the disposal of the shareholding investment in Anima Holding SpA.

- **Risks and charges associated with SRF, DGS and similar schemes**, standing at approx. **EUR -102 mln**, consisting of approximately EUR -72 mln concerning the entire contribution due from the Group to the Single Resolution Fund (calculated by the Single Resolution Board for 2016, already recognised in Q1 of the year) and the remaining amount of about EUR -30 mln, referring to the ordinary share to be recognised to the IDPF (DGS), estimated and booked in the third quarter.
- **DTA Fee**, amounting to approx. **EUR -124 mln**. This amount, determined according to the criteria set forth in Law Decree 59/2016, converted into Law no. 119 of 30 June 2016, represents the fee on DTA, that can be converted into a tax credit due for the year 2015 (about EUR 70 mln) and for the year 2016 (estimated to be about EUR 72 mln, on an annual basis, and accounted for pro-rata until 30 September 2016 for about EUR 54 mln).
- **Gains on disposal of investments**, equal to around **EUR 13 mln** (around EUR 2 mln in gains realised in the first nine months of 2015). The increase derives from the capital gain realised by the Parent Company in July for the sale of a property in Milan.

Due to the changes discussed above, in the first nine months of 2016 the Group's **Loss before tax from continuing operations** stood at approx. **EUR -738 mln** (impacted by the effects of changes in the loan policies as indicated above), down with respect to 2015 levels (which moreover included the positive impact from the restatement of the "Alexandria" transaction, equal to about EUR 714 mln), with EUR -939 mln attributable to the third quarter of 2016.

Tax expense (recovery) on income for the year from continuing operations equalled around **EUR -85 mln**, as the Parent Company, in addition to not register DTAs on tax loss rising from this quarterly report in the amount of EUR 236.7 mln, also recognised a partial write-down on DTAs relating to previous tax losses of EUR 256.1 mln, in application of an update in the methodology for estimating their recoverability (the "probability test").

Considering the net effects of PPA (about EUR -24 mln) and the profit of non-controlling interests (EUR -1.4 mln), **the Group's consolidated loss for the first nine months of 2016 amounted to approximately EUR -849 mln** (of which around EUR 1,151 mln pertaining to Q3 2016, impacted by the change in loan policies as indicated above) against a positive result of about EUR 585 mln recorded in the same period of 2015 (of which approx. EUR 500 mln related to the positive effects from restating the "Alexandria" transaction and about EUR 120 mln in capital gains realised following the transfer to Poste Italiane of the shareholding in Anima Holding SpA).

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In compliance with Consob instructions, following is a statement of the reconciliation of the Shareholders' equity and Net profit and loss for the period of the Parent Company with the consolidated items:

Reconciliation between Parent Company and Consolidated Net Equity and Profit (Loss) for the period		
	Shareholders' equity	**Net profit (loss)**
Balance as per Parent Company's Accounts	7,061.6	(1,398.7)
including Parent Company's valuation reserves	*(228.0)*	-
Impact of line-by-line consolidation of subsidiaries	153.3	(15.2)
Impact of associates	372.6	60.0
Reversal of dividends from subsidiaries	-	(56.9)
Other adjustments	954.8	562.1
Subsidiaries' valuation reserves	203.3	-
Consolidated balance	**8,745.6**	**(848.7)**
including valuation reserves	*(24.7)*	

Reclassified balance sheet

Reclassified Consolidated Balance Sheet

ASSETS	30/09/16	31/12/15	Chg abs.	Chg %
Cash and cash equivalents	941.4	1,188.8	(247.4)	-20.8%
Receivables :				
a) Loans to customers	104,612.4	111,366.4	(6,754.0)	-6.1%
b) Loans to banks	7,669.4	8,242.1	(572.7)	-6.9%
Marketable assets	35,748.3	35,208.6	539.7	1.5%
Financial assets held to maturity	-	-	-	
Equity investments	910.7	908.4	2.3	0.3%
Property, plant and equipment / Intangible assets	3,016.9	3,141.8	(124.9)	-4.0%
of which:				
a) goodwill	*7.9*	*7.9*	-	
Other assets	7,230.0	8,955.9	(1,725.9)	-19.3%
Total assets	**160,129.1**	**169,012.0**	**(8,882.9)**	**-5.3%**

LIABILITIES	30/09/16	31/12/15	Chg abs.	Chg %
Payables				
a) Deposits from customers and securities issued	105,461.4	119,274.6	(13,813.2)	-11.6%
b) Deposits from banks	25,282.4	17,493.1	7,789.3	44.5%
Financial liabilities held for trading	13,802.7	15,921.7	(2,119.0)	-13.3%
Provisions for specific use				
a) Provisions for staff severance indemnities	251.3	246.2	5.1	2.1%
b) Pensions and other post retirement benefit obligations	51.2	49.4	1.8	3.6%
c) Other provisions	1,018.8	1,067.5	(48.7)	-4.6%
Other liabilities	5,489.2	5,336.6	152.6	2.9%
Group net equity	8,745.6	9,596.6	(851.0)	-8.9%
a) Valuation reserves	(24.7)	(21.8)	(2.9)	13.3%
c) Equity instruments carried at equity	-	-	-	
d) Reserves	617.2	222.1	395.1	n.s.
e) Share premium	-	6.3	(6.3)	
f) Share capital	9,001.8	9,001.8	-	
g) Treasury shares (-)	-	-	-	
h) Net profit (loss) for the year	(848.7)	388.2	(1,236.9)	n.s.
Non-controlling interests	26.5	26.3	0.2	0.8%
Total Liabilities and Shareholders' Equity	**160,129.1**	**169,012.0**	**(8,882.9)**	**-5.3%**

Reclassified Consolidated Balance Sheet - Quarterly Trend							
ASSETS	30/09/16	30/06/16	31/03/16	31/12/15	30/09/15 (*)	30/06/15 (*)	31/03/15 (*)
Cash and cash equivalents	941	794.6	913.4	1,188.8	812.2	822.0	682.3
Receivables :							
a) Loans to customers	104,612	107,547.8	113,544.3	111,366.4	112,513.2	117,436.3	123,139.0
b) Loans to banks	7,669	7,953.1	6,856.1	8,242.1	6,432.2	8,327.2	7,855.7
Marketable assets	35,748	36,022.6	39,999.9	35,208.6	36,296.5	32,989.5	37,633.5
Financial assets held to maturity	-	-	-	-	-	-	-
Equity investments	911	948.0	934.3	908.4	959.6	907.7	947.0
Property, plant and equipment / Intangible assets	3,017	3,059.8	3,112.4	3,141.8	3,090.1	3,122.4	3,139.0
of which:							
a) goodwill	*8*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Other assets	7,230	8,059.6	8,285.2	8,955.9	10,022.4	10,596.4	10,453.1
Total assets	**160,129**	**164,385.5**	**173,645.6**	**169,012.0**	**170,126.2**	**174,201.5**	**183,849.6**

LIABILITIES	30/09/16	30/06/16	31/03/16	31/12/15	30/09/15 (*)	30/06/15 (*)	31/03/15 (*)
Payables							
a) Deposits from customers and securities issued	105,461	112,045.2	119,507.9	119,274.6	122,717.4	122,890.5	128,160.9
b) Deposits from banks	25,282	19,465.8	17,524.7	17,493.1	17,804.9	18,830.9	22,519.3
Financial liabilities held for trading	13,803	15,854.7	20,051.0	15,921.7	11,475.8	14,533.8	18,268.5
Provisions for specific use							
a) Provisions for staff severance indemnities	251	249.9	247.7	246.2	245.2	246.4	268.2
b) Pensions and other post retirement benefit obligations	51	52.3	51.4	49.4	50.5	50.3	52.1
c) Other provisions	1,019	1,012.5	1,050.0	1,067.5	1,086.9	1,106.1	1,103.7
Other liabilities	5,489	5,750.4	5,511.9	5,336.6	6,989.6	7,285.0	7,291.0
Group net equity	8,746	9,928.7	9,675.3	9,596.6	9,730.4	9,234.2	6,161.8
a) Valuation reserves	(25)	7.7	(36.5)	(21.8)	(84.7)	(323.6)	(13.9)
c) Equity instruments carried at equity	-	-	-	-	-	-	3.0
d) Reserves	617	617.2	610.5	222.1	222.3	466.1	(6,457.6)
e) Share premium	-	-	6.3	6.3	6.3	4.0	2.3
f) Share capital	9,002	9,001.8	9,001.8	9,001.8	9,001.8	8,758.7	12,484.2
g) Treasury shares (-)	-	-	-	-	-	-	-
h) Net profit (loss) for the year	(849)	302.0	93.2	388.2	584.7	329.0	143.8
Non-controlling interests	27	26.0	25.7	26.3	25.5	24.3	24.1
Total Liabilities and Shareholders' Equity	**160,129**	**164,385.5**	**173,645.6**	**169,012.0**	**170,126.2**	**174,201.5**	**183,849.6**

(*) The balances of previous period were restated following the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2015 financial statements, to which reference should be made.

Customer funding

The Group's **Total funding** as at 30 September 2016 amounted to approximately **EUR 204 bn** (-9.6% versus 31 December 2015) with a decline in volumes of about EUR 6 bn recorded in the third quarter, concentrated in the direct component.

Background

Direct Funding recorded a decrease of more than EUR 23 bn in the first seven months of the year, amounting to EUR 2,011 bn at the end of July. There is still a positive trend in deposits (net of repo transactions with central counterparties), which in January-July rose 2.8% year-on-year, and in particular demand deposits by households, confirming the trend of customers shifting towards liquid forms of funding. The low appeal in terms of pricing with respect to the liquidity offered by the ECB and the new regulation on bank crisis (bail-in) negatively affected bond funding, which in July declined to EUR 558.7 bn, against EUR 600.9 bn in December 2015.

The reduction in interest rates on deposits of non-financial companies and households did not abate, with the rate on balances, at 0.43%, around 9 bps lower in July than at the end of 2015. The bank bonds rate was also down, and in July came to 2.86%. The evolution of interest rates payable reflected the liquidity provided by the ECB based on its monetary policy.

After a rocky first half of the year, asset management grew more lively in the summer months, with net funding in August (source: Assogestioni) positive at more than EUR 6.2 bn, although with stocks that were still well below the levels seen in the first eight months of 2015 (EUR 37.9 bn against EUR 112 bn).

Customer Funding	30/09/16	30/06/16	31/12/15	30/09/15	Chg Q/Q %	Chg 31/12 %	Chg Y/Y %
Direct funding	105,461.4	112,045.2	119,274.7	122,717.3	-5.9%	-11.6%	-14.1%
Indirect funding	98,440.6	97,708.6	106,171.8	106,209.8	0.7%	-7.3%	-7.3%
Total funding	**203,902.0**	**209,753.8**	**225,446.5**	**228,927.1**	**-2.8%**	**-9.6%**	**-10.9%**

Volumes of **Direct funding**, which as at 30 September 2016 stood at approx. **EUR 105 bn** (EUR -13.8 bn compared with the figures at the end of 2015), recorded a decline of around EUR 6.6 bn in Q3 2016, with the largest reductions concentrated in current accounts and bonds, while repurchase agreements were up. The declining trend in direct funding for the quarter was due to the withdrawal of funds by corporate customers between July and August in response to turbulence in the financial markets for the banking segment and the publication of the Group's unfavourable stress test result.

The Group's market share[3] on Direct funding was 4.32% (figure updated in July 2016), down by 47 bps compared to the end of 2015.

Direct funding					Change Q/Q		Change 31.12		Change Y/Y	
Type of transaction	30/09/16	30/06/16	31/12/15	30/09/15	Abs.	%	Abs.	%	Abs.	%
Current accounts	47,621.3	52,923.5	54,574.8	55,888.7	(5,302.2)	-10.0%	(6,953.5)	-12.7%	(8,267.4)	-14.8%
Time deposits	11,786.5	13,233.4	14,342.9	13,862.9	(1,446.9)	-10.9%	(2,556.4)	-17.8%	(2,076.4)	-15.0%
Reverse repurchase agreements	13,719.4	9,957.5	10,575.0	13,012.2	3,761.9	37.8%	3,144.4	29.7%	707.2	5.4%
Bonds	26,197.6	28,726.0	31,246.1	30,623.1	(2,528.4)	-8.8%	(5,048.5)	-16.2%	(4,425.5)	-14.5%
Other types of direct funding	6,136.6	7,204.8	8,535.9	9,330.4	(1,068.2)	-14.8%	(2,399.3)	-28.1%	(3,193.8)	-34.2%
Total	**105,461.4**	**112,045.2**	**119,274.7**	**122,717.3**	**(6,583.8)**	**-5.9%**	**(13,813.3)**	**-11.6%**	**(17,255.9)**	**-14.1%**

3 *Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident consumer clients and bonds net of repurchases placed with resident consumer clients as first-instance borrowers.*

Indirect Funding totalled around **EUR 98.4 bn** at the end of September, up EUR 0.7 bn compared to 30 June 2016, with a positive trend in asset management (EUR +1.4 bn Q/Q), while is confirmed the reduction trend in the assets under custody segment (EUR -0.7 bn Q/Q), the dynamics of which also affects customers' propensity to convert especially government bonds towards forms of asset management. The comparison with 31 December 2015 highlights a decrease in Direct Funding of around EUR 8 bn, under which grows Asset under management (more than EUR 1 bn), while assets under custody results in significant reduction (around EUR -9 nb), moreover penalised by the effects of the merger by incorporation of a large customer(around EUR 6.4 bn).

As regards **Assets under management**, standing at approx. **EUR 57 bn**, this aggregate was up compared to June 2016 (also benefitting from a recovery of the market effect) as well as the end of December 2015. Within this aggregate, the quarterly increase in volumes was concentrated within the Funds segment, while insurance products remained stable.

Indirect Funding

	30/09/16	30/06/16	31/12/15	30/09/15	Change % Q/Q	Change % 31.12	Change % Y/Y
Assets under management	56,890.5	55,517.3	55,515.7	54,715.1	2.5%	2.5%	4.0%
Mutual Funds/Sicav	*26,553.7*	*25,359.1*	*25,493.0*	*24,833.5*	*4.7%*	*4.2%*	*6.9%*
Individual Portfolio under Management	*6,744.2*	*6,466.3*	*6,306.9*	*6,330.4*	*4.3%*	*6.9%*	*6.5%*
Insurance Products	*23,592.6*	*23,691.8*	*23,715.7*	*23,551.3*	*-0.4%*	*-0.5%*	*0.2%*
Assets under custody	41,550.1	42,191.4	50,656.1	51,494.7	-1.5%	-18.0%	-19.3%
Total funding	**98,440.6**	**97,708.6**	**106,171.8**	**106,209.8**	**0.7%**	**-7.3%**	**-7.3%**

Loans to customers

As at 30 September 2016, the Group's **Loans to customers** amounted to about **EUR 105 bn**, down by EUR 6.8 bn as compared to the end of 2015 and EUR 2.9 bn over 30 June 2016. The decline in the aggregate recorded in the third quarter was concentrated in mortgages (in which maturing loans have not been fully replaced by new disbursements) and current accounts. In addition, non-performing loans are also down (approx. EUR -1 bn Q/Q) due to the combined effect of ordinary activities (which recorded a decline in volumes for the fourth consecutive quarter) and impairment losses (equal to approx. EUR 750 mln) due to the updated methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay and the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019 and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September

Background

Growth in loans to the private sector is weaker in Italy than the EMU country average. In the first seven months of the year, the flows of loans disbursed to households for the purchase of real estate properties and those issued for new consumer credit operations continued to increase on a trend basis, although at decidedly lower levels than the peaks seen in the second half of 2015. New disbursements of loans to non-financial companies instead recorded cyclical declines since the start of the year (except in February). In terms of amounts, loans to households and businesses exceeded EUR 1,410 bn in July against EUR 1,413 bn in December 2015. Loans to resident businesses declined by nearly EUR 5.5 bn in the first seven months of the year, while volumes of loans to households rose by more than EUR 2 bn compared to the end of 2015.

From the beginning of the year, the cost of loans to non-financial companies reduced, with an approx. 1.7% rate applied to new transactions (excluding current accounts) in July (more than 20 bps less than in December 2015). The downturn in the rate on new loans for home purchases (close to 2% in July) also continued, while the rate applied to new consumer loans in the first seven months of the year fluctuated within a range between 7% and 6.5%.

The improvement in the economic environment, the launch of securitisation transactions and lower growth of new doubtful loans was reflected in the annual increase of the stock of gross doubtful loans, which dropped to 0.6% in July from 9.4% at the end of 2015. However, the value of this aggregate remains high (EUR 198.2 bn in July, only EUR 2.7 bn less than in December), with a ratio of total doubtful loans to current loans at 10.5%. Despite the launch of instruments (Atlante Fund and government measures meant to reduce debt collection times) intended to facilitate non-performing loan management, which have improved the stability of bank portfolios, the Bankit Director General has declared that "the disposal of the stock of non-performing loans will inevitably require time".

The Group's market share[4] stood at 6.80% (last available figure from July 2016), down by 5 bps compared to the end of 2015.

Loans to customers										
					Change Q/Q		Change 31.12		Change Y/Y	
Type of transaction	30/09/16	30/06/16	31/12/15	30/09/15	Abs.	%	Abs.	%	Abs.	%
Current accounts	7,192.4	7,627.3	7,650.4	8,004.2	(434.9)	-5.7%	(458.0)	-6.0%	(811.8)	-10.1%
Mortgages	50,476.1	51,510.8	52,453.4	53,472.0	(1,034.7)	-2.0%	(1,977.3)	-3.8%	(2,995.9)	-5.6%
Other forms of lendin	22,042.3	22,382.5	21,379.8	22,191.2	(340.2)	-1.5%	662.5	3.1%	(148.9)	-0.7%
Repurchase agreement	1,248.7	1,419.2	4,686.0	3,508.1	(170.5)	-12.0%	(3,437.3)	-73.4%	(2,259.4)	-64.4%
Securities lending	1,143.6	1,043.2	1,043.0	951.1	100.4	9.6%	100.6	9.6%	192.5	20.2%
Non performing loans	22,509.3	23,564.8	24,153.8	24,386.6	(1,055.5)	-4.5%	(1,644.5)	-6.8%	(1,877.3)	-7.7%
Total	**104,612.4**	**107,547.8**	**111,366.4**	**112,513.2**	**(2,935.4)**	**-2.7%**	**(6,754.0)**	**-6.1%**	**(7,900.8)**	**-7.0%**

The aggregate was sustained during the first nine months of 2016 by new disbursements of around EUR 5.8 bn (+1% Y/Y) in the medium-long term segment, which regarded households as well as

[4] *Loans to resident consumer customers, including doubtful loans and net of repo transactions with central counterparties*

businesses, with Q3 2016 accounting for approximately EUR 1.7 bn, down compared to the previous quarter.

Non-performing loans

As at 30 September 2016, the Group's **exposure to gross non-performing loans** totalled **EUR 45.6 bn**, up slightly (EUR +0.26 bn) compared to the end of June 2016. The quarterly trend shows an increase in transfers from performing and a decline in transfers to performing, while the year-on-year comparison of flows as defined above showed a decline of more than 60%. As concerns the various aggregates of the non-performing segment, in the third quarter there was a rise of around EUR 1 bn in Doubtful loans and a reduction in Unlikely to pay and Non-performing past-due exposures.

As at 30 September 2016, the **net exposure to non-performing loans** of the Group stood at EUR 22.5 bn, recording a EUR 1.6 bn decrease since the beginning of the year (EUR -1 bn compared with 30 June 2016). Within the aggregate, in Q3, the impact of net doubtful loans increased (from 9.8% in June 2016 to 10.4% as at 30 September 2016) against a considerable reduction in the incidence of Unlikely to pay (-100 bps), which was impacted by non-recurring impairment losses recognised as at 30 September 2016.

Loans to customers		Doubtful loans	Unlikely to pay	Non performing Past due	**Non-performing exposures**	Perfoming exposures	**Total**	*- of which forbone impaired*	*- of which forborne not impaired*
30 09 16	Gross esposure	28,230.0	15,359.4	1,994.9	**45,584.3**	82,744.7	**128,329.0**	*9,702.0*	*2,890.9*
	Provisions	17,327.3	5,292.0	455.7	**23,075.0**	641.6	**23,716.6**	*2,854.6*	*118.6*
	Net exposure	10,902.7	10,067.4	1,539.2	**22,509.3**	82,103.1	**104,612.4**	*6,847.4*	*2,772.3*
	Coverage ratio	*61.4%*	*34.5%*	*22.8%*	***50.6%***	*0.8%*	***18.5%***	*0.3*	*0.0*
	% on Loans to customers	*10.4%*	*9.6%*	*1.5%*	***21.5%***	*78.5%*	***100.0%***	-	-
30 06 16	Gross esposure	27,261.7	15,963.3	2,096.9	**45,321.9**	84,621.2	**129,943.1**	*9,601.3*	*2,907.1*
	Provisions	16,690.0	4,615.0	452.1	**21,757.1**	638.2	**22,395.3**	*2,486.0*	*87.4*
	Net exposure	10,571.7	11,348.3	1,644.8	**23,564.8**	83,983.0	**107,547.8**	*7,115.3*	*2,819.7*
	Coverage ratio	*61.2%*	*28.9%*	*21.6%*	***48.0%***	*0.8%*	***17.2%***	*0.3*	*0.0*
	% on Loans to customers	*9.8%*	*10.6%*	*1.5%*	***21.9%***	*78.1%*	***100.0%***	-	-
31 12 15	Gross esposure	26,624.0	17,400.5	2,834.3	**46,858.8**	87,872.6	**134,731.4**	*9,562.5*	*2,977.2*
	Provisions	16,891.2	5,075.0	738.7	**22,704.9**	660.1	**23,365.0**	*2,449.4*	*75.9*
	Net exposure	9,732.8	12,325.5	2,095.6	**24,153.9**	87,212.5	**111,366.4**	*7,113.1*	*2,901.3*
	Coverage ratio	*63.4%*	*29.2%*	*26.1%*	***48.5%***	*0.8%*	***17.3%***	*0.3*	*0.0*
	% on Loans to customers	*8.7%*	*11.1%*	*1.9%*	***21.7%***	*78.3%*	***100.0%***	-	-
30 09 15	Gross esposure	26,301.3	17,545.7	3,622.8	**47,469.7**	88,878.7	**136,348.4**	*n.d.*	*n.d.*
	Provisions	16,828.2	5,406.7	848.3	**23,083.1**	752.1	**23,835.2**	*n.d.*	*n.d.*
	Net exposure	9,473.1	12,139.0	2,774.5	**24,386.6**	88,126.6	**112,513.2**	*n.d.*	*n.d.*
	Coverage ratio	*64.0%*	*30.8%*	*23.4%*	***48.6%***	*0.8%*	***17.5%***	*n.d.*	*n.d.*
	% on Loans to customers	*8.4%*	*10.8%*	*2.5%*	***21.7%***	*78.3%*	***100.0%***	-	-

Changes in gross esposure

	abs/%	Doubtufl loans	Unlikely to pay	Non performing past due	**Non performing exposures**	Performing exposures	**Total**	*- of which forbone impaired*	*- of which forborne not impaired*
Q/Q	abs.	968.3	(603.9)	(102.0)	**262.4**	(1,876.5)	**(1,614.1)**	*100.7*	*(16.2)*
	%	3.6%	-3.8%	-4.9%	**0.6%**	-2.2%	**-1.2%**	*1.0%*	*-0.6%*
31.12	abs.	1,606.0	(2,041.1)	(839.4)	**(1,274.5)**	(5,127.9)	**(6,402.4)**	*139.5*	*(86.3)*
	%	6.0%	-11.7%	-29.6%	**-2.7%**	-5.8%	**-4.8%**	*1.5%*	*-2.9%*
Y/Y	abs.	1,928.7	(2,186.3)	(1,627.9)	**(1,885.4)**	(6,134.0)	**(8,019.4)**		
	%	7.3%	-12.5%	-44.9%	**-4.0%**	-6.9%	**-5.9%**		

As at 30 September 2016, the non-performing loan **coverage ratio** was 50.6%, up by approximately 260 bps compared to the second quarter of 2016, also due to the updating of the methodology for the calculation of the discounting adjustments of loans classified as unlikely to pay, and due to the raising of the threshold used in the individual impairment of the positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019, and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September

Examining the individual aggregates of impaired loans, in the third quarter there was substantial stability in the level of coverage of doubtful loans (equal to 61.4% at the end of September 2016), while the coverage of Unlikely to pay was especially up (from 28.9% in June to 34.5% at the end of September), confirming the effects of the non-recurring impairment losses noted above, accounted for at the end of the quarter. The coverage of Non-performing past-due exposures stood at 22.8% compared to 21.6% at the end of June.

Changes in coverage ratio

	Doubtful loans	Ulikely to pay	Non performing past due	**Non performing exposures**	Performing exposures	**Total**
Q/Q	*0.16%*	*5.54%*	*1.28%*	***2.61%***	*0.02%*	***1.25%***
31.12	*-2.06%*	*5.29%*	*-3.22%*	***2.17%***	*0.02%*	***1.14%***
Y/Y	*-2.60%*	*3.64%*	*-0.57%*	***1.99%***	*-0.07%*	***1.00%***

	3°Q 2016		2°Q 2016		1°Q 2016		30 09 2015		Chg. Q/Q Non-performing exposures		Chg. Q/Q of which doubtful loans	
	Non-performing exposures	*of which Doubtful loans*	Non-performing exposures	*of which Doubtful loans*	Non-performing exposures	*of which Doubtful loans*	Non-performing exposures	*of which Doubtful loans*	Abs.	%	Abs.	%
Gross exposure, opening balance	**45,321.8**	***27,261.7***	**47,238.2**	***27,732.6***	**46,858.8**	***26,624.0***	**45,324.8**	***24,330.5***	**(1,916.4)**	**-4.1%**	***(470.9)***	***-1.7%***
Increases from performing loans	569.1	*98.0*	496.0	*75.9*	820.2	*39.4*	4,308.2	*204.0*	73.1	14.7%	*22.1*	*29.1%*
Transfers to performing loans	(46.6)	*(0.5)*	(304.8)	*(0.6)*	(370.3)	*(0.4)*	(1,157.1)	*(7.6)*	258.2	-84.7%	*0.1*	*-16.7%*
Collections	(491.6)	*(190.4)*	(584.4)	*(161.4)*	(479.6)	*(148.5)*	(1,641.1)	*(423.1)*	92.8	-15.9%	*(29.0)*	*18.0%*
Write-offs and loss on disposal	(86.5)	*(47.2)*	(1,906.0)	*(1,560.8)*	(96.4)	*(65.7)*	(1,994.7)	*(1,304.3)*	1,819.5	-95.5%	*1,513.6*	*-97.0%*
+/- Other changes	318.1	*1,108.4*	382.8	*1,176.0*	505.5	*1,283.8*	2,629.7	*3,501.7*	(64.7)	-16.9%	*(67.6)*	*-5.7%*
Gross exposure, closing balance	**45,584.3**	***28,230.0***	**45,321.8**	***27,261.7***	**47,238.2**	***27,732.6***	**47,469.7**	***26,301.3***	**262.5**	**0.6%**	***968.3***	***3.6%***
Opening balance of overall adjustments	**(21,756.9)**	***(16,689.9)***	**(23,169.5)**	***(17,548.7)***	**(22,704.9)**	***(16,891.2)***	**(22,185.6)**	***(15,888.9)***	**1,412.6**	**-6.1%**	***858.8***	***-4.9%***
Adjustments / write-backs*	(1,164.8)	*(332.1)*	(391.9)	*(405.7)*	(358.9)	*(262.6)*	(1,463.4)	*(595.9)*	(772.9)	n.s.	*73.6*	*-18.1%*
+/- Other changes	(153.3)	*(305.3)*	1,804.5	*1,264.5*	(105.7)	*(394.9)*	565.9	*(343.4)*	(1,957.8)	-108.5%	*(1,569.8)*	*-124.1%*
Closing balance of overall adjustments	**(23,075.0)**	***(17,327.3)***	**(21,756.9)**	***(16,689.9)***	**(23,169.5)**	***(17,548.7)***	**(23,083.1)**	***(16,828.2)***	**(1,318.1)**	**6.1%**	**(637.4)**	***3.8%***
Net exposure closing balance	**22,509.3**	***10,902.7***	**23,564.9**	***10,571.8***	**24,068.7**	***10,183.9***	**24,386.6**	***9,473.1***	**(1,055.6)**	**-4.5%**	**330.9**	***3.1%***

**Net impairment losses (reversals)on loans – Item 130 of Income Statement*

Financial assets/liabilities

As at 30 September 2016, the Group's tradable financial assets amounted to approx. EUR 36 bn, at the same levels as at the end of June 2016. Financial liabilities held for trading declined in the third quarter of 2016 by around EUR 2 bn.

Items	30 09 2016	30 06 2016	31 12 2015	30 09 2015	Chg. Y/Y		Chg. 31.12	
					Abs.	%	Abs.	%
Tradable financial assets	35,748.3	36,022.6	35,208.6	36,296.5	(274.3)	-0.8%	539.7	1.5%
Financial assets held for trading	*18,746.3*	*18,596.2*	*18,017.4*	*16,418.6*	*150.1*	*0.8%*	*728.9*	*4.0%*
Financial assets available for sale	*17,002.0*	*17,426.4*	*17,191.2*	*19,877.9*	*(424.4)*	*-2.4%*	*(189.2)*	*-1.1%*
Financial liabilities held for trading	13,802.7	15,854.7	15,921.7	11,475.8	(2,052.0)	-12.9%	(2,119.0)	-13.3%

Items	30 09 2016		30 06 2016		31 12 2015		30 09 2015	
	Tradable fiancial assets	Financial liabilities held for tradig	Tradable fiancial assets	Financial liabilities held for tradig	Tradable fiancial assets	Financial liabilities held for tradig	Tradable fiancial assets	Financial liabilities held for tradig
Debt securities	21,411.9	-	23,709.0	-	23,995.0	-	26,636.9	-
Equity instruments and Units of UCITS	580.7	-	550.1	-	509.6	-	563.1	-
Loans	9,286.4	11,314.7	6,695.9	12,711.1	5,284.8	12,548.1	2,897.7	7,693.2
Derivatives	4,469.3	2,488.0	5,067.6	3,143.6	5,419.2	3,373.6	6,198.8	3,782.6
Total	35,748.3	13,802.7	36,022.6	15,854.7	35,208.6	15,921.7	36,296.5	11,475.8

Information on portfolio transfers

Type of financial instrument	Portfolio prior to transfer	Portfolio after transfer	Book value as at 30 09 2016	Fair value as at 30 09 2016	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Value-relevance	Other	Value-relevance	Other
UCITS	Financial assets held for trading	Financial assets available for sale	0.7	0.7	-	-	-	0.1
Debt securities	Financial assets held for trading	Loans to bank	46.7	44.8	7.2	1.0	-	1.0
Debt securities	Financial assets held for trading	Loans to customers	134.7	130.1	(1.6)	2.4	(0.3)	2.3
Debt securities	Financial assets available for sale	Loans to bank	687.1	572.2	46.5	(2.8)	(0.4)	(2.5)
Debt securities	Financial assets available for sale	Loans to customers	215.4	188.6	1.3	4.1	(0.5)	3.9
Total			**1,084.6**	**936.4**	**53.4**	**4.7**	**(1.2)**	**4.8**

Interbank position

At the end of September 2016, the **net interbank position** of the Group stood at **EUR 18 bn** in funding, up by approx. EUR 6 bn compared with the balance as at 30 June 2016, due to the increase in the TLTRO2 exposure.

Interbank balances										
					Change Q/Q		Change 31.12		Change Y/Y	
	30/09/16	30/06/16	31/12/15	30/09/15	Abs.	%	Abs.	%	Abs.	%
Loans to banks	7,669.4	7,953.1	8,242.1	6,432.2	(283.7)	-3.6%	(572.7)	-6.9%	1,237.2	19.2%
Deposits from banks	25,282.4	19,465.8	17,493.1	17,804.9	5,816.6	29.9%	7,789.3	44.5%	7,477.5	42.0%
Net position	**(17,613.0)**	**(11,512.7)**	**(9,251.0)**	**(11,372.7)**	**(6,100.3)**	**53.0%**	**(8,362.0)**	**90.4%**	**(6,240.3)**	**54.9%**

As at 30 September 2016 the operational liquidity position showed an **unencumbered Counterbalancing Capacity of approx. EUR 14.6 bn**, which was approximately EUR 6 bn worse than the same figures as at 30 June 2016, in connection with corporate funding tensions recorded in July and August.

Information on fair value

Assets and liabilities measured at fair value on a recurring basis: breakdown by fair value level

Asset and liabilities measured at fair value	30 09 2016				31 12 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets held for trading	4,734.3	14,012.0	-	18,746.3	7,103.5	10,913.9	-	18,017.4
Financial assets designated at fair value	-	-	-	-	-	-	-	-
Financial assets available for sale	16,220.9	462.9	318.2	17,002.0	16,412.5	518.4	260.3	17,191.2
Hedging derivative	-	528.2	-	528.2	-	556.4	-	556.4
Property, plant and equipment	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total assets	**20,955.2**	**15,003.1**	**318.2**	**36,276.5**	**23,516.0**	**11,988.7**	**260.3**	**35,765.0**
Financial liabilities held for trading	3,284.2	10,518.5	-	13,802.7	2,964.3	12,957.3	0.1	15,921.7
Financial liabilities designated at fair value	709.4	865.9	-	1,575.3	1,098.2	975.7	-	2,073.9
Hedging derivative	-	1,219.6	-	1,219.6	-	1,205.3	-	1,205.3
Total liabilities	**3,993.6**	**12,604.0**	**-**	**16,597.6**	**4,062.5**	**15,138.3**	**0.1**	**19,200.9**

The financial instruments measured at fair value and classified in level 3 of the hierarchy consist of instruments not listed in active markets, valued using the mark-to-model approach, for which input data include, inter alia, non-observable market data significant for measurement purposes or observable market data that require significant adjustment based on non-observable data, or that require internal assumptions and estimations of future cash flows.

During the first nine months of 2016, some financial assets registered a deterioration from fair value level 1 to fair value level 2; the variation in the fair value level was generally due to the deterioration in the liquidity conditions in the market for said securities. This trend concerned the bond securities held by the subsidiary MPS Capital Services S.p.A., within the trading portfolio, for a total amount of approx. EUR 9.7 mln. With respect to financial liabilities, on the other hand, the trend is to be fully attributed to a bond issued by the Parent Company, for approx. EUR 349.5 mln

On the other hand, it should be noted that some financial assets were transferred from fair value level 2 to fair value level 1, amounting to a total of EUR 95.4 mln in bond securities of the Parent Company (EUR 89.5 mln) and of the subsidiary MPS Capital Services S.p.A. (EUR 5.9 mln). The change in the fair value level in the first nine months of 2016 is essentially linked to the improvement in the securities' liquidity conditions (measured in terms of bid-ask spread of the listed price) which, in accordance with the Group's policy on the valuation of financial instruments, allowed this level transfer.

As for OTC derivatives, in compliance with IFRS 13 the MPS Group calculates adjustments to values, obtained through valuation models using risk-free interest rates, to take account of the creditworthiness of the individual counterparties. This adjustment, known as Credit Value Adjustment (CVA), is estimated for all positions in OTC derivatives with non-collateralized institutional and commercial counterparties and with counterparties having a Credit Support Annex (CSA) not in line with market standards.

The methodology is based on the calculation of expected operational loss linked to counterparty rating and estimated on a position's duration. The exposure includes future credit variations represented by add-ons.

Market-consistent probability measurements are employed in the calculation of CVAs in order to gauge market expectations resulting from CDS, also taking into consideration the historical information available within the Group.

As at 30 September 2016 the CVA had a negative balance of approx. EUR 77.8 mln.

The Group calculates the value adjustment of OTC derivatives in a specular manner and on the same perimeter to take into account its creditworthiness, Debit Value Adjustment (DVA). As at 30 September 2016 the DVA is positive and amounts to a total of EUR 18.3 mln.

Changes of financial assets designated at fair value on a recurring basis (level 3)

30 09 2016

	Financial assets available for sale
1. Opening balance	**260.3**
2. Increases	**104.4**
2.1 Purchase	35.0
2.2 Profit posted to:	5.8
2.2.1 Profit and Loss	0.2
- of which capital gains	-
2.2.2 Equity	5.6
2.3 Transfers from other levels	42.1
2.4 Other increases	21.5
3. Decreases	**46.5**
3.1 Sales	8.8
3.2 Redemptions	-
3.3 Losses posted to:	24.3
3.3.1 Profit and Loss	1.8
- of which capital losses	1.8
3.3.2 Equity	22.5
3.4 Transfers to other levels	10.6
3.5 Other decreases	2.8
4. Closing balance	**318.2**

The amount shown in the column “Financial assets available for sale” under item “2.3 Transfers from other levels” totalling EUR 42.1 mln consists mainly of a convertible bond and an investment, the fair values of which, at the date of this interim report on operations, have been determined using measurement techniques that are not market oriented, but are based on other non-market values (cost, equity, etc.), according to what is set forth in the internal policy on the matter.

The amount shown in the same column, under item “3.4 Transfers to other levels” amounting to EUR 10.6 mln is mainly to be attributed to investments that have been subject to a reversed valuation change compared with what has been previously reported.

The purchases under item 2.1 stood at EUR 35 mln and refer primarily (EUR 29.7 mln) to the shares of Atlante Fund.

Changes in financial liabilities designated at fair value on a recurring basis (level 3)

No changes in the financial liabilities designated at fair value on a recurring basis (level 3) have occurred.

The Group did not generate day one profit/loss from financial instruments pursuant to paragraph 28 of IFRS 7 and other related IAS/IFRS paragraphs.

Fair value level 2: measurement techniques and inputs used

Items	Fair value 30 09 2016: Financial assets held for trading	Financial assets available for sale	Hedging deivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging deivatives	Type	Valuation technique(s)	Inputs used
Debt securities	330.0	283.3	X	-	865.9	X	Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
							Structured bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflatio n Curves + inputs necessary to measure optional component
							Bonds	Market price*	Market price*
Equity instruments	-	40.4	X	X	X	X	Share/Equity Instruments	Market price*	Market price*, recent transactions, appraisals, manager reports
							Equity Instruments	Discount cash flow	Share price, beta sector, free risk rate
							Equity Instruments	Net asset adjusted	Carring Amount Asset/Liabilities
Units of UCITS	5.6	139.2	X	X	X	X	Funds/PE	Market price*	Market price*; recent transactions, appraisals, manager reports
Loans/Deposits	9,286.4	-	X	X	X	X	Repo Trade	Discontinued Cash flow	Interest rate curve
Deposits	X	X	X	520.2	-	X	from banks		
				7,510.4	-		from customers		
Financial Derivatives	4,322.3	-	528.2	2,439.1	X	1,219.6	IR/Asset/Currency Swaps	Discounted Cash Flow	Interest rate curve, CDS Curve, Basi(yield), Inflation Curve, Foreign exchange rates and correlation
							Total return swaps	Discounted Cash Flow	Bond price, Interest rate curve, Foreign exchange rates
							Equity swaps	Discounted Cash Flow	Share price, Interest rate curve, Foreing exchange rates
							Forex Singlename Plain	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility
							Forex Singlename Exotic	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility (Surface)
							Forex Multiname	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility, Correlation
							Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
							Equity Singlename Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs
							Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto Correlation, Equity/Equity correlation
							Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface),Model inputs,Quanto correlation, Equity/Equity correlation
							Plain Rate	Option Pricing Model	Interest rate curve, inflation curves,bond prices,foreign exchange rates, Rate volatility, rate correlations
							Spot-Forward	Market price*	Market price*, Swap Point
Credit derivatives	67.7	X	-	48.8	X	-	Credit Index	Market price*	Market price*
							Default swaps	Discounted Cash Flow	CDS curves, Interest rate curve
							Cdo tranche	Discounted Cash Flow	Market price*, Basis, CDS curves, Base Correlation, interest rate curve
Total assets	14,012.0	462.9	528.2	X	X	X			
Total liabilities	X	X	X	10,518.5	865.9	1,219.6			

*prices for identical financial instruments listed in non-active markets (IFRS 13 par. 82 lett. b)

Fair value level 3: measurement techniques and inputs used

Items	Fair value 30 09 2016 Financial assets available for sale	Type	Valuation techinque(s)	Unobservable inputs	Range (weighted average)
Equity instruments	281.5	Investments	Discontinued Cash Flow	Liquidity base/ Equity Risk Premium/Beta	30%/>8%/>0.5
		Inverstments	Cost/Net Equity	Fair value asset	0 - 13.5 €/mln
		Convertible Bond	Credit Model	Fair Value asset	22.1 €/mln
Financial derivatives	X	Exotic Derivatives	Option Pricing Model	Risk Model - Smile dynamics	No Dynamic/stochastic evolution
Units of UCITS	36.7	Side Pocket	External Pricing	NAV	0-5.5 eur/mln
		Closed-end Fund	Cost	FV componenti attivo	29,7 €/mln
Total Assets	318.2				
Total liabilities	X				

A description of Level 3 instruments that show significant sensitivity to changes in unobservable inputs is provided below.

Equity securities valued according to the Credit Model method include essentially the convertible bond issued by Sorgenia S.p.A. following the restructuring of its original debit position toward the Bank. The bond is valued according to the credit models and the value obtained is not verifiable through market results and for this reason the sensitivity of this position is considered to be equal to the entire book value (around EUR 22 mln).

Equity securities measured using the Discounted Cash Flow model mainly include the Bank of Italy shareholding (EUR 187.5 mln). The shareholding was measured with the methodology identified by the Committee of Experts in the document "Revaluation of shareholdings in the Bank of Italy". This document not only details the valuation techniques adopted to reach the end result, but identified in the market beta of the equity risk premium and in the cash flow base to be used for cash flow discounting, the parameters on which to make entity specific assumptions. During valuation, the intervals of the possible values that can be assigned to these parameters cause the following changes in value: approximately EUR -33 mln for every 100 bps increase in the equity risk premium, around EUR -52 mln for every 10 percentage point increase in the market beta and approximately EUR -32 mln for every 10 percentage point increase in the cash flow base.

Equity securities valued at cost/net equity include all investments designated at fair value that could not be measured according to a market-based model. These positions amount to approx. EUR 73 mln.

The units of UCITS measured with External Pricing are Hedge Fund side pockets, whose price quotes by the asset management companies are deemed non-verifiable. For this reason, the sensitivity of these positions is considered to be equal to their entire book value (approx. EUR 8.6 mln). This category also includes the subscription in the first half, in June 2016, of shares of the Atlante Fund, for a total amount of around EUR 28 mln. This last position was valued by updating the report of the asset management company with the fair value (calculated by the asset management company itself) of the two main values of the fund's assets, i.e., the investments in Veneto Banca and Banca Popolare di Vicenza. These values have been identified by selecting the median value of a range of elements. By selecting the minimum value of this range, there would be a negative change of approximately EUR 2.7 mln.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis

Financial asset/liabilities not measured at fair value or measured at fair value on a non - recurring basis	30 09 2016		31 12 2015	
	Book value	Total Fair value	Book value	Total Fair value
Loans to banks	7,669.4	7,626.7	8,242.1	8,099.7
Loans to customers	104,612.4	108,649.2	111,366.4	115,217.5
Property, plant and equipment held for investment	406.0	443.1	431.3	496.5
Non-current assets and groups of assets held for sale	19.6	1.1	29.3	22.2
Total	**112,707.4**	**116,720.1**	**120,069.1**	**123,835.9**
Deposits from banks	25,282.4	25,281.9	17,493.1	17,502.6
Deposits from customers	79,065.2	79,069.8	87,806.3	87,810.7
Debt securities issued	24,820.9	23,276.6	29,394.4	28,843.5
Total	**129,168.5**	**127,628.3**	**134,693.8**	**134,156.8**

For non-performing exposures classified in fair value hierarchy level 3, it is assumed that the book value represents a reasonable approximation of fair value. This assumption is based on the circumstance that the fair value calculation is significantly influenced by recovery expectations, as subjectively assessed by the manager; the discounting rate applied is that set forth in the contract, as the low liquidity and competition of the non-performing loans market does not make it possible to survey observable market premiums.

Likewise, the fair value of performing loans, also mostly classified in level 3, is based on models that use predominantly non-observable inputs (e.g., internal risk parameters).

Therefore, and also due to the absence of a secondary market, the fair value recognised in the financial statements for disclosure purposes only could vary significantly from sale prices, including the Operation announced to the Market.

With reference to para. 93 lett. (i) of IFRS 13, the Group does not hold any non-financial assets designated at fair value on a recurring and non-recurring basis.

With reference to para. 96 of IFRS 13, the Group does not apply the portfolio exception provided for in para. 48 of IFRS 13.

Shareholders' equity

As at 30 September 2016, the **Group shareholders' equity and non-controlling interests** amounts to **EUR 8,772 mln**, down by approx. EUR 851 mln compared to the end of 2015 and by approx. EUR 1,183 mln compared to 30 June 2016. The quarterly changes are to be attributed to the loss for the period and the valuation reserves.

Reclassified Consolidated Balance Sheet										
	30/09/16	30/06/16	31/12/15	30/09/15	Chg Q/Q		Chg 31/12		Chg Y/Y	
Equity				(*)	**Abs.**	**%**	**Abs.**	**%**	**Abs.**	**%**
Group net equity	8,745.6	9,928.7	9,596.6	9,730.2	(1,183.1)	-11.9%	(851.0)	-8.9%	(984.6)	-10.1%
a) Valuation reserves	(24.7)	7.7	(21.8)	(84.7)	(32.4)	-420.8%	(2.9)	13.3%	60.0	-70.8%
c) Equity instruments carried at equity	-	-	-	-	-		-		-	
d) Reserves	617.2	617.2	222.1	222.3	-		395.1	177.9%	394.9	177.6%
e) Share premium	-	-	6.3	6.3	-	n.s.	(6.3)	-100.0%	(6.3)	-100.0%
f) Share capital	9,001.8	9,001.8	9,001.8	9,001.8	-		-		-	
g) Treasury shares (-)	-	-	-	-	-		-		-	
h) Net profit (loss) for the period	(848.7)	302.0	388.2	584.5	(1,150.7)	-381.0%	(1,236.9)	-318.6%	(1,433.2)	-245.2%
Non-controlling interests	26.5	26.0	26.3	25.5	0.5	1.9%	0.2	0.8%	1.0	3.9%
Total Group Shareholder's Equity and Non-controlling interests	**8,772.1**	**9,954.7**	**9,622.9**	**9,755.7**	**(1,182.6)**	**-11.9%**	**(850.8)**	**-8.8%**	**(983.6)**	**-10.1%**

(*) Book values as at 30 September 2015 were restated in order to reflect the changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2015 financial statements, to which reference should be made.

Capital adequacy

Regulatory capital and requirements

On 25 November 2015 the ECB informed the Parent Company of the results of the Supervisory Review and Evaluation Process (SREP), based on which the Group was asked, with effect from 31 December 2016, to reach and maintain in the long term a minimum Common Equity Tier 1 Ratio threshold of 10.75%, based on transitional measures. Until that date, the CET1 threshold to be observed remains 10.2%, announced on 10 February 2015.

As at 30 September 2016 the Group's level of capital on a transitional basis was as shown in the following table:

Categories / Values	Risk Weighted Assets		Chg. 31.12	
	30 09 2016	31 12 2015	Abs.	%
OWN FUNDS				
Common Equity Tier 1 (CET1)	7,848.7	8,503.1	(654.4)	-7.70%
Tier 1 (T1)	8,066.3	9,101.4	(1,035.1)	-11.37%
Tier 2 (T2)	1,695.4	2,196.3	(500.9)	-22.81%
Total capital (TC)	**9,761.7**	**11,297.7**	**(1,536.0)**	**-13.60%**
RISK ASSETS				
Credit and Counterparty Risk	56,147.7	57,804.3	(1,656.6)	-2.87%
Credit valuation adjustment risk	542.7	806.3	(263.6)	-32.69%
Settlement risk	-	-	-	
Market risks	2,833.6	3,431.9	(598.3)	-17.43%
Operational risk	8,767.5	8,786.3	(18.8)	-0.21%
Other prudential requirements	-	-	-	
Other calculation elements	-	-	-	
Risk-weighted assets	**68,291.1**	**70,828.5**	**(2,537.4)**	**-3.58%**
CAPITAL RATIOS				
CET1 capital ratio	**11.49%**	**12.01%**	**-0.51%**	**-4.27%**
Tier1 capital ratio	**11.81%**	**12.85%**	**-1.04%**	**-8.08%**
Total capital ratio	**14.29%**	**15.95%**	**-1.66%**	**-10.39%**

Compared to 31 December 2015, the CET1 decreased (approximately EUR -654 mln); the negative impact contributed by the loss for the period (EUR -848 mln) resulted in a deterioration of exemptions (EUR -101 mln). The prudential filters and ineligible assets contributed to a deterioration of approximately EUR 50 mln, while the effect of the transitional rules improved by EUR 343 mln with respect to 31 December 2015.

Tier 1 decreased due to the decreases in CET 1 as well as primarily due to the attribution to that aggregate of 40% of the loss for the period (EUR 339 mln) and the application of a worse grandfathering percentage than in 2015.

Tier 2 decreased by about EUR -501 mln due mainly to the negative effect of the regulatory amortisation of subordinated securities set forth in Basel 3 (approx. EUR -683 mln), partially offset by the recovery of the excess of allocations toward the projected loss (EUR 176 mln).

Overall, the Total Capital level was down by EUR -1,536 mln.

There was an overall reduction in RWAs (around EUR -2,537 mln) as a result of the decline in "credit and counterparty risk" (around EUR -1,657 mln) due to the evolution in the performing loan portfolio.

he "market risk" (around EUR -598 mln) and "CVA risk" (approx. EUR -263 mln) components were also down due to the optimisation of the respective portfolios.

In light of the above, as at 30 September 2016 the capital ratios on a transitional basis are therefore down compared to 31 December 2015, but have remained above the minimum thresholds required by the Supervisory Authority as part of the SREP.

As already mentioned, the Transaction's accomplishment will allow the MPS Group to earlier comply with the doubtful loans portfolio's reduction requirements, in line with the ECB Draft Decision, whose main content was communicated to the market on 4 July 2016, and to reduce the Bank's risk profile.

According with previous communications to the ECB, in the Transaction was considered the average level of Unlikely to pay and past due exposures increased up to 40%.

In this regard, as well as considering all the new objectively verifiable information, the Bank will evaluate possible updates to the process management of the loans classified into the above categories, according to the New Business Plan 2017-2019 approved on 24 October 2016.

Disclosure on risks

Risk Governance

Risk governance strategies are defined in line with the Group business model, medium-term Business Plan objectives and external regulatory and legal requirements.

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the Board of Directors of the Parent Company. Specifically, the Board of Directors periodically defines and approves strategic risk management guidelines and quantitatively expresses the Group's overall risk appetite, in line with the annual budget and multi-year projections.

For the year 2016, in December 2015 the Board of Directors of Banca MPS approved the "*Group Risk Appetite Statement 2016*" (RAS 2016). The Risk Control Department is specifically assigned the task of conducting the quarterly monitoring of indicators, drawing up a periodic report for the Board of Directors and implementing the escalation/authorisation processes in the event of overdrawn amounts. The first monitoring of the RAS 2016 began in March 2016.

The RAS 2016 is an important evolutionary step compared to the prior system, in terms of indicators as well as breakdown by Business Unit/Legal Entity (cascading down of Risk Appetite). Its objective is to increase the Group's Risk Culture and fully instil accountability in all relevant Business Units with regard to respect and pursuit of the risk appetite objectives, as required by the regulations and recommended by best practices.

The incorporation of macro risk and risk-adjusted performance indicators, consistent with the RAF, within staff remuneration and incentive policies represents an additional tool to promote awareness of the conduct adopted by all resources and the cultivation of a healthy risk culture.

The Risk Appetite Process is structured so as to ensure consistency with the ICAAP and ILAAP as well as with Planning and Budget and Recovery processes, in terms of governance, roles, responsibilities, metrics, stress testing methods and monitoring of key risk indicators.

In 2016, the Group engaged in several risk management system improvement projects, especially with regard to credit risk, liquidity risk, and implementation of the ILAAP and Recovery risk processes, as required under the reference European regulations, resulting in the implementation of methodologies and applications within the risk management, reporting, planning and disclosure systems.

The MPS Group is one of the Italian banks subject to the ECB's Single Supervisory Mechanism. In 2016, the Parent Company has continued to actively support interaction with the ECB-Bank of Italy Joint Supervisory Team (JST).

For additional information, see the Consolidated Report on Operations as at 31 December 2015, available in the Investors & Research section at www.mps.it.

Internal Capital

Risk assessment models

The Internal Capital is the minimum amount of capital resources required to cover economic losses resulting from unforeseen events caused by exposure to different types of risk.

The approach used to quantify risks-to-capital with regard to which the Group is exposed is known in the literature as Pillar 1 Plus. This approach envisages that the Pillar 1 requirements for Credit and Counterparty Risk, which already include those relating to Issuer Risk on the Banking Book, Equity Investment Risk, Real Estate Risk and Operational Risk, be increased by the requirements from internal models relating to Market Risks, both Trading Book and Banking Book, Banking Book Interest Rate Risk (Financial Risks), Concentration Risk and Business/Strategic Risk.

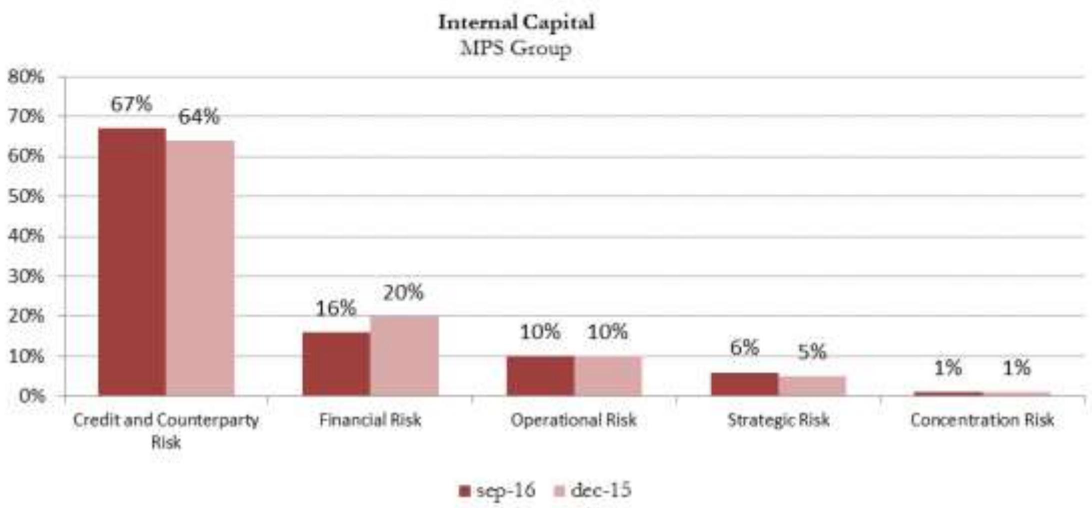
Compared to what was outlined in the 2015 Notes to the Consolidated Financial Statements, the following changes have been made to the methods used to estimate Internal Capital:

- inclusion of the Interest Rate Risk factor of AFS positions in the internal model to estimate Internal Capital for Interest Rate Risk of the Banking Book (and not that for Market Risk);
- introduction of new assessment method for the internal capital requirement against Business/Strategic Risk.

Overall Internal Capital is calculated without considering inter-risk diversification, therefore by directly adding together the internal capital contributions of the individual risks (Building Block). This approach aims to incorporate the indications in the SREP (Supervisory Review and Evaluation Process) Guidelines published by the EBA in December 2014.

Risk exposure

In order to make the risk exposure percentages as at 30 September comparable to those as at 31 December 2015, the values referring to the latter period were recalculated and stated to include the methodological changes that took place on the internal models in 2016.



The MPS Group also manages liquidity risk on an ongoing basis (risk-to-liquidity, as defined in the SREP Guidelines), along with other risks that are difficult to quantify (e.g., reputational risks and risks on investment services), also through the issuance of internal regulations of an organisational nature.

Credit risks

Risk assessment model

With regard to the Credit Risk measurement method, there are no significant changes to report compared to what was outlined in the 2015 Notes to the Consolidated Financial Statements. The MPS Group analyses credit risk using the metrics set forth by the Pillar 1 method. The Group is currently authorised to use **advanced internal rating-based systems** (AIRB - Advanced Internal Rating Based and Slotting Criteria for Specialized Lending exposures) to determine the capital requirements in respect of credit risk based on the following perimeter:

- Legal entities validated: Parent Company, MPS Capital Services, and MPS L&F.
- Portfolios validated: Corporate and Retail.
- Parameters validated: PD, LGD, Slotting Criteria.

For the remaining entities/portfolios, the Group adopts the **standardised methodology**.

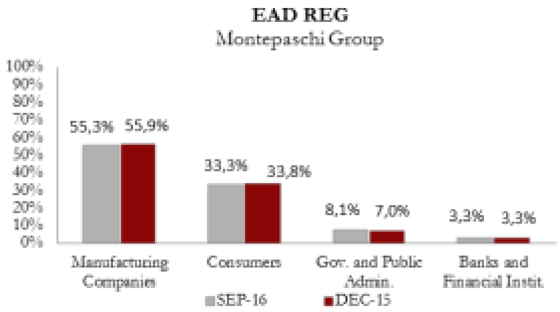
The MPS Group also uses the same metrics for the following internal operating and management purposes:

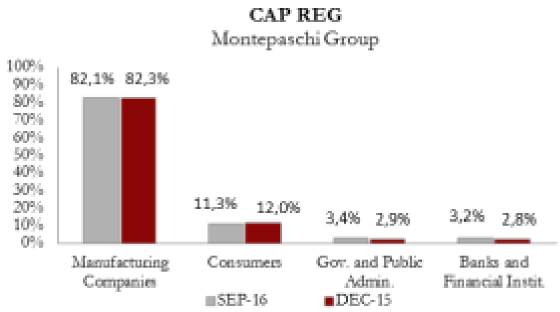
- measurement of internal capital for credit risk;
- calculation of risk-adjusted performance and measurement of value creation;
- risk-adjusted pricing processes;
- credit direction processes;
- in all credit processes (disbursement, review, management and follow-up).

Risk exposure

The charts below provide a credit quality breakdown of the MPS Group's portfolio (Parent Company, MPS Capital Services, MPS L&F and Widiba) as at 30 September 2016 compared to the end of June 2016 for Regulatory Exposure at Default (REG EAD) and Regulatory Capital (REG CAP) of the performing Corporate and Retail portfolios.

The charts below show the distribution of the MPS Group's REG EAD and REG CAP by type of client as at 30 September 2016 compared to the end of December 2015.





Counterparty risk

Risk assessment model

With regard to Counterparty Risk measurement methods, there are no significant changes to report compared to 2015.

- As envisaged by the regulatory provisions, in measuring exposure to counterparty risk the MPS Group used the regulatory market value approach to determine Exposure at Default (EAD) for OTC (Over The Counter) transactions and LST (Long Settlement Transactions), and the equity approach to determine the EAD for SFTs (Securities Financing Transactions).
- The counterparty risk measurement perimeter comprises all Group banks and subsidiaries, with regard to positions held in the Banking Book and Trading Book.
- The capital requirement for Credit Value Adjustment (CVA) along with the insolvency requirement covers unforeseen losses recorded in the OTC Derivatives segment following a change in counterparty creditworthiness, excluding central counterparties and EMIR counterparties. The MPS Group calculates the CVA requirement using the standardised method envisaged by the Basel III regulatory framework.

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 30 September 2016.

The exposures are broken down by accounting categories. For securities classified as 'Loans and Receivables (L&R)' and "Loans", the book value (amortised cost) is also reported.

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets held for trading		Financiale assets available for sale		L&R	L&R	Financial assets HFT
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentine	0.5	0.3	-	-	-	-	-
Austria	0.1	0.1	-	-	-	-	-
Belgium	(5.0)	(5.6)	51.8	55.2	-	-	-
China	-	-	-	-	-	-	(0.4)
Philippines	-	0.1	-	-	-	-	-
France	(5.5)	(5.6)	3.5	4.3	-	-	174.0
Germany	(102.5)	(109.9)	20.0	21.4	-	-	25.0
Greece	4.2	-	-	-	-	-	-
Hong kong	-	-	28.9	28.9	-	-	-
Italy	1,257.7	1,161.5	13,742.4	15,428.2	556.9	2,901.9	2,093.2
Lithuania	-	-	9.0	9.9	-	-	-
Holland	(5.8)	(5.8)	-	-	-	-	-
Poland	(0.1)	0.3	10.0	10.4	-	-	-
Portugal	2.5	2.6	46.0	49.2	-	-	-
Romania	(0.1)	(0.1)	-	-	-	-	-
Spain	4.3	4.6	96.0	109.3	-	-	(3.2)
United States	2.1	2.2	-	-	-	-	-
Hungary	3.4	4.0	-	-	-	-	-
Total 30 09 2016	**1,155.8**	**1,048.7**	**14,007.6**	**15,716.8**	**556.9**	**2,901.9**	**2,288.6**
Total 31 12 2015	**3,743.1**	**3,780.2**	**14,704.5**	**16,494.9**	**513.2**	**2,850.1**	**3,022.1**

Market risks

Risk assessment model

With regard to the Market Risk measurement method for the Regulatory Trading Book, there are no significant changes in method to report compared to what was outlined in the 2015 Notes to the Consolidated Financial Statements. The analysis is performed using an internally developed management model, which has the following key characteristics:

- Model type: Value-at-Risk (VaR) Historical Simulation with full revaluation of all basic positions;
- Confidence level: 99%;
- Holding period: 1 business day;
- Historical series: window of 500 days with daily scrolling;
- Scope: Parent Company, MPS Capital Services;
- Risk measures: Diversified VaR, Conditional/Marginal VaR on individual risk factors, Mark-to-Market and Sensitivity Analysis, Stress Test & Scenario Analysis, and Theoretical and Actual Backtesting.

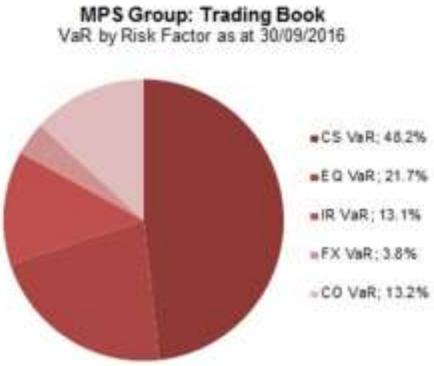
Internal Capital for Market Risk is also measured with regard to the Regulatory Trading Book and the Banking Book (positions classified as AFS and relative coverage through FVH, appropriately adjusted and streamlined in the risk integration phase).

For Supervisory purposes, the Group uses the standard methodology.

Risk exposure

As at 30 September 2016, the market risk of the Group's Regulatory Trading Book, measured as VaR, trended downward compared to the end of December 2015, amounting to EUR 5.47 mln. This decrease was influenced in part by changes in market risk factors, which was reflected in VaR measurements through the daily updating of the internal historical simulation model parameters.

The volatility of the Group's VaR in the first nine months of 2016 was largely influenced by changes in market parameters and by the trading activities of the subsidiary MPS Capital Services (proprietary trading and structuring and hedging activities, mostly related to policies.)

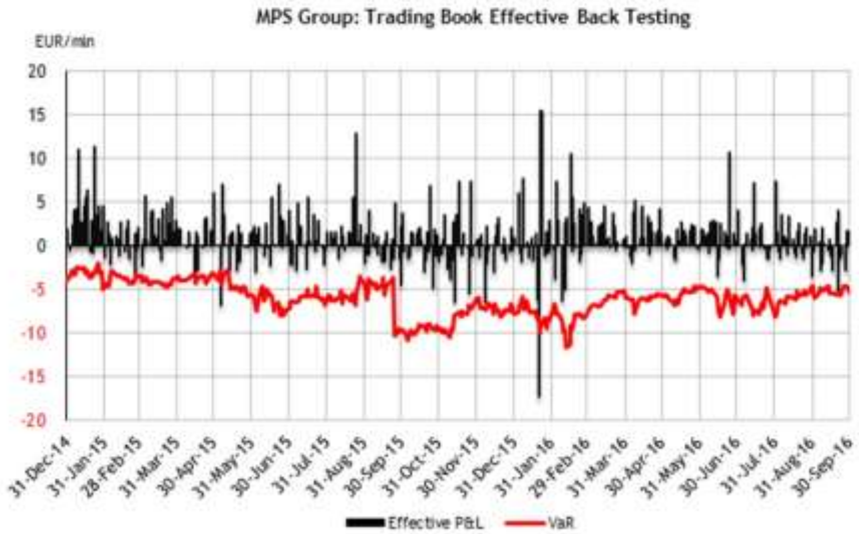


MPS Group: Trading Book
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	5.47	30/09/2016
Min	4.55	09/09/2016
Max	11.55	11/02/2016
Average	6.38	

VaR model backtesting

The chart below shows the Actual Backtesting results of the internal Market Risks model in relation to the Group's Regulatory Trading Book for 2015 and for the first nine months of 2016:



The backtesting shows one exception during the first half of the year on the Group trading book, details of which are as follows:

- 20 January 2016:negative day for the market (negative shift in market parameters, particularly FTSEMIB Index -4.8% and CDS BMPS Senior 5Y + 43%) with a significant impact on the portfolio of subsidiary MPS Capital Services.

Credit structured products

As at 30 September 2016, the securities positions on structured credit products of the Montepaschi Group amounted to a nominal amount of EUR 86.6 mln (compared to a nominal EUR 63.8 mln as at 31 December 2015).

Interest rate risk in the Banking Book

Risk assessment model

- Model type: Internal management model based on the Economic Value approach.
- Risk metrics: Interest Rate Sensitivity, Margin sensitivity, Stress Test.
- Behavioural models: handling of prepayment risk and modelling of demand items.
- Scope: Parent Company, MPS Capital Services, MPS L&F, Widiba, and MP Belgium.

Risk exposure

The sensitivity of the Group, at the end of September 2016, showed an exposure profile with increasing economic value within the context of a positive environment. The amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to EUR +87.55 mln at the end of September 2016 (vs. EUR -333.32 mln at the end of 2015). However, if benchmarked against Own Funds, these values are below the level considered as the attention threshold by the regulatory provisions.

Strategic risk

Risk assessment model

With regard to the internal model used to estimate the business/strategic risk, defined as the current and/or prospective risk of incurring unforeseen losses generated by high business volatility (business risk), incorrect strategic decisions and/or low reactivity to changes in the competitive environment (strategic risk), the MPS Group has introduced a Value-at-Risk type of measurement method for the internal capital requirement that combines an "earnings volatility" approach with an "expert-layer" assessment. The requirement is calculated on a current as well as prospective basis and in normal business conditions as well as stressed conditions.

This approach considers historic business margin volatility (earnings volatility approach), calculated for the Group and for the main legal entities, considering the following profit and loss items: net interest income, net fee and commission income, other administrative expenses, personnel expenses.

The Value-at-Risk approach used envisages the following methodological assumptions:
- normal distribution of business margin percentage variations;
- confidence interval of 99.9%;
- holding period: 1 year.

To estimate the internal capital requirement even under stressed conditions, the Group verifies the adequacy of the measurement obtained with the Value-at-Risk approach, measuring the profit and loss impacts of any failure of specific assumptions included in the Business Plan.

Risk exposure

As at 30 September 2016, the internal capital requirement for the MPS Group with regard to business/strategic risk represented 6% of the Overall Economic Capital (5% as at 31 December 2015).

Concentration risk

Risk assessment model

The Group, in accordance with Article 81 of Directive 2013/36/EU (CRD IV), defines Concentration Risk as the risk of incurring significant losses from exposure to counterparties, groups of related counterparties and counterparties of the same business sector or conducting the same business or belonging to the same geographical area.

Concentration Risk may therefore arise in relation to two different components:

- concentration by individual borrower or groups of connected borrowers (single name concentration)
- geo-sectoral concentration (sector concentration)

As a method to calculate the internal capital requirement against single name concentration risk, the simplified algorithm recommended by the applicable Italian regulation is used (Bank of Italy circular no. 285/2013).

With regard to the geo-sectoral risk estimate, reference is made to the method proposed by the ABI Concentration Risk Laboratory.

Risk exposure

As at 30 September 2016, the internal capital requirement for the MPS Group with regard to concentration risk was essentially unchanged compared to the same figure recorded as at 31 December 2015.

Liquidity risk

Risk assessment model

- The Liquidity Risk Framework adopted by the Group is a liquidity risk governance and management system that, in accordance with the provisions of the Supervisory Authority, aims to:
  - ✓ ensure the solvency of the Group and all of its subsidiaries, in normal business conditions as well as in a crisis;
  - ✓ optimise the cost of funding in relation to current and future market conditions;
  - ✓ adopt and maintain risk mitigation tools.
- The overall liquidity profile is monitored on the basis of the quantification of imbalances, by liquidation date, of cash flows falling due, including the adoption of specific behavioural models (for example, on demand items and customer obligations).
- The Liquidity Risk Framework consists of a dedicated Liquidity Stress Test Framework that analyses short-term liquidity, in order to quantify the liquidity reserves necessary to handle a series of adverse events, as well as medium/long-term liquidity, in order to assess the resilience of the Funding Strategy with respect to partial achievement of the measures envisaged and in relation to structural risk capacity. For the short-term, the type of choices in calibrating scenarios, in terms of severity and time buckets, allows on the one hand to determine periodically the internal limits system (calibration stress test) and on the other to measure time-to-survival, which is also subject to a dedicated limits system (management stress test).
- Starting from 2016, the Liquidity Risk Framework also includes an additional series of metrics, introduced in order to provide the supervisory authorities with a comprehensive overview of the liquidity risk profile through an additional disclosure that differs from what is provided by the indicators, based on the quantification of imbalances of cash flows falling due. These new metrics include, among others, the analysis of time deposits, of funding concentration and of counterbalancing concentration.

Risk exposure

The Group's Liquidity Reserves at the end of the third quarter were particularly high, with the Liquidity Coverage Ratio (LCR) at 153.2%, and the Group's structural equilibrium was adequate with a Net Stable Funding Ratio (NSFR) of 95.3%.

The ratio of 1-month balance to the Group's consolidated assets is 8.4%, down compared to the end of December 2015 (12.1%).

Operational risks

Risk assessment model

The Group has an advanced internal system for operational risk management, which has the following key characteristics:

- Model type: Advanced Measurement Approach (AMA) in combined use AMA/BIA (Basic Indicator Approach). Mixed LDA/Scenario approach with Loss Distribution Approach (LDA) on internal and external historical series and Scenario Analyses (management evaluations of contextual and control factors and on the main operational criticalities);
- Confidence level: 99.90%;
- Holding period: 1 year;
- Scope: all Group companies;
- Risk measures: operating losses and capital absorption.

The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

Risk exposure

As at 30 September 2016, operating losses and the number of operational risk events confirm the downward trend observed in 2015. The Regulatory Requirements as at 30 September 2016 were essentially stable compared to December 2015.

Main types of legal action

The risks associated with or connected to legal disputes – i.e. disputes brought before judicial authorities and arbitrators – are kept under specific and careful review by the Group.

In case of disputes for which the disbursement of financial resources to perform the underlying legal obligation is believed to be "likely" and the relevant amount can be reliably estimated, allocations are made to the Provisions for Risks and Charges using statistical or analytical criteria.

For the most significant disputes, see the disclosure in the 2015 financial statements for any cases not illustrated below.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of SNIA S.p.A.

The action, taken by the Extraordinary Administrators of SNIA S.p.A. against the former Directors, Statutory Auditors and (direct and indirect) Shareholders of the same company (including Parent Company Banca MPS), seeks the assessment of the defendants' liabilities for damages, originally not quantified, allegedly caused to the company. The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Parent Company and other appearing parties are concerned, pivot around the company's demerger in 2003. The relief sought against the Parent Company and other defendants, which originally could not be determined, was (partially) specified during the claim quantification stage and amounts to EUR 572.0 mln plus additional alleged damages, still undetermined.

The Ministry of the Environment and for Protection of the Land and Sea and the Ministry of Economy and Finance intervened in the dispute, to support the claims of the plaintiff (regarding the alleged environmental damage).

With regard to the claims for compensation against the Parent Company, jointly and severally – among others – the direct shareholder and the other "indirect shareholders" of SNIA, the defence focused, apart from the expired statute of limitations, on the groundlessness of the factual and legal elements that could warrant compensation for the alleged damages, with regard to the alleged damage from the so-called distractive demerger (quantified at "Euro 572,000,000.00 or Euro 388,000,000.00, or other amount to be quantified during the dispute also on an equitable basis pursuant to Art. 1226 of the Italian civil code") as well as to the alleged environmental damage (confirmed and reported by the Ministry of the Environment, against SNIA and its subsidiary Caffaro, for "Euro 3,423,257,403.60" and "Euro 1,922,070.00") regarding Caffaro's various production sites in Torviscosa (near the Grado and Marano lagoon), Brescia and Colleferro (within the Sacco River Valley).

With ruling no. 1795/2016 of 10 February 2016, the Court of Milan, having declared - among other things - the inadmissibility of the measures by the Ministries of the Environment and of the Economy, rejected the claims of the Extraordinary Administrators against the various parties, including the Parent Company, ordering the plaintiff to pay for the court costs.

With separate appeals, notified in March, the Ministries on the one hand and the Extraordinary Administrators on the other filed an appeal against the first instance ruling, repeating the grounds for the appeal and the arguments already expressed before the Court. The initial hearings were scheduled on 15 July and 4 October 2016, respectively.

During the hearing of 4 October 2016, the Court of Appeals of Milan ordered that the appeals be consolidated, reserving its decision on the petition to suspend execution of the judgment of first instance. On 21 October 2016, the Court lifted its reservation, suspended execution of the judgment appealed against and postponed the discussion to the hearing of 21 February 2017.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of Antonio Merloni S.p.A.

The extraordinary administration procedure of Antonio Merloni S.p.A. brought an action against the Directors and Statutory Auditors of the company, together with the pool of lenders and the companies that audited the financial statements, claiming that they are jointly responsible for causing the company's financial difficulties and requesting compensation for alleged damages of EUR 322.0 mln.

The Parent Company's defence aims to demonstrate the total groundlessness of the claim, the extraordinary administrators' lack of interest and legitimacy to bring the action, and the fact that the cause of action is past the statute of limitations.

The proceeding is still in the initial stage.

As at the date of this interim financial report, a settlement agreement is in the advanced state of definition, envisaging, among other things, abandonment of the proceeding by the Procedure

In October 2011, the Extraordinary Administrators of Antonio Merloni S.p.A. also brought a legal action against the Parent Company before the Court of Ancona requesting the return, as part of a bankruptcy rescindment, of EUR 53.8 mln as to the primary claim and EUR 17.8 mln as a secondary claim, for remittances occurred on the company's current accounts during the suspected period.

The judge issued a first instance ruling, rejecting the plaintiff's claim and sentencing the latter to repay legal expenses. The plaintiff filed an appeal.

As at the date of this interim financial report, a settlement agreement is in the advanced state of definition, envisaging, among other things, abandonment of the proceeding by the Procedure.

Banca Monte dei Paschi di Siena S.p.A. vs. Riscossione Sicilia S.p.A.

On 15 July 2016, Riscossione Sicilia S.p.A. served a complaint on Banca MPS before the Court of Palermo, asking the Court to order it to pay a total amount of EUR 106.8 mln.

The claim of Riscossione Sicilia S.p.A. falls within the realm of the complex dealings between the Parent Company and the plaintiff, originated from the disposal to Riscossione Sicilia S.p.A. (pursuant to Law Decree 203/05, converted into Law 248/05) of the stake held by the Parent Company in Monte Paschi Serit S.p.A. (later Serit Sicilia S.p.A.).

Specifically, Riscossione Sicilia, in relation to the contractual provisions involved in said disposal, now asks the Parent Company be ordered to pay, under its contractual liability, for alleged contingent liabilities of Monte Paschi Serit S.p.A./Serit Sicilia S.p.A.

As at the date of this document, the relative risk assessments are underway with regard to the overall credit dealings between the Banca MPS and Riscossione Sicilia.

Banca Monte dei Paschi di Siena S.p.A. vs. Marangoni Arnaldo + 124 shareholders and investors

In July 2015, Arnaldo Marangoni sued the Parent Company before the Court of Milan, claiming to have purchased shares of BMPS between 2008 and 2013, during subscription of the capital increase in 2008 as well as on the Electronic Stock Market for approximately EUR 0.075 mln. As the basis for his claims, the plaintiff alleged that the Parent Company, during the time period 2008-2013, unlawfully provided a false representation of its capital, economic, financial, profit and management situation, with the effect of misleading the plaintiff.

On 29 March 2016, through voluntary intervention, another 124 individuals came forward. The interveners allege to have purchased shares of BMPS during the capital increases of 2008 and 2011, as well as on the Electronic Stock Market.

The case is aimed at obtaining compensation for all material and non-material damage, quantified at approximately EUR 97 mln, claimed by the Interveners in relation to the investments made in BMPS shares based on allegedly incorrect information contained in the prospectuses, in the financial statements and in all price-sensitive communications issued by the Parent Company that resulted in misleading the Interveners.

Banca Monte dei Paschi di Siena S.p.A. vs. Coop Centro Italia s.c.p.a

On 26 July 2016, Coop Centro Italia s.c.p.a. served a complaint on Banca MPS, together with Consob, and a summons to appear before the Section of the Court of Florence specialised in corporate matters for the hearing of 20 January 2017.

The plaintiff, after describing its participation in the Parent Company's capital increases in 2008, 2011 and 2014, and the events of the Parent Company during the period 2008-2015, requests total damages of EUR 85.5 mln, essentially claiming the false nature of the prospectuses relating to the aforementioned capital increases. Specifically, the counterparty claims damages of EUR 20.3 mln for the capital increase of 2008 and EUR 9.2 mln for the capital increase of 2011, for contractual liability pursuant to Art. 1218 of the Italian Civil Code, as well as Art. 94, paragraph 8 of Legislative Decree no. 58/98 or Art. 2049 of the Civil Code in relation to the actions of its then representatives and employees, also pursuant to Art. 1218 of the Italian Civil Code, as well as Art. 94, paragraph 8 of Legislative Decree no. 58/98, for EUR 56.0 mln, jointly and severally – or alternatively each to the extent applicable – with Consob called upon to respond pursuant to Articles 2043 and 2049 for the actions of the Authority and those of its commissioners and officials, with regard to the 2014 capital increase, regarding capital losses incurred as well as loss of profit to be determined during the course of the proceedings.

Banca Monte dei Paschi di Siena S.p.A. vs. Coofin s.r.l.

On 26 July 2016, Coofin s.r.l. served a complaint on Banca MPS, together with Consob, before the Court of Florence, Section specialised in corporate matters, for the hearing of 20 January 2017.

The plaintiff, after describing its participation in the Parent Company's capital increases in 2008, 2011 and 2014, and the events of the Parent Company during the period 2008-2015, requests total damages of EUR 51.6 mln, essentially claiming the false nature of the prospectuses relating to the aforementioned capital increases. Specifically, the counterparty claims damages of approximately EUR 11.5 mln for the capital increase of 2008 and EUR 6.1 mln for the capital increase of 2011, for contractual liability pursuant to Art. 1218 of the Italian Civil Code, as well as Art. 94, paragraph 8 of Legislative Decree no. 58/98 or Art. 2049 of the Civil Code in relation to the actions of its then representatives and employees, also pursuant to Art. 1218 of the Italian Civil Code, as well as Art. 94, paragraph 8 of Legislative Decree no. 58/98, for EUR 34.0 mln, jointly and severally – or alternatively each to the extent applicable – with Consob called upon to respond pursuant to Articles 2043 and 2049 for the actions of the Authority and those of its commissioners and officials, with regard to the 2014 capital increase, regarding the capital losses incurred as well as the profit losses to be determined during the course of the dispute.

Other disputes: Banca Monte dei Paschi di Siena S.p.A vs. (former) BMPS Shareholders and Investors

This disclosure is provided in consideration of the fact that an additional 10 lawsuits are currently pending, brought forward by shareholders and/or former shareholders for a total claim of approximately EUR 45 mln, in which the plaintiffs claim to have purchased shares during the capital increases of 2008, 2011 and 2014 and/or on the electronic market based on allegedly incorrect information contained in the prospectuses and/or financial statements and/or in the price sensitive information issued by the Parent Company during the period 2008/2013.

These legal proceedings originate within an extraordinary and exceptional context also connected to the criminal investigations launched by the courts and the legal issues involving the Parent Company during the years 2012 and 2013, which mainly refer to the financial transactions to acquire resources to purchase Banca Antonveneta and to a number of financial transactions carried out by the Parent Company, including the transactions connected to the restructuring of the "Santorini" transaction and the "Alexandria" notes, to the prior capital increases carried out by the Parent Company in 2008 and 2011 and to the FRESH 2008 transaction.

The lawsuits filed by investors could increase, even significantly, with regard to the number and amount of claims, compared to those already submitted as of the date of this report, also as a result of the outcome of criminal proceeding 29634/14 r.g.n.r. (General Criminal Records Registry) pending at the Court of Milan and involving the Parent Company.

Out-of-court claims for the repayment of sums and/or compensation for damages by (former) Shareholders and Investors of BMPS

For complete disclosure, note that, in relation to capital increases and the allegedly incorrect information contained in the prospectuses and/or in the financial statements and/or in the price sensitive information issued by the Parent Company since 2008, the Parent Company has received 476 requests, for a total of approximately EUR 118 mln in quantified claims, aimed at obtaining reimbursement of the amounts invested and/or compensation for material and non-material damages following the alleged losses suffered. Of said claims, 75 names, which had quantified the amount in approximately EUR 69 mln out of court, filed civil suits (the majority of which as part of the case filed by Marangoni Arnaldo + 124 as mentioned above).

These claims – brought individually or collectively, through professionals or consumer associations – although heterogeneous, are mostly justified by generic references to the Parent Company's alleged violation of the industry legislation governing disclosure, and were rejected as they were considered generic, unfounded, not backed by suitable documentary evidence, and in some cases prescribed.

Banca Monte dei Paschi di Siena S.p.a. vs. Fruendo

Following the transfer of the back office business unit to Fruendo in January 2014, involving 1,069 resources, 634 employees (later reduced to 600 due to waivers and deaths) initiated legal proceedings before the Courts of Siena, Rome, Mantua and Lecce to demand the continuation of the employment relationship with the Parent Company, upon the declaration of ineffectiveness of the transfer agreement entered into with Fruendo.

At the reporting date of this interim financial report, of the 600 plaintiffs, a first instance ruling has already been handed down for 496 (245 at the Court of Siena, 144 at the Court of Rome, 89 at the Court of Mantua and 18 at the Court of Lecce) after a hearing on the full merits, while for the remaining 104 (103 at the Court of Lecce and 1 at the Court of Siena), the rulings are still pending in first instance. At that date, 395 employees are entitled to rehiring (i.e., with regard to the above mentioned 496 plaintiffs, 245 plaintiffs brought before the Court of Siena, 89 plaintiffs before the Court of Mantua, 18 plaintiffs before the Court of Lecce and 43 plaintiffs before the Court of Rome, respect to the 144 brought before this latter, as the Bank won the case ingrained by 101 employees).

An appeal against the Court of Siena's decisions was lodged with the Florence Court of Appeals, which, in a ruling issued on 18 October 2016, confirmed the decisions of the Courts of first instance for 245 employees. The Parent Company reserves to appeal against these judgments to the Supreme Court of Cassation within the time limits prescribed by law.

Among the judgments still pending at first instance as of September 30, interesting no. 104 employees, further n. 5 unfavorable judgments for n. 5 plaintiff have been issued by the Lecce Court in October. Therefore, at the date of approval of these interim consolidated financial statements the employees entitled to rehiring are altogether n. 400.

All the decisions rendered by the Court of Rome have also been appealed against before the Rome Court of Appeals; the discussion hearings are scheduled in December 2016 for the appeal filed by the employees, in February and April 2018 for those filed by the Parent Company.

The unfavourable judgments issued by the Court of Lecce (with the exception of one for which the appeal was filed on 6 October) and by the Court of Mantua against the Parent Company will be appealed against within the time limits prescribed by law.

For the sake of full disclosure, note that both the Bank and Fruendo have filed a petition to the Court of Appeals of Rome, Lecce and Florence for assignment of the case to the European Court of Justice, which was rejected by the Court of Appeals of Florence.

With regard to the overall situation, to date and while the current scenario remains unchanged, no economic impact on the Parent Company is expected. Indeed, as the Fruendo employees have retained the pay they had been receiving from the Parent Company when the business unit was transferred, they would not be due any back pay if the unfavourable rulings for the Parent Company were to be enforced.

Given the above, the Parent Company, jointly with Fruendo, is analysing the matters arising from the rulings of the Court of Siena, the Court of Rome, the Court of Mantua and the Court of Lecce, in order to identify the best solutions.

Dispute between Banca Monte dei Paschi di Siena S.p.A. and Nomura in relation to the transaction known as "Alexandria" and the Santorini, Fresh 2008 and Chianti Classico financial transactions – Legal actions before the Court of Milan

After the early termination of the agreements in relation to the transaction known as "Alexandria", as agreed in the out-of-court settlement executed with Nomura on 23 September 2015 (see the annual report as of 31 December 2015), the damages caused to the Parent Company by the execution of these agreements are definitively 'crystallized'. In particular, the Parent Company reduced its claim for damages to an amount not lower than EUR 866.3 mln (compared to an initial civil claim of approx. one bn euro).

With reference to the criminal proceedings in relation to “Alexandria” (as already mentioned in the annual report as of 31 December 2015), after the service of the order of closing of the preliminary investigations, the Office of the Public Prosecutor at the Court of Milan sought the committal for trial of the former Top Management of Banca MPS and two members of the Management of Nomura concerning false corporate disclosures and market manipulation.

As regards the offences allegedly committed by the above-mentioned individuals, the Public Prosecutor also sought the committal for trial of Banca MPS and Nomura for administrative offences pursuant to Legislative Decree 231/2001.

In March 2016 this proceeding was combined with the other legal proceeding pending before the Court of Milan in relation to the investigations concerning the Santorini, FRESH 2008 and Chianti Classico transactions (see the annual report as of 31 December 2015).

By an order of 13 May 2016, the Preliminary Hearing Judge (in Italian, the “GUP”) authorized the lodging and admissibility of the claims for damages of the offended parties against the entities already part of the proceedings as defendants pursuant to Legislative Decree 231/2001.

On 2 July 2016, with the approval of the Public Prosecutor, the Parent Company filed a request for plea bargain in the criminal proceedings, in relation to the objections made against the Bank in compliance with Legislative Decree 231/2001.

After the request for plea bargain, the Parent Company’s position was closed and, consequently, at the moment the latter is not civilly liable for the members of its former Top Management, now indicted. With the plea bargain, accepted by the Preliminary Hearing Judge on 14 October 2016, the Parent Company exits the proceedings as defendant in the administrative offence following crimes committed by its own former executives, limiting the consequences to an administrative pecuniary penalty of EUR 600 mln and a seizure, for EUR 10 mln, without exposing itself to the risk of higher penalties.

Lastly, with regard to the above, on 1 October 2016 the Preliminary Hearing Judge ordered the committal for trial of the defendants other than the Bank. The first instance trial will begin with a hearing before the Second Criminal Division of the Court of Milan, scheduled on 15 December 2016. It is reasonable to assume that, during this first hearing, the civil parties seeking damages that have joined the criminal proceedings or will do so in the future (or some of them), will file a complaint against the Bank for civil liability for the offences with which the former directors and executives are charged.

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In relation to the notices received from Anima Holding and BPM regarding the activation of the compensation procedure (established at the time of the transfer of equity investments for the creation of the alliance in the asset management segment) due to a tax audit undertaken with regard to Anima Asset Management Ltd. and a related official tax audit report issued against the latter, in-depth assessments are currently underway with regard to the Parent Company’s position in light of the recently concluded agreement between the Anima Group and the Tax Authority and the resulting possibility of a settlement with Anima Holding.

Risks from tax disputes

Among the cases associated with tax disputes which regard the Group, those in which the risk of losing is considered likely are limited in number and adequate provisions have been made to the Provision for risks and charges.

On 1 October 2015, the Siena Guardia di Finanza (Tax Police Department) began a tax audit on the Bank in order to verify, for tax periods from 2010 to 2015, the proper fulfilment of tax application obligations (application of withholding tax on interest expense) with reference to Tier 1 capital strengthening structures put into place, starting in 2000, with the specific, formal authorisation of Bank of Italy. With reference to the 2010 tax period only, on 14 October 2015, the Bank has received an official tax audit report and subsequently, on 22 December 2015, an assessment notice and a penalty notification. The total amount claimed for 2010 (for withholdings, penalties and interest) is EUR 15.7 mln.

The findings set forth are based, extremely briefly, on the reclassification of financial instruments that gave rise to the payment of such interest expense by the Bank (which do not require the application of withholding taxes) as different financial instruments (which, instead, require the application of withholding tax).

With regard to the notices received, the Bank submitted a petition for a tax assessment settlement and statement of defence in order to provide the Revenue Agency reasonable arguments to defend the appropriateness of its actions. Following the relevant discussions and based on the opinions of its advisors and on the significant benefits (compared to the risk, albeit potential) arising from the admission of the defensive arguments by the Revenue Agency, including full cancellation of all contested sanctions, on 18 May 2016, the Bank signed a tax assessment settlement. As a result, the final tax payable was determined to be approximately EUR 2.9 mln in total.

Upon completion of the assessment, on 29 July 2016 the Guardia di Finanza served a tax audit report on the Bank, through which the same objections raised for the year 2010 were repeated for the years from 2011 to 2013; in this case, taking into account the defensive arguments already accepted by the Revenue Agency during the settlement agreement for 2010. The claim set forth in the aforesaid tax audit report amounts to a total of approximately EUR 9.6 mln for withholdings. With regard to said amounts (relating to the years 2011 through 2013), the Board of Directors has already authorised settlement under the same conditions as those applied to the year 2010 assessment described above, with the consequent full payment of the omitted withholdings only (EUR 9.6 mln).

Additionally, in the last tax audit report the Authority claimed that further withholdings totalling approximately EUR 8.8 mln had not been applied with reference to a separate loan transaction with a foreign counterparty. The Bank, assisted by its consultants, believes this claim to be entirely groundless, and submitted detailed defensive arguments to the Revenue Agency in a petition for tax assessment settlement filed on 18 October 2016.

To be mentioned is an investigation performed under Court Order by the Guardia di Finanza into a real estate transaction performed by MPS Immobiliare in 2011 and consisting of contributing a property complex located in Rome to a closed-end real estate fund and the subsequent disposal of units held in that same fund. As already reported in previous disclosures, in relation to that transaction, on 16 September 2013 the Guardia di Finanza served an official tax audit report challenging the ability to use the tax regime applied to the contribution in question and the subsequent failure to pay VAT of around EUR 27 mln and direct taxes of approximately EUR 4 mln. The Italian Revenue Agency has not yet served any assessment notice but has formally invited the company to provide clarifications, believing that the transactions put in place are on the whole elusive: as mentioned in prior reports, the company, assisted by its advisors, has prepared and filed its own remarks. On 19 July 2016 the Revenue Agency, confirming the objections raised by the Guardia di Finanza, served on the Bank an invitation to appear so as to initiate the procedure for a possible tax assessment settlement. This tax assessment settlement process is still pending. The risk of losing associated with these issues is considered unlikely.

Lastly, on 27 April 2016 the Guardia di Finanza, Tax Police Unit of Siena, began an assessment of subsidiary Consorzio Operativo Gruppo Montepaschi, with regard to direct taxes, VAT and IRAP, for the period from 1 January 2011 to 27 April 2016. Upon completion of the assessment, on 20 October 2016 a tax audit report was served on the company, in which the latter is required to pay additional taxes for the years 2011 through 2015 (EUR 17.5 mln for Ires and Irap and EUR 9.1 mln for VAT), plus applicable penalties. As regards additional Ires and Irap tax amounts (EUR 17.5 mln), it should be noted that approximately EUR 11.6 mln refers to allegations which (even if one were to accept the auditors' questionable arguments) are patently technically incorrect. Although the error has been pointed out, the Guardia di Finanza deemed it appropriate to confirm the alleged irregularities; in addition, the additional VAT amount of EUR 7.8 mln can be recovered by recourse against the relevant contractual counterparties. The company, assisted by its consultants, is considering appropriate actions to protect its interests.

Financial risks of investment services

The financial risks regarding investment services, for the Group, are a direct and indirect result of the risks incurred by customers in relation to the performance of services and investment activities. Consequently, governance of these risks is aimed at protecting customers and, simultaneously, preventing any potential negative impacts on the Group in terms of operational and reputational risk.

Risk assessment model

- The monitoring of risks inherent in investment services focuses on the overall set of operational and management processes as well as measurement and monitoring tools/methods used to ensure overall consistency between customers' risk profiles and the risk of investment products and portfolios offered to, or held by, customers.
  The investment products (of the Group and of third parties), whether or not included in the overall offering to the Group's customers, are mapped for risk on the basis of quantitative measurements of market and credit risk factors; liquidity and complexity assessments are also conducted on these products. Product mapping is one of the guiding criteria for carrying out investment adequacy checks as part of the consulting service offered.

- The strategic choice of the Group is to systematically combine the placement of financial products with advisory so as to ensure the highest level of protection for the investor and, at the same time, enhance the role played by account managers. The advisory service is offered on the basis of two different methods:
  - ✓ "Basic" transactional advisory is aimed at verifying the suitability of the individual investments recommended in relation to the risk of the customer's investment portfolio as a whole, by adopting a multi-variable control approach to the individual risk factors.
  - ✓ "Advanced" advisory is instead aimed at verifying the suitability of the overall set of transactions, advising on them based on their impact on a suggested investment portfolio of the customer in order to obtain optimum asset allocation and maximised prospective returns over a certain time horizon, given the customer's risk profile.

Risk exposure

The graphs below provide a percent comparison between December 2015 and September 2016 of the Indicators issued by customers in completing the MiFID questionnaire (Investment Objectives and Time Horizon).

At the end of September 2016, the portfolios held by Consumer/Retail customers on the basis of formalised "advanced" advisory proposals to obtain optimum asset allocation, were mainly distributed into the recommended Asset Allocation macro-classes, especially with regard to long-term investments.

Results by operating segment

Identification of operating segments

For the purpose of identifying the Operating Segments provided for by IFRS 8, the Group has adopted the so-called business approach. Consolidated income statement and balance sheet data are broken down and re-aggregated based on criteria including: business area monitored, operating structure of reference, relevance and strategic importance of activities carried out, and customer clusters served.

Based on the Group's organisational structures in place as at 30 September 2016 and the reporting criteria at the highest decision-making level, the following operating segments were identified:

- **Retail Banking**, which includes the sales activities of the Retail, Private, SME and Institutional customers, as well as the results of the subsidiaries Banca Widiba SpA and MPS Fiduciaria;
- **Corporate Banking**, which includes the sales activities of Top Corporate customers, Large Groups, Foreign Branches, of the subsidiaries MPS Capital Services, MPS Leasing & Factoring and of the foreign banks MP Belgium and MP Banque;
- **Corporate Centre**, which in addition to cancellations of intragroup entries, incorporates the results of the following business centres:
  - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Group Operating Consortium);
  - companies consolidated at equity and held for sale;
  - operating units, such as proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Group's Operating Segments as at 30 September 2016.

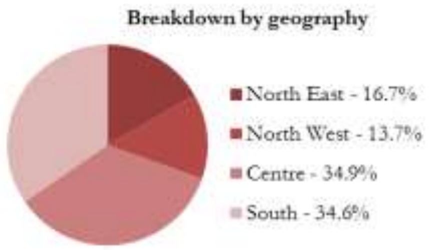
SEGMENT REPORTING	Business Segments							
Primary segment	Retail banking		Corporate banking		Corporate Center		Total MPS Group	
(EUR mln)	30/09/16	Chg % Y/Y	30/09/16	Chg % Y/Y	30/09/16	Chg % Y/Y	30/09/16	Chg % Y/Y
PROFIT AND LOSS AGGREGATES								
TOTAL REVENUES	3,145.8	-8.7%	526.9	-13.7%	(255.2)	n.s.	3,417.5	-16.6%
Operating expenses	(1,756.5)	-1.6%	(201.3)	0.4%	28.7	60.0%	(1,929.1)	-1.9%
PRE PROVISION PROFIT	1,389.3	-16.4%	325.6	-20.5%	(226.5)	n.s.	1,488.4	-30.2%
Net impairment losses (reversals) on loans and financial assets	(1,611.8)	39.6%	(352.0)	50.3%	(55.1)	88.7%	(2,018.8)	42.4%
NET OPERATING INCOME	(222.4)	n.s.	(26.4)	n.s.	(281.5)	n.s.	(530.4)	n.s.
BALANCE SHEET AGGREGATES								
Interest-bearing loans to customers	69,366	-8.2%	22,147	-5.7%	2,196	-45.5%	93,710	-9.1%
Deposits from customers and debt securities issued(*)	61,480	-17.5%	8,290	-42.5%	35,691	5.5%	105,461	-14.1%
Indirect funding	73,190	-1.7%	10,064	-42.5%	15,187	6.5%	98,441	-7.3%
Assets under management	*53,067*	*4.1%*	*796*	*-0.3%*	*3,028*	*3.2%*	56,891	*4.0%*
Assets under custody	*20,123*	*-14.2%*	*9,268*	*-44.5%*	*12,159*	*7.4%*	41,550	*-19.3%*

(*) The values stated in the Sales & Distribution segments are gross interest-bearing loans and therefore do not include the allowance for impairment.
(**) The figures for Retail Banking consist of values of the Sales Network of BMPS and of the balances of Banca Widiba SpA. In addition to the BMPS Sales Network and foreign branch figures, the Corporate Banking figure also includes the balances of the foreign banks (MP Banque and MPS Belgium).

It should be noted that the comparison values for 30 September 2015 include, at the overall level, the effects of the restatement of the "Alexandria" transaction and were also recalculated to incorporate the effects resulting from the different allocation of a position originally classified in Corporate Banking.

Retail Banking

Business areas	Customers
• Funding, lending, provision of insurance products, financial and non-financial services to Retail customers. • Electronic payment services (issuing and acquiring). • Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on non-strictly financial services (tax planning, real estate, art & legal advisory), fiduciary and trust services (through the subsidiary MPS Fiduciaria). • Digital services and self service enriched by the skills of the financial advisors network (through its subsidiary Banca Widiba)	Retail customers numbered around 5.1 million, of which around 0.13 million managed exclusively by Banca Widiba SpA.



Income statement and balance sheet results

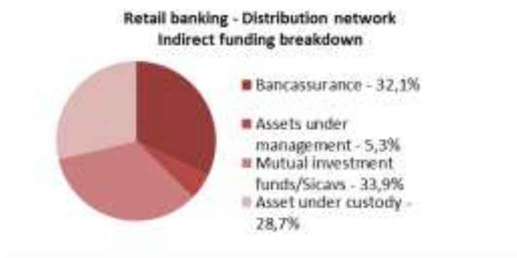
As at 30 September 2016, **Total Funding** for Retail Banking amounted to approximately **EUR 135 bn,** down by approximately EUR 5.8 bn from the level recorded at the end of June 2016 (down by approx. EUR 13 bn from 31 December 2015). The quarter was characterised by a reduction in the direct component, as a result of customers' behaviour influenced by tensions on the financial markets with regard to the banking sector, as well as by the stress test results (disclosed at the end of July), which were not positive for the Group. On the other hand, increases were recorded in asset management, and assets under custody showed substantial stability. More specifically:

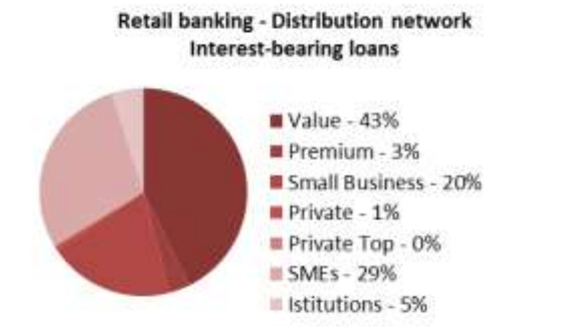
- **Direct Funding**, which in the second quarter of 2016 showed a slight increase (after a significant reduction in the first months of the year), stood at **EUR 61.5 bn** at the end of September, with a decrease of approximately EUR 6 bn compared to 30 June 2016, more accentuated in demand deposits.
- **Indirect Funding**, amounting to approx. **EUR 73 bn**, increased by EUR 0.6 bn compared to 30 June 2016 (down by EUR 1.7 bn from December 2015), thanks to the upward trend in asset management, which grew by approx. EUR 1.1 bn in the third quarter driven by Funds/SICAVs. Assets under custody showed a slight decline Q/Q, also due to the customers' tendency to channel their savings into managed investments.

Interest-bearing loans to customers of Retail Banking decreased from EUR 71 bn at the end of June 2016 to **EUR 69 bn** at 30 September 2016 (-5.5% year to date), with a decline in volumes of EUR 1.7 bn in Q3 2016, equally distributed among all types. With regard to the downward trend in the medium to long term component, in addition to the run-off of the former subsidiary Consum.it, the decline was also the result of loan portions coming due, only partially offset by new loans granted, and loans switched to doubtful loans during the period.

RETAIL BANKING - BALANCE SHEET AGGREGATES

(Eur mln)	30/09/16	30/06/16	31/12/15	30/09/15	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt securities issued	**61,480**	**67,795**	**73,022**	**74,487**	**-6,314**	**-9.3%**	**-11,542**	**-15.8%**	**-13,007**	**-17.5%**
Assets under management	*53,067*	*51,946*	*51,980*	*50,981*	*1,121*	*2.2%*	*1,087*	*2.1%*	*2,085*	*4.1%*
Assets under custody	*20,123*	*20,681*	*22,889*	*23,465*	*-558*	*-2.7%*	*-2,765*	*-12.1%*	*-3,341*	*-14.2%*
Indirect Funding	**73,190**	**72,627**	**74,868**	**74,446**	**563**	**0.8%**	**-1,678**	**-2.2%**	**-1,256**	**-1.7%**
Total Funding	**134,671**	**140,422**	**147,890**	**148,934**	**-5,752**	**-4.1%**	**-13,220**	**-8.9%**	**-14,263**	**-9.6%**
Interest-Bearing Loans to Customers	**69,366**	**71,087**	**73,378**	**75,526**	**-1,721**	**-2.4%**	**-4,012**	**-5.5%**	**-6,160**	**-8.2%**





With regard to profit and loss, in the first nine months of 2016 Retail Banking achieved **Total Revenues** of approx. **EUR 3,146 mln**, down 8.7% compared to the same period of the previous year. The contribution of Q3 2016, amounting to approx. EUR 988 mln, was lower by 8.7% than that of the previous quarter, affected by the reduction in Net Interest Income (mainly funding and loan volumes) and seasonality factors impacting commissions. A breakdown of the aggregate shows:

- As at 30 September 2016, Net Interest Income was approximately EUR 1,730 mln, down 14.6% annually due to the decrease in returns on commercial assets (volumes and rates);
- In the first nine months of 2016, Net Fee and Commission income totalled approximately EUR 1,375 mln, with a slight increase (0.7%) from the previous year.

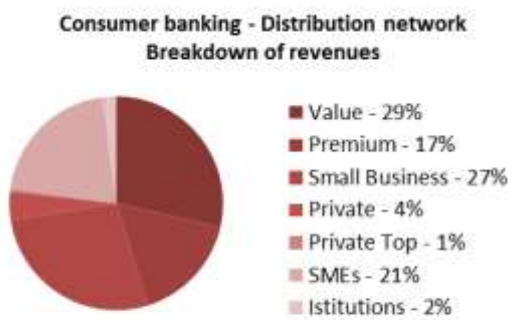
Considering the impact of operating expenses, which decreased by 1.6% Y/Y, Retail Banking generated a **Gross Operating Income** of about **EUR 1,389 mln** in the first nine months of 2016 (-16.4% Y/Y), with Q3 2016 contributing approximately EUR 395 mln or 21.8% less than the previous quarter. Net impairment losses (reversals) on loans and financial assets increased by 39.6% compared to the same period of 2015, including the effects registered in the 3th quarter, due to the updated methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay, and the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019 and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September.

Year to date, the **Net Operating Income** is **negative by approximately EUR 222 mln**, also as a results of the aforesaid effects of changes in loan policies.

The **cost-income ratio** of the Operating Segment is **55.8%** (53.9% at the end of June 2016).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES

(EUR mln)	30/09/16	30/09/15	Chg % Y/Y
Net interest income	*1,729.6*	*2,024.3*	*-14.6%*
Net fee and commission income	*1,375.0*	*1,365.5*	*0.7%*
Other income	*44.9*	*49.8*	*-9.9%*
Other operating expenses/income	*(3.6)*	*6.4*	*n.s.*
TOTAL REVENUES	**3,145.8**	**3,446.1**	**-8.7%**
Operating expenses	*(1,756.5)*	*(1,784.3)*	*-1.6%*
PRE PROVISION PROFIT	**1,389.3**	**1,661.8**	**-16.4%**
Net impairment losses (reversals) on loans and financial assets	(1,611.8)	(1,154.4)	39.6%
NET OPERATING INCOME	**(222.4)**	**507.4**	**n.s.**



Results of the main subsidiaries

The results of the main subsidiaries, with regard to the Retail Banking operating segment, were as follows:

- **Banca WIDIBA:** Loss for the period of EUR -7.4 mln, significantly improved compared to the result for the first nine months of 2015 (a loss of EUR -9.2 mln) due to revenue growth and a reduction in operating expenses. Volumes of direct funding increased compared to the end of 2015, while the indirect component dropped, mainly as a result of a decline in assets under custody. The customer base consisted of nearly 155,000 units;

- **MPS Fiduciaria:** profit for the period of approximately EUR 0.2 mln, down compared to the levels recorded in the first nine months of 2015.

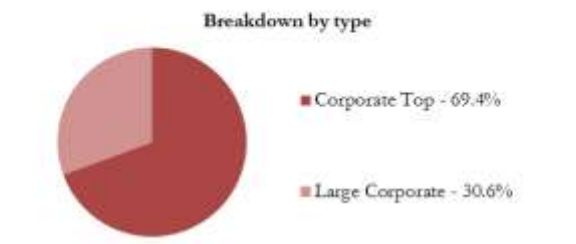
Corporate Banking

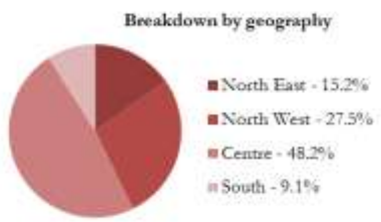
Business areas

- Lending and offering financial products and services to businesses, including through strategic partnerships with trade associations and Confidi (credit guarantee consortia), with Guarantee Institutions (including public) and Institutional Entities, through which funding is acquired at favourable terms.
- Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring).
- Corporate finance - medium-long term credit facilities, corporate finance, capital markets and structured finance also through the subsidiary MPS Capital Services.
- Products and services issued by the Parent Company's foreign branches to support business expansion and investments by Italian companies abroad. Activities abroad are also supported by the operations of foreign subsidiaries MP Banque and MP Belgium.
- Custody and deposit services for dairy products on behalf of third parties (through the subsidiary Magazzini Generali Fiduciari di Mantova S.p.A., which is also authorised to issue documents of title to the merchandise, providing for easier access to bank lending).

Customers

About 4,400 Top Corporate customers and large groups of the parent company, directly followed by Corporate Banking





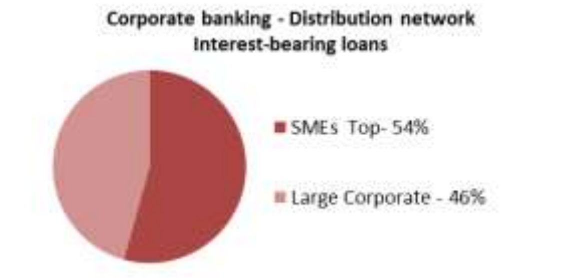
Income statement and balance sheet results

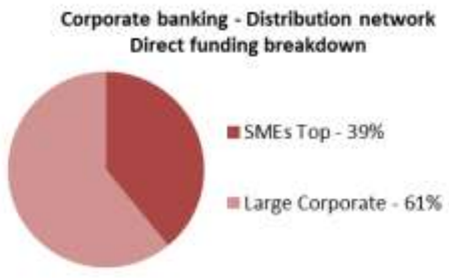
Total Funding from Corporate Banking in the third quarter of 2016 fell by approximately EUR 2 bn (from EUR 20.5 bn at the end of June to **EUR 18.4 bn** as at 30 September 2016) with a EUR -13 bn decrease compared to 31 December 2015, of which approximately EUR -7 bn attributable to assets under custody. In Q2 2016, these were affected by the merger by incorporation of a major customer, with no impact on the income statement. The quarterly trend shows that the aggregate was affected by a decline in direct funding (EUR -2.2 bn Q/Q) both on demand and on short term deposits, mainly due to withdrawals by Large Groups.

With regard to lending, as at 30 September 2016, Corporate Banking **interest-bearing loans to customers** stood at approximately **EUR 22 bn** (-2.3% on 30 June 2016 and -3.5% on 31 December 2015), mainly concentrated in medium-long-term loans.

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	30/09/16	30/06/16	31/12/15	30/09/15	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt securities issued	**8,290**	**10,500**	**14,506**	**14,412**	**-2,210**	**-21.0%**	**-6,216**	**-42.9%**	**-6,122**	**-42.5%**
Assets under management	*796*	*763*	*760*	*799*	*33*	*4.3%*	*36*	*4.8%*	*-3*	*-0.3%*
Assets under custody	*9,268*	*9,281*	*16,395*	*16,703*	*-14*	*-0.1%*	*-7,127*	*-43.5%*	*-7,436*	*-44.5%*
Indirect Funding	**10,064**	**10,044**	**17,155**	**17,502**	**19**	**0.2%**	**-7,091**	**-41.3%**	**-7,438**	**-42.5%**
Total Funding	**18,353**	**20,544**	**31,661**	**31,914**	**-2,191**	**-10.7%**	**-13,307**	**-42.0%**	**-13,560**	**-42.5%**
Interest-Bearing Loans to Customers	**22,147**	**22,677**	**22,945**	**23,482**	**-529**	**-2.3%**	**-798**	**-3.5%**	**-1,335**	**-5.7%**





For profit and loss aggregates, in the first nine months of 2016, Corporate Banking **Revenues** came to approximately **EUR 527 mln** (-13.7% Y/Y), with the Q3 2016 contributing approximately EUR 128 mln, down by -36.8% from the previous quarter; this was affected, within the scope of other revenue from banking and insurance business, by the lack of contribution from the subsidiary MPS Capital Services. A breakdown of the aggregate shows:

- Net Interest Income was approximately EUR 309 mln, down 8.9% annually due to the decrease in returns on commercial assets (volumes and rates);
- Net fee and commission income decreased by 10.6% Y/Y, amounting to approximately EUR 112 mln at the end of September 2016, mainly penalised by the downward trend in proceeds from Credit/Foreign services, also impacted by the reduction in operating volumes;
- Other Revenue from banking and insurance business amounted to approximately EUR 110 mln (-25.7% Y/Y).

The segment's **Net Operating Income** was **negative by approx. EUR 26 mln** (positive by approximately EUR 176 mln as at 30 September 2015) affected by the reduction in revenues and the increase in impairment losses on loans and financial assets (+50.3% Y/Y). This increase is attributable to higher impairment losses on loans accounted for in the third quarter, due to the updated methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay and the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019 and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September.

The Corporate Banking **cost-income ratio** stands at **38.2%** (33.3% as at 30 June 2016).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	30/09/16	30/09/15	Chg % Y/Y
Net interest income	*309.2*	*339.6*	*-8.9%*
Net fee and commission income	*111.8*	*125.0*	*-10.6%*
Other income	*109.8*	*147.7*	*-25.7%*
Other operating expenses/income	*(3.9)*	*(1.9)*	*107.0%*
TOTAL REVENUES	**526.9**	**610.4**	**-13.7%**
Operating expenses	*(201.3)*	*(200.6)*	*0.4%*
PRE PROVISION PROFIT	**325.6**	**409.8**	**-20.5%**
Net impairment losses (reversals) on loans and financial assets	(352.0)	(234.1)	50.3%
NET OPERATING INCOME	**(26.4)**	**175.7**	**n.s.**

Results of the main subsidiaries

The results of the main subsidiaries, with regard to the Corporate Banking operating segment, were as follows:

- **MPS Capital Services**: profit for the period of approximately EUR 1.6 mln, down by around EUR 53 mln compared to the first nine months of 2015, mainly due to the reduction in revenues and the increase in costs (principally as a result of accounting for DTA fees). Conversely, the cost of credit remains substantially stable, including the updated methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay and the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019 and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September (approx. EUR 22 mln accounted for in the third quarter).
- **MPS Leasing & Factoring**: loss for the period of EUR -40.9 mln (the net result as at 30 September 2015 was negative by EUR 28.4 mln), impacted by the annual increase in net impairment losses on loans and financial assets (approx. EUR 38 mln), due to the updated methodology for the calculation of the discounting adjustment of loans classified as unlikely to pay and the higher threshold used in the individual impairment of positions classified as unlikely to pay, considering the new recovery model outlined in the Business Plan 2017-2019 and also considering the indications provided in the 'Draft guidance to banks on non – performing loans' issued by the ECB last September. A comparison on an annual basis shows an upward trend in revenues.

- **Foreign banks[5]:** in the first nine months of 2016 **MP Banque** recorded a loss of EUR -0.4 mln, less than the loss recorded in the same period of the previous year; with regard to **MP Belgium**, the profit for the period amounted to EUR 4 mln, compared to a profit of EUR 7 mln as at 30 September 2015, which benefited from one-off positive elements related to securities portfolio transactions.

Corporate Centre

The Corporate Centre includes:

- head office units, particularly with regard to governance and support functions, proprietary finance, the 'asset centre' of divisionalised entities, which comprises in particular: asset and liability management, treasury and capital management;
- business service and support units, particularly with regard to the development and management of information systems of the Consorzio Operativo di Gruppo (Group Operational Consortium) and the management of doubtful debt collection.

In addition to cancellation of intragroup entries, the Corporate Centre also collects the results of companies consolidated by the equity method and those in the process of being disposed, as well as the results of operational branches that are individually below the minimum parameters for external disclosure requirements.

[5]The profit reported for foreign subsidiaries is local.

Prospects and outlook on operations

Global growth, which remained moderate in the first half of 2016, shows tentative signs of gradual recovery. Low interest rates, improvements in labour markets and a climate of greater confidence sustain the prospects of advanced economies. As for the emerging markets, a slowdown in economic activity is expected in China, while the growth outlook for major exporters of raw materials remains subdued despite timid signs of stabilization.

In the Eurozone, the economic recovery is moving along at a moderate but steady pace. Domestic demand continues to be supported by the transmission of monetary policy measures to the real economy. Favourable financial conditions and improved prospects for demand and business profitability continue to promote investment recovery. The Governing Council of the ECB decided to leave the official rates unchanged and sustains the monetary stimulus also through a package of expansionary measures consisting of increasing the size and composition of securities purchases and new, longer term refinancing measures for the banks on extremely favourable terms ("TLTRO 2") to foster credit to households and companies.

Plan for the disposal of doubtful loans, the reduction of the risk profile and the strengthening of the capital base

The Board of Directors of the Parent Company met on 24 October 2016, approved (i) the convening of an Ordinary and Extraordinary Shareholders' Meeting of the Bank in order to adopt the necessary resolutions to carry out an operation (the "Transaction"), aimed at the de-recognition of the MPS Group's doubtful loans portfolio as at 30 June 2016 up to ca. EUR 27.6 bn GBV (except for the doubtful leasing loans portfolio equal to approx. Euro 0.9 bn, that will be object of a separate disposal, and non-transferable exposures for approximatively Euro 0.4 bn), also through the distribution to the Parent Company shareholders' of junior notes, and (ii) to carry out a recapitalization of the Parent Company up to EUR 5 bn.

The Transaction, unprecedented in its structure and size on the history of the Italian market, is a crucial step that should allow the MPS Group to be able to strengthen its relocation amongst one of the leading institutions of the Italian banking system, with a solid balance sheet, a reduced risk profile, a significantly improved credit quality and a renewed profitability growth potential for the benefit of all stakeholders.

Structure of the Transaction

The Transaction, developed in continuity with what was announced to the market on 29 July and 26 September 2016, foresees for a combination of transaction connected with each other, namely:

1. De-recognition of the doubtful loans portfolio of the MPS Group from the consolidated financial statements, except as specified above;
2. The recapitalization of the Parent Company.

1. De-recognition of the portfolio of doubtful loans from the financial statements

The Transaction is provided to transfer the doubtful loans portfolio of the MPS Group as at June 30, 2016 – excluding the finance *lease* doubtful loans portfolio amounting to ca. 0.9 Euro/bn (subject to separate disposal) and non-transferable doubtful loans for ca. 0.4 Euro/bn - to a securitization vehicle ("Sec.Co") established under Italian Law 130/1999. It is expected that this transfer will be completed at a price equal to ca. 9.1 Euro/bn (i.e. 33% of the gross value). At the current state it is assumed that the funding of Sec.Co, in the *bridge* stage, will be structured as follows:

- *Senior bridge facilities* for an amount up to ca. 5 Euro/bn, which will be refinanced through the issuance of notes placed on the market at the end of the bridge phase, for which the assistance of the GACS (NPLs Securitisation Guarantee provided by the State) will be requested for the *investment grade* portion;
- *Senior Mezzanine bridge facilities*, for an amount subscribed by the Parent Company up to ca. 1 Euro/bn, which will be refinanced by notes to be issued at the end of the bridge stage, net off any portion assisted by GACS, and then either maintained by the Parent Company or sold;
- *Junior Mezzanine notes* for an amount of ca. 1.6 Euro/bn subscribed by the Atlante Fund;
- *Junior notes* for the remaining amount allocated to the shareholders of the Parent Company through the distribution of the share premium reserve, the latter constituted simultaneously with the capital increase in order to achieve the de-recognition of the doubtful loans (sofferenze) portfolio by the MPS Group.

As previously announced to the market, Quaestio Capital Management SGR S.p.A. ("**Quaestio**"), on behalf of the Atlante Fund, has finalized a *Memorandum of Understanding* ("**MoU**") with BMPS, which defines the stages and the conditions for the investment by the Atlante Fund, expected simultaneously with the conclusion of the Capital Increase, for a maximum amount of 1.6 Euro/bn, through the subscription of the *Junior Mezzanine notes*. Quaestio identified Credito Fondiario as the subject to be called to act as a *Master Servicer* of the Sec.Co portfolio, and it has initiated the competitive procedure for the selection of *Special Servicers* for the recovery of doubtful loans.

As already communicated to the market, the Bank continues in its disposal program of the doubtful loans recovery platform that, in accordance with the agreements reached with Quaestio, will handle one third of the portfolio of Sec.Co..

Instead of the *warrants* provided in the MoU with underlying newly issued Bank shares equal to 7% of the *fully diluted* share capital after completion of the Capital Increase, Quaestio and the Bank have agreed to negotiate in good faith an alternative and not dilutive measure.

2. Recapitalization of the Bank

The Board of Directors of the Parent Company has called the extraordinary Shareholders Meetings for the approval, through a mechanism of delegation pursuant to Article 2443 of the Civil Code, of a Capital Increase for a maximum of 5 Euro/bn, including on divisible, with the exclusion or limitation of pre-emption rights, reserving the Board of Directors, with the transformation of the factual background, the faculty to earmark a tranche in option to the shareholders. The Capital Increase is structured into the following components:

- a component of a potential LME (Liability Management Exercise), that will provide the possibility for the holders of the financial instruments subject to the LME to join a voluntary purchase of own financial instruments with remuneration linked to the underwriting of new shares to be issued as part of the Capital Increase; the subscription price of the new shares will be equal to the price that will be fixed as part of the Capital Increase through a so-called *bookbuilding process*;
- a component in cash reserved for any cornerstone investor, which would become available to buy a significant stake in the Bank's share capital;
- an additional component in cash, part of which could be allocated to the existing shareholders of the Bank;

The described three components of the Capital Increase, added together, will lead to the subscription of an amount equal to a maximum of 5 Euro/bn, in the forms that will be later identified by the Board of Directors on an date closer to the execution of the Transaction.

J.P. Morgan and Mediobanca - with the role of Joint Global Coordinators and Joint Bookrunners - Banco Santander, SA, Citigroup Global Markets Inc., Credit Suisse Securities (Europe) Limited, Deutsche Bank AG, London Branch, Goldman Sachs International and Merrill Lynch International - with as Co-Global Coordinators and Joint Bookrunners - and Banco Bilbao Vizcaya Argentaria, SA, Commerzbank Aktiengesellschaft, ING Bak NV, Jefferies International Limited, and Societe Generale - with as Joint Bookrunners - have signed a pre-underwriting agreement having as object - subject to conditions in line with the market practice for similar transactions and other conditions mostly related to the Italian banking sector in general and more particularly related to the conditions of the Bank and its Group, including the successful derecognition of Sec.Co. and to the marketing activities among the institutional investors (including any cornerstone investor) and the LME - to sign a guarantee agreement (Underwriting Agreement) for the subscription of newly issued shares potentially remained unsubscribed for a maximum amount of 5 Euro/bn. This maximum amount will be reduced by the amount equivalent to: (a) the amount of the value of the shares eventually subjected to irrevocable subscription undertakings given by qualified and / or institutional investors before the signing of the underwriting agreement and (b) the amount of the newly issued shares value to be allocated to institutional investors that have joined the LME and whose adhesion cannot be governed by the law of withdrawal pursuant to Article 95 bis, paragraph 2 of the TUF.

Main effects of the Transaction

The completion of the Transaction will enable the MPS Group:

- to reach in advance the reduction targets of the doubtful loans portfolio according to the *draft decision* of the ECB, whose main contents were communicated to the market on July 4, 2016;
- to reduce the MPS Group risk profile;
- to significantly improve the future profitability of the Bank for the benefit of all stakeholders;

The full derecognition of the Sec.Co portfolio will enable the MPS Group to show a credit quality among the best banks in the Italian market, with an NPE *ratios* pro-forma as of 3Q2016 of about 18.6%, in line with the market and with a better asset mix (81.0% of unlikely to pay, 10.5% of past due exposures and 8.5% of doubtful loans).

The Transaction is expected to significantly reduce the risk profile, to improve the liquidity position and the financial stability of the MPS Group. It is foreseen, at completion of the Transaction that the risk reduction will positively impact the expected profitability, in particular in terms of lower cost of risk and the cost of funding, allowing the Bank to accelerate the return to sustainable levels of profitability and to benefit from additional opportunities for growth.

Finally, the current shareholders of the Parent Company (those who are shareholders before the settlement of the Capital Increase), will retain the opportunity to participate in the potential upside arising from the recovery of doubtful loans transferred to Sec.Co through the free allocation of *junior notes*. This allocation will take place through the assignment of a non-negotiable right to receive the securities of junior notes followed by the allocation of the securities to shareholders, only if the Transaction will take place according to the terms described. Therefore, in such circumstance, the shares subscribed in Capital Increase will not benefit from this right.

Indicative timeline of the Transaction and authorizations

The Shareholders meeting for the approval of the Transaction will be held on November 24, with the aim of completing the Capital Increase and the de-recognition of the doubtful loans (sofferenze) portfolio by the end of this year.

The completion of the Transaction is subject, *inter alia*, to the obtaining of all regulatory and supervision approvals. In this regard note that the ECB, on 29 July, communicated to the Parent Company the resolution adopted by the *Supervisory Board* which excluded the impact on LGD models potentially arising from the disposal of the doubtful loans.

Related-party transactions

Compensation of key management personnel

Items/Amounts	Total 30 09 2016	Total 30 09 2015
Short-term benefits	6.2	6.0
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	3.1	-
Share-based payments	-	-
Other compensation	-	-
Total	**9.3**	**6.0**

Considering the instructions provided by accounting standard IAS 24 and in light of the current organisational structure, the Group has opted for the disclosure scope to include not only Directors, Statutory Auditors, the General Manager and Deputy General Managers, but also other Key Management Personnel.

For detailed information regarding remuneration policies, pursuant to art. 123 ter of the Consolidated Law on Finance, please refer to the separate "Report on Corporate Governance and Ownership Structure – Remuneration Report", which contains data reported in the past financial statements, including:

- a detailed breakdown of compensation paid to the Governing and Control bodies, General Management and, in aggregate form, to Key Management Personnel, as well as stock option plans reserved for members of the Governing and Control bodies, the General Management and Key Management Personnel;
- details and developments regarding stock option plans for Key Management Personnel;
- the shares of the Parent Company and its subsidiaries held by members of the Governing and Control bodies, General Management, Key Management Personnel and other related parties.

On 14 September 2016, the Parent Company's Board of Directors approved the conditions for termination of the employment relationship of Fabrizio Viola as of 15 October 2016 (see press release dated 14 September 2016).

With regard to termination of employment, the agreement provides for payment of a total gross amount of EUR 2,340,000 (of which EUR 1,010,000, or six monthly salaries, as indemnity for lack of notice, and EUR 1,330,000 as severance indemnity, equal to approx. 11 monthly salaries), to be paid as follows:

- in cash at the date of termination of employment, for the entire lack of notice indemnity (EUR 1,010,000) and 20% of severance indemnity (EUR 266,000);
- through the assignment of phantom shares on the date of termination of employment, for a further portion of 20% of the severance indemnity (EUR 266,000);
- five annual instalments for the balance severance indemnity, or EUR 798,000 (of which 50% in cash and 50% through the assignment of phantom shares).

As compensation for termination of the office of Chief Executive Officer, the agreement provides for payment of an indemnity equal to the remuneration that would have accrued until the natural expiry of the office in April 2018, i.e. a gross total of EUR 749,096, to be paid as follows:

- 40% on the date of termination of employment (50% in cash and 50% through the assignment of phantom shares);
- 60% over the next 5 years (50% in cash and 50% through the assignment of phantom shares);

These amounts will be paid after verifying the malus and claw-back conditions applicable to indemnities for severance and termination of the office of Chief Executive Officer.

The total number of phantom shares will be calculated on the basis of the price of BMPS shares on the date of termination, and subsequently paid in cash on the respective due dates on the basis of the market price applicable from time to time, without adopting, in compliance with regulatory provisions, any correction aimed at neutralising or mitigating any negative effects of possible transactions on the Parent Company's capital.

The following tables summarise the Group's relationships with its associates, key management personnel and other related parties as at 30 September 2016, as well as the economic effects of operations during the year. With regard to the calculation of incidence percentages, note that:

- financial assets had the total of items 10 to 80 on the Assets side of the Balance Sheet (balance-sheet financial assets) as their denominator;
- financial liabilities had the total of items 10 to 60 on the Liabilities side of the Balance Sheet (balance-sheet financial liabilities) as their denominator;
- for other assets and liabilities, the denominator reflected the items "Other assets" and "Other liabilities" in the Balance Sheet;
- for revenues and costs, the denominator is represented by the Group's "Profit (loss) before tax from continuing operations".

Transactions with associates and joint ventures

30 09 2016

Items	Amounts	% on Consolidated
Total financial assets	899.4	0.60%
Total other assets	-	0.00%
Total financial liabilities	877.2	0.60%
Total other liabilities	1.8	0.04%
Guaranties issued	211.2	
Guaranties received	514.8	

Transactions with key management personnel and other related parties

30 09 2016

Items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	4.6	28.7	0.02%
Total financial liabilities	11.9	56.0	0.05%
Total functioning costs	9.3	-	
Guarantees issued	-	-	
Guarantees received	4.6	9.5	

Related-party transactions

"Regulations containing provisions relating to transactions with related parties" was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

In its meeting of 10 November 2010, the Board of Directors of the Parent Company established the "Committee of Independent Directors" which, as of 18 July 2013, was renamed "Committee on Related-Party Transactions"; the Committee is composed solely of independent directors pursuant to the principles and criteria of the Corporate Governance Code of listed companies, which Banca MPS adhered to, and the Consolidated Law on Finance.

In implementation of art. 53 of the Consolidated Law on Banking and in compliance with resolution no. 277 of the Interministerial Committee for Credit and Savings (ICRC), on 29 July 2008 the Bank of Italy updated Circular no. 263/2006, effective as of 31 December 2012, to govern regulations concerning risk assets and conflicts of interest in relation to the Group's Associated Parties.

Through a resolution dated 12 November 2014, the Parent Company's Board of Directors approved – in accordance with regulatory provisions and having obtained the prior favourable opinions of the Committee on Related-Party Transactions and of the Board of Statutory Auditors - the "Global Policy on transactions with related parties and associated parties, obligations of the Banking entities" (hereinafter the "Global Policy"), which includes in a single document the Group's provisions on conflicts of interest in transactions with related parties in accordance with the above referenced Consob Regulation no. 17221/2010 and with Associated Parties in accordance with Bank of Italy Circular no. 263/2006, Title V - Section 5, as well as those on the obligations of banking representatives, in accordance with art. 136 of the Consolidated Law on Banking (TUB), and also contains rules for subsidiaries.

The Global Policy dictates the principles and rules to be adhered to in order to control the risk arising from situations of possible conflict of interest with certain entities close to the Bank's decision-making centres, and supersedes the "Procedure for Related-Party Transactions" - adopted on 25 November 2010 and updated on 24 June 2012 - and the "Deliberative Procedures governing transactions with Associated Parties" – adopted on 24 June 2012.

The Global Policy was published on the Bank's web site and is therefore available in full-text version at the following link:

https://www.mps.it/investors/corporate-governance/sistema-di-governance-e-policy/Sistema%20di%20governance%20e%20policy/Operazioni_con_parti_correlate_e_soggetti_%20collegati,_obbligazioni_degli_esponenti_bancari.pdf

§ * §* §

In May 2016, the Parent Company's Board of Directors resolved to approve inclusion of the MEF and of the relevant directly and indirectly controlled companies within the scope of related parties, on a discretional basis pursuant to the provisions of the Global Policy, excluding the prudential regulation.

The Parent Company has availed itself of the exemption provided by paragraph 25 of IAS 24 on the disclosure of transactions and balances of existing transactions with government-related entities. Among the main transactions carried out with the MEF and with its subsidiaries, in addition to the financing and funding transactions, mention also goes to the amount of Italian government securities recorded in the HFT and AFS portfolio (for a nominal amount of EUR 1,257.7 and EUR 13,742.4 mln, respectively).

Information is provided below regarding related-party transactions carried out by the Bank in the first nine months of 2016, which deserve specific mention and were conducted on the basis of mutual economic advantage considerations.

February 2016

- On 25 February 2016, the Board of Directors' resolution of 10 September 2015 in favour of INTERMONTE SIM SPA was implemented, regarding the renewal and increase of the credit lines, for the portion relating to extension of the transitional credit line of EUR 150.0 mln from 31 December 2015 to 13 December 2016. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as the Bank exercises significant influence in virtue of its investment in the share capital of INTERMONTE SIM SPA, with a stake of 17.41% of the shares with voting rights, and given the fact that it has designated a Board Member, a Statutory Auditor and an Alternate Auditor.

March 2016

- On 14 March 2016, the Board of Directors, with the favourable opinion of the Committee on Related-Party Transactions, authorised signing of an insurance policy distribution agreement between BMPS and a new company to be established on a joint venture basis between AXA ASSICURAZIONI SPA (related party of BMPS as it is directly controlled by AXA S.A.) and RBM Salute S.p.A. The transaction, amounting to a total of EUR 131.0 mln, falls within the scope of application of CONSOB Regulation no. 17221/2010 since, even though the counterparty to the agreement is not a related party of BMPS, the content of said agreement will be an integral part of the Joint Venture agreement already in existence between the Bank and AXA S.A., which is a related party of the Bank as a result of said Joint Venture.

April 2016

- On 7 April 2016, the Board of Directors, with the favourable opinion of the Committee on Related-Party Transactions, authorised the Bank's participation in the restructuring agreements pursuant to Art. 182-bis of the Bankruptcy Law, with a total exposure of EUR 11.3 mln, regarding the companies Una S.p.A., Euro S.r.l., Il Forte S.p.A. and Immobiliare Ferrucci S.r.l., all belonging to the FENICE GROUP; these companies fall under the category of related parties pursuant to CONSOB Regulation no. 17221/2010 as they are subject to significant influence by BMPS as a result of the investment held by the MPS Group in the holding company of the Fenice Group (FENICE HOLDING SPA) with a total stake of 20.54%, of which 4.16% by BMPS and 16.38% by MPS CAPITAL SERVICES SPA, which is in turn a subsidiary 99.92% owned by BMPS;
- on 7 April 2016, the Board of Directors resolved the granting of a new credit line to SAIPEM SPA, in addition to restoration of previously granted partial credit line, for a total amount of EUR 95.0 mln. SAIPEM SPA became a related party of BMPS, as it is indirectly controlled by the Ministry of Economy and Finance (MEF) through ENI SPA, both of which have become related parties of the Bank;
- also on 7 April 2016, the Board of Directors, with prior favourable opinion by the Committee on Related-Party Transactions, resolved to authorise signing of the loan restructuring agreement with regard to MARINELLA SPA in liquidazione, as well as signing of the framework agreement for the reorganisation of MARINELLA SPA. The transaction, amounting to a total of EUR 26.9 mln, falls within the scope of application of CONSOB Regulation no. 17221/2010, as MARINELLA SPA is subject to joint control by BMPS, which directly owns 25%, together with the company Sviluppo Progetto Marinella S.p.A., which owns the remaining 75%;
- on 26 April 2016, in implementation of the restructuring agreements already resolved by the Board of Directors in 2015 and following the entry into force of the relative decree by the Court and consequent registration, the Credit and Credit Policies Committee authorised conversion of the loan with regard to SANSEDONI SIENA SPA and subsidiary SVILUPPO

ED INTERVENTI IMMOBILIARI SPA, for a total amount of EUR 25.9 mln, into equity instruments. The transaction falls within the scope of those governed by CONSOB Regulation no. 17221/2010, as the aforementioned companies are subject to significant control by BMPS, which holds 21.75% of the share capital of SANSEDONI SIENA SPA, which in turn controls SVILUPPO ED INTERVENTI IMMOBILIARI SPA.

May 2016

- On 8 May 2016, the Credit and Credit Policies Committee, with the prior favourable opinion by the Committee on Related-Party Transactions, resolved in favour of IMMOBILIARE NOVOLI SPA: (i) extension of the ordinary credit facilities, (ii) extension with an increase in credit line agreed upon during the prior years and (iii) confirmation of the two construction mortgages on a pool basis with another bank, for a total amount of EUR 72.4 mln. The transaction is governed by CONSOB Regulation no. 17221/2010, as BMPS holds a stake in the company of 50% of the shares with voting rights.

June 2016

- On 13 June 2016, the Credit and Credit Policies Committee of BMPS expressed its approval of the disposal without recourse of the existing loan of MPS CAPITAL SERVICES SPA (part of the MPS Group and subsidiary of BMPS at 99.92%), with respect to BEATRICE SRL in liquidazione, for a total amount of EUR 48.4 mln. On 26 April 2016, the Credit and Credit Policies Committee of BMPS had already expressed its favourable opinion on the extension of the moratorium period for this loan up to 30 June 2016. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as BEATRICE SRL in liquidazione is 100% owned by SANSEDONI SIENA SPA, which is in turn subject to significant influence by BMPS, with a stake of 21.75% of the share capital.

July 2016

- On 25 July 2016, as part of the restructuring agreement under article 182-bis of the Bankruptcy Law and following the entry into force of the decree of approval in April 2016, as described above, the Credit and Credit Policies Committee authorised with regard to SANSEDONI SIENA SPA the finalisation of the sale to third parties of three real estate properties, under the plan for the disposal of properties included in the restructuring agreement, as well as a waiver by SANSEDONI SPA of employment indemnities accrued but not paid by one of the promissory buyers starting June 2016, in the event of prompt conclusion of the relevant deed of sale. It should be noted that the overall exposure of SANSEDONI SIENA SPA amounts to EUR 104.7 million. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as SANSEDONI SIENA SPA is subject to significant influence by BMPS, which holds a stake of 21.75% of the share capital.
- On 29 July 2016, the Board of Directors authorised with regard to MPS COVERED BOND 2 SRL the sale in one or more tranches in accordance with law No. 130/99 of a portfolio of performing residential mortgages and commercial loans of a maximum amount of EUR 2,000 million as well as the granting, where necessary, of a subordinated loan to the vehicle company up to the amount of the carrying value of the sold portfolio. Nine sales had already been finalised as part of the second Covered Bond Programme. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as BMPS holds a controlling interest in the share capital of MPS COVERED BOND 2 SRL (90% of the shares with voting rights);

- on 29 July 2016 the Board of Directors authorised with regard to SORGENIA GROUP – as part of the restructuring agreement under article 182-bis of the Bankruptcy Law, become fully effective following the decree of approval by the Court of Milan dated 27 March 2015 - the signing of a moratorium and standstill agreement effective until December 2016, on condition of reaching a quorum of 100% of banks, as well as the issue of a comfort letter by the banks aimed, once the wording is agreed, to convey the lack of any insurmountable impediments preventing from continuing to analyse the new business plan and to reach a negotiated solution of the Group's temporary crisis. BMPS's total exposure to the SORGENIA GROUP amounts to around EUR 591 mln, as at the date of the resolution. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as it refers to the companies SORGENIA SPA, SORGENIA POWER SPA and SORGENIA PUGLIA SPA, subsidiaries of NUOVA SORGENIA HOLDING SPA (the SORGENIA GROUP's holding company) and subject to significant influence by BMPS, which holds a stake of 16.67% of the share capital of the aforesaid holding company.

August 2016

- On 31 August 2016 the Credit and Credit Policies Committee approved the renewal of a framework resolution for the performance of credit line transactions secured by guarantees issued by FIDI TOSCANA SPA, up to a maximum of EUR 98 million, for a maximum period of 1 year of the date of approval. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as FIDI TOSCANA SPA is subject to significant influence by BMPS, which holds a stake of 27.46% of the shares with voting rights.

September 2016

- As part of a securitisation transaction, on 8 September 2016 the Board of Directors authorized the sale, in one or more tranches, in accordance with Law No. 130/99, of portfolios of performing loans originated by BMPS and consisting of mortgage and unsecured loans, up to an amount of EUR 2,500 million in favour of the new vehicle SIENA PMI 2016 SRL. The transaction falls within the scope of application of CONSOB Regulation no. 17221/2010, as BMPS *de facto* controls SIENA PMI 2016 SRL, the new vehicle company included in the MPS Banking Group.

DECLARATION OF THE FINANCIAL REPORTING OFFICER

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 Interim Report on Operations as at 30 September 2016 corresponds to the underlying documentary evidence and accounting records.

Siena, 24 October 2016

Signed by:

Arturo Betunio

Financial Reporting Officer

AUDITOR'S REVIEW REPORT

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Auditors' review report on the interim consolidated financial statements
(Translation from the original Italian text)

To the Board of Directors of
Banca Monte dei Paschi di Siena S.p.A.

Introduction

We have reviewed the interim consolidated financial statements, comprising the balance sheet as of September 30, 2016, the income statement, the statement of comprehensive income, the statement of changes in equity and cash flows for the period then ended and the related explanatory notes of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries (the "Montepaschi Group"), prepared for the purposes set out in Part "Accounting Policies" of the explanatory notes. The Directors are responsible for the preparation of the interim consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of the Montepaschi Group as of September 30, 2016 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis Paragraph

Without modifying our conclusions, we draw attention on the information provided in paragraphs "Going Concern" and "Plan for the disposal of doubtful loans, the reduction of the risk profile and the strengthening of the capital base" of the explanatory notes, in which the directors inform about the complex transaction approved by the Board of Directors on July 29, 2016 and subsequently amended lastly on October 24, 2016 (the "**Transaction**"), and about the assessment made with regard to the status of realization of the Transaction and the residual uncertainties related to the fulfillment of the conditions for its implementation, as well as to the possible outcomes of the inspection in due course by the ECB. Subject to the actual completion of the Transaction, the directors have deemed appropriate to prepare the interim consolidated financial statements as at September 30, 2016 under the going concern assumption.

Milan, October 31, 2016

EY S.p.A.
Signed by: Massimiliano Bonfiglio, Partner

This report has been translated into the English language solely for the convenience of international readers

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Annexes

Reconciliation between the reclassified income statement and balance sheet and the related statutory accounts

Reconciliation between the reclassified income statement as at 30 September 2016 and related statutory accounts

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	30/09/16	Accounts in the Profit and Loss Statement - Montepaschi Group		30/09/16	Operating Reclassifications		30/09/16
Net interest income	1,518.7	Interest income and similar revenues	Item 10	2,547.1	(+) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		14.7
		Interest expense and similar charges	Item 20	-1,043.1			
Net fee and commission income	1,402.4	Fee and commission income	Item 40	1,623.4			
		Fee and commission expense	Item 50	-221.0			
Income from banking activities							
Dividends, similar income and gains (losses) on equity investments	66.5	Dividends and similar income	Item 70	13.2	(-) Reclassification of dividends on treasury stock transactions	Item 70 - Partial	-3.6
					(+) Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partia	56.9
Net profit (loss) from trading/ valuation of financial assets	419.7	Net profit (loss) from trading	Item 80	151.6	(+) Reclassification of dividends on treasury stock transactions	Item 70 - Partial	3.6
		Gains/losses on disposal/repurchase of:	Item 100	157.3			
		a) loans		-2.9			
		b) financial assets available for sale		112.4			
		c) held to maturity investments					
		d) financial liabilities		47.8			
		Net profit (loss) from financial assets and liabilities	Item 110	107.2			
Net profit (loss) from hedging	-1.7	Net profit (loss) from hedging	Item 90	-1.7			
Other operating income (expenses)	11.9	Other income/expenses (net) from insurance activities	Item 220	292.7	(-) Recovery of stamp duty and customers' expenses	Item 220 - Partia	-280.8
Total Revenues	**3,417.5**			**3,626.7**			**-209.2**
Administrative expenses:	-1,771.9	Administrative expenses		-2,279.0			
a) personnel expenses	-1,239.4	a) Personnel expenses	Item 180a	-1,239.4			
b) other administrative expenses	-532.5	b) Other administrative expenses	Item 180b	-1,039.6	(+) Reclassification provision to BRRD and DGSD funds	Item 180b - Parti	102.0
					(+) Recovery of stamp duty and customers' expenses	Item 220 - Partia	280.8
					(+) DTA fee	Item 220 - Partia	124.3
Net adjustments to (recoveries on) property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-157.2	Net losses/reversal on impairment on property, plant a	Item 200	-81.2			
		Net adjustments to (recoveries on) intangible assets	Item 210	-96.7	(+) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		20.7
Operating expenses	**-1,929.1**			**-2,456.9**			**527.8**
Pre Provision Profit	**1,488.4**			**1,169.8**			**318.6**
Net impairment losses (reversals) on:	-2,018.8	Net impairment losses(reversals) on	Item 130	-2,018.8			
a) loans	-2,021.6	a) loans	Item 130a	-2,021.6			
b) financial assets	2.8	b) financial assets available for sale	Item 130b	-18.4			
		c) held to maturity investments	Item 130c				
		d) other financial transactions	Item 130d	21.2			
Net operating income	**-530.4**			**-849.0**			**318.6**
Net provisions for risks and charges	-3.6	Net provisions for risks and charges	Item 190	-3.6	(-) Reclassification provision to BRRD and DGSD funds	Item 190 - Partia	
Gains (losses) on investments	9.3	Gains (losses) on investments	Item 240	66.2	(-) Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partia	-56.9
Restructuring costs / One-off costs					(-) Restructuring charges	Item 180b - Parti	
Risks and charges related to the SRF, DGS and similar schemes	-102.0				Provision to BRRD and DGSD funds	Item 180b - Parti	-102.0
DTA fee	-124.3				(-) DTA fee	Item 180b - Parti	-124.3
Gains (losses) on disposal of investments	12.8	Gains (losses) on disposal of investments	Item 270	12.8			
Profit (loss) before tax from continuing operations	**-738.2**			**-773.6**			**35.4**
Tax expense (recovery) on income from continuing operations	-85.4	Tax expense (recovery) on income from continuing operations	Item 290	-73.7	(-) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-11.7
Profit (loss) after tax from continuing operations	**-823.6**			**-847.3**			**23.7**
Profit (loss) after tax from groups of assets held for sale and discontinued operations		Profit (loss) after tax from groups of assets held for sal	Item 310				
Net profit (loss) for the period including non-controlling interests	**-823.6**			**-847.3**			**23.7**
Net profit (loss) attributable to non-controlling interests	1.4	Net profit (loss) attributable to non-controlling interest	Item 330	1.4			
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**-825.0**			**-848.7**			**23.7**
PPA (Purchase Price Allocation)	-23.7				(-) Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-23.7
Impairment on goodwill and intangibles		Impairment on goodwill and intangibles	Item 260				
Net profit (loss) for the period	**-848.7**	Net profit (loss) for the period		**-848.7**	Total		**0.0**

Reconciliation between the reclassified income statement as at 30 September 2015 and related statutory accounts

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	30/09/15	Accounts in the Profit and Loss Statement - Montepaschi Group		30/09/15	Operating Reclassifications			30/09/15
Net interest income	1717.5	Interest income and similar revenues	Item 10	3123.0	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		23.5
		Interest expense and similar charges	Item 20	-1429.0				
Net fee and commission income	1358.3	Fee and commission income	Item 40	1628.0				
		Fee and commission expense	Item 50	-269.7				
Margine intermediazione primario	**3075.8**			**3052.3**				**23.5**
Dividends, similar income and gains (losses) on equity investments	95.1	Dividends and similar income	Item 70	18.4	(-)	Reclassification of dividends on treasury stock transactions	Item 70 - Partial	-9.4
					(+)	Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partial	86.1
Net profit (loss) from trading/ valuation of financial assets	904.2	Net profit (loss) from trading	Item 80	759.9	(+)	Reclassification of dividends on treasury stock transactions	Item 70 - Partial	9.4
		Gains/losses on disposal/repurchase of:	Item 100	140.5				
		a) loans		-26.9				
		b) financial assets available for sale		176.1				
		c) held to maturity investments						
		d) financial liabilities		-8.7				
		Net profit (loss) from financial assets and liabilities designated at fair value	Item 110	-5.6				
Net profit (loss) from hedging	9.8	Net profit (loss) from hedging	Item 90	9.8				
Other operating income (expenses)	13.1	Other income/expenses (net) from insurance activities	Item 220	281.9	(-)	Recovery of stamp duty and customers' expenses	Item 220 - Partial	-268.8
Total Revenues	**4098.0**			**4257.2**				**-159.2**
Administrative expenses:	-1810.4	Administrative expenses		-2082.0				
a) personnel expenses	-1256.5	a) Personnel expenses	Item 180a	-1259.3	(+)	Restructuring charges	Item 180a - Partial	2.8
b) other administrative expenses	-553.9	b) Other administrative expenses	Item 180b	-822.7				
					(+)	Recovery of stamp duty and customers' expenses	Item 220 - Partial	268.8
Net adjustments to (recoveries on) property, plant and equipment / N	-156.6	Net losses/reversal on impairment on property, plant and equipment	Item 200	-90.1				
		Net adjustments to (recoveries on) intangible assets	Item 210	-87.2	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		20.7
Operating expenses	**-1967.0**			**-2259.3**				**292.3**
Pre Provision Profit	**2131.0**			**1997.9**				**133.1**
Net impairment losses (reversals) on:	-1417.7	Net impairment losses(reversals) on	Item 130	-1417.7				
a) loans	-1413.9	a) loans	Item 130a	-1413.9				
b) financial assets	-3.8	b) financial assets available for sale	Item 130b	-6.1				
		c) held to maturity investments	Item 130c					
		d) other financial transactions	Item 130d	2.3				
Net operating income	**713.3**			**580.2**				**133.1**
Net provisions for risks and charges	-5.3	Net provisions for risks and charges	Item 190	-59.9				54.6
Gains (losses) on investments	126.6	Gains (losses) on investments	Item 240	212.7	(-)	Portion of profit from equity investments (Gruppo AXA)	Item 240 - Partial	-86.1
Restructuring costs / One-off costs	-2.8				(-)	Restructuring charges	Item 180b - Partial	-2.8
Rischi e oneri connessi a SRF, DGS e schemi similari	-54.6							-54.6
Gains (losses) on disposal of investments	1.9	Gains (losses) on disposal of investments	Item 270	1.9				
Profit (loss) before tax from continuing operations	**779.1**			**734.9**				**44.2**
Tax expense (recovery) on income from continuing operations	-163.5	Tax expense (recovery) on income from continuing operations	Item 290	-148.9	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-14.6
Profit (loss) after tax from continuing operations	**615.6**			**586.0**				**29.6**
Profit (loss) after tax from groups of assets held for sale and discontinued operations		Profit (loss) after tax from groups of assets held for sale and discontinued operations	Item 310					
Net profit (loss) for the period including non-controlling interests	**615.6**			**586.0**				**29.6**
Net profit (loss) attributable to non-controlling interests	1.3	Net profit (loss) attributable to non-controlling interests	Item 330	1.3				
Profit (loss) for the period before PPA , impairment on goodwill and	**614.3**			**584.7**				**29.6**
PPA (Purchase Price Allocation)	-29.6				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-29.6
Impairment on goodwill and intangibles		Impairment on goodwill and intangibles			(-)			
Net profit (loss) for the period	**584.7**	**Net profit (loss) for the period**		**584.7**		**Total**		**0.0**

Reconciliation between the reclassified balance sheet and related statutory accounts

Balance-sheet Items - Assets	30/09/16	31/12/15	Reclassified balance-sheet items - Assets
	941.4	**1,188.8**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	941.4	1,188.8	
			Receivables
	104,612.4	**111,366.4**	**a) Loans to customers**
Item 70 – Loans to customers	104,612.4	111,366.4	
	7,669.4	**8,242.1**	**b) Loans to banks**
Item 60 – Loans to banks	7,669.4	8,242.1	
	35,748.3	**35,208.6**	**Marketable assets**
Item 20 – Financial assets held for trading	18,746.3	18,017.4	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	17,002.0	17,191.2	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-	-	
	910.7	**908.4**	**Equity investments**
Item 100 – Equity investments	910.7	908.4	
	3,016.9	**3,141.8**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	2,657.0	2,741.7	
Item 130 – Intangible assets	359.9	400.1	
	7,230.0	**8,955.9**	**Other assets**
Item 80 – Hedging Derivatives	528.2	556.4	
Item 90 – Change in value of macro-hedged financial assets (+/-)	216.4	139.6	
Item 140 – Tax assets	4,236.0	5,542.5	
Item 150 – Non-current assets held for sale and discontinued operations	19.6	29.3	
Item 160 – Other assets	2,229.8	2,688.1	
Total Assets	**160,129.1**	**169,012.0**	**Total Assets**

Balance-sheet Items - Liabilities	30/09/16	31/12/15	Reclassified balance-sheet items - Liabilities
			Payables
	105,461.4	**119,274.6**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	79,065.2	87,806.3	
Item 30 – Debt securities issued	24,820.9	29,394.4	
Item 50 – Financial liabilities designated at fair value	1,575.3	2,073.9	
	25,282.4	**17,493.1**	**b) Deposits from banks**
Item 10 – Deposits from banks	25,282.4	17,493.1	
	13,802.7	**15,921.7**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	13,802.7	15,921.7	
	-	-	**Provisions for specific use**
Item 110 – Provision for employee severance pay	251.3	246.2	a) Provision for employee severance pay
Item 120 - Provisions for risks and charges - a) pension and similar obligations	51.2	49.4	b) Provision for pension
Item 120 - Provisions for risks and charges - b) other provisions	1,018.8	1,067.5	c) Other provisions
	5,489.2	**5,336.6**	**Other liabilities**
Item 60 – Hedging Derivatives	1,219.6	1,205.3	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Item 80 – Tax liabilities	116.3	91.4	
Item 90 – Liabilities associated to disposal groups held for sale	-	-	
Item 100 – Other liabilities	4,153.3	4,039.9	
	8,745.6	**9,596.6**	**Group net equity**
Item 140 – Valuation reserves	(24.7)	(21.8)	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	-	-	c) Capital instruments
Item 170 – Reserves	617.2	222.1	d) Reserves
Item 180 – Share premium reserve	-	6.3	e) Share premium reserves
Item 190 – Share Capital	9,001.8	9,001.8	f) Share capital
Item 200 – Treasury shares (-)	-	-	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	(848.7)	388.2	h) Profit (loss) for the period
	26.5	**26.3**	**Non-controlling interests**
Item 210 – Non-controlling interests (+/-)	26.5	26.3	
Total liabilities and shareholders' equity	**160,129.1**	**169,012.0**	**Total liabilities and shareholders' equity**

Pro-forma statements for the representation of the "Alexandria" transaction as a long-term repo, in continuity with previous reports

Foreword

As described extensively in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the Consolidated 2015 Financial Statement, to which the reader is referred for further information, the Parent Company, following the provisions issued by Consob resolution No. 19459 of 11 December 2015, adjusted the accounting representation of the "Alexandria" transaction in the 2015 Financial Statements, by bringing it into line with that of a CDS ("closed balance" approach) and retrospectively restating the previous financial statements according to the rules of IAS 8.

As a consequence, this interim report as at 30 September 2016 presents comparative data processed according to the "closed balance" approach; in particular:

- historical income statement data as at 31 March, 30 June and 30 September 2015, calculated according to a long-term repo transaction ("open balance" approach), have been adjusted to the "closed balance" approach;
- no adjustments were made to historical data as at 31 December 2015, as already processed according to the "closed balance" approach.

With a view to ensuring adequate public disclosure with respect to accounting criteria, dedicated pro forma statements are provided below in order to highlight, in continuity with previous reports, the income and financial impacts of the "'Alexandria" transaction if it is accounted for as a long-term repo.

The pro-forma statements are presented using the balance sheet as at 30 September 2016 and as at 31 December 2015 and income statement and statement of comprehensive income as at 30 September 2016 and 30 September 2015.

Pro-forma data were determined:

- for the balance sheet as at 31 December 2015, bringing appropriate pro-forma adjustment to the historical values of the 2015 financial statements (prepared according to "closed balance" approach) to represent the "Alexandria" transaction according to the "open balances" approach;
- for the income statement and the statement of comprehensive income as at 30 September 2015, by making appropriate pro-forma adjustments to the comparative "closed balance" data used in this interim report to bring back such data to the historical ones published on 30 September 2015, based on the "open balances" approach;
- no pro-forma adjustment was made to balance sheets, income statements and statements of comprehensive income as at 30 September 2016, as they are no longer affected by the "Alexandria" transaction, closed in September 2015.

Pro-forma consolidated balance sheet

	Assets	30 09 2016	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 Pro-forma
10	Cash and cash equivalents	941.4	1,188.8	-	1,188.8
20	Financial assets held for trading	18,746.3	18,017.4	-	18,017.4
40	Financial assets available for sale	17,002.0	17,191.2	-	17,191.2
60	Loans to banks	7,669.4	8,242.1	-	8,242.1
70	Loans to customers	104,612.4	111,366.4	-	111,366.4
80	Hedging deviratives	528.2	556.4	-	556.4
90	Change in value of macro-hedged financial assets (+/-)	216.4	139.6	-	139.6
100	Equity investments	910.7	908.4	-	908.4
120	Property, plant and equipment	2,657.0	2,741.7	-	2,741.7
130	Intangible assets	359.9	400.1	-	400.1
	of wich: goodwill	*7.9*	*7.9*	-	*7.9*
140	Tax assets	4,236.0	5,542.5	76.2	5,618.7
150	Non-current assets and groups of assets held for sale and discontinued operations	19.6	29.3	-	29.3
160	Other assets	2,229.8	2,688.1	-	2,688.1
	Total Assets	160,129.1	169,012.0	76.2	169,088.2

follow: Pro-forma consolidated balance sheet

	Liabilities and Shareholders' Equity	30 09 2016	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 Pro-forma
10	Deposits from banks	25,282.4	17,493.1	-	17,493.1
20	Deposits from customers	79,065.2	87,806.3	-	87,806.3
30	Debt securities issued	24,820.9	29,394.4	-	29,394.4
40	Financial liabilities held for trading	13,802.7	15,921.7	-	15,921.7
50	Financial liabilities designated at fair value	1,575.3	2,073.9	-	2,073.9
60	Hedging derivatives	1,219.6	1,205.3	-	1,205.3
80	Tax liabilities	116.3	91.4	(43.0)	48.4
100	Other liabilities	4,153.3	4,039.9	-	4,039.9
110	Provision for employee severance pay	251.3	246.2	-	246.2
120	Provisions for risks and charges	1,070.0	1,116.9	-	1,116.9
140	Valuation reserves	(24.7)	(21.8)	-	(21.8)
170	Reserves	617.2	222.1	619.2	841.3
180	Share premium	-	6.3	-	6.3
190	Share Capital	9,001.8	9,001.8	-	9,001.8
210	Non-controlling interests (+/-)	26.5	26.3	-	26.3
220	Profit (loss) (+/-)	(848.7)	388.2	(500.0)	(111.8)
	Total liabilities and Shareholders' Equity	160,129.1	169,012.0	76.2	169,088.2

Pro-forma consolidated income statement

	Items	30 09 2016	30 09 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	30 09 2015 Pro-forma
10	Interest income and similar revenues	2,547.1	3,123.0	113.7	3,236.7
20	Interest expense and similar charges	(1,043.1)	(1,429.0)	(91.0)	(1,520.0)
30	Net interest income	1,504.0	1,694.0	22.7	1,716.7
40	Fee and commission income	1,623.4	1,628.0	-	1,628.0
50	Fee and commission expense	(221.0)	(269.7)	-	(269.7)
60	Net fee and commission income	1,402.4	1,358.3	-	1,358.3
70	Dividends and similar income	13.2	18.4	-	18.4
80	Net profit (loss) from trading	151.6	759.9	(608.6)	151.3
90	Net profit (loss) from hedging	(1.7)	9.8	4.1	13.9
100	Gains/losses on disposal/repurchase	157.3	140.5	(132.0)	8.5
110	Net profit (loss) from financial assets and liabilities designated at fair value	107.2	(5.6)	-	(5.6)
120	Net interest and other banking income	3,334.0	3,975.3	(713.8)	3,261.5
130	Net impairment losses (reversals)	(2,018.8)	(1,417.7)	-	(1,417.7)
140	Net income from banking activities	1,315.2	2,557.6	(713.8)	1,843.8
180	Adiministrative expenses	(2,279.0)	(2,082.0)	-	(2,082.0)
190	Net provisions for risks and charges	(3.6)	(59.9)	-	(59.9)
200	Net adjustments to (recoveries on) property, plant and equipment	(81.2)	(90.1)	-	(90.1)
210	Net adjustments to (recoveries on) intangible assets	(96.7)	(87.2)	-	(87.2)
220	Other operating expenses/income	292.7	281.9	-	281.9
230	Operating expenses	(2,167.8)	(2,037.3)	-	(2,037.3)
240	Gains (losses) on investments	66.2	212.7	-	212.7
270	Gains (losses) on disposal of investments	12.8	1.9	-	1.9
280	Profit (loss) before tax from continuing operations	(773.6)	734.9	(713.8)	21.1
290	Tax expense (recovery) on income from continuing operations	(73.7)	(148.9)	213.8	64.9
300	Profit (loss) after tax from continuing operations	(847.3)	586.0	(500.0)	86.0
320	Profit (loss)	(847.3)	586.0	(500.0)	86.0
330	Profit (loss) for the period attributable to non - controlling interests	1.4	1.3	-	1.3
340	Parent company's net profit (loss)	(848.7)	584.7	(500.0)	84.7

Pro-forma consolidated statement of comprehensive income

	Items	30 09 2016	30 09 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	30 09 2015 Pro-forma
10	Profi (loss)	(847.3)	586.0	(500.0)	86.0
	Other comprehensive income after tax not recycled to profit and loss	(5.3)	15.7	-	15.7
40	Actuarial gains (losses) on defined benefit plans	(5.1)	15.6	-	15.6
60	Share of valuation reserves of equity-accounted investments	(0.2)	0.1	-	0.1
	Other comprehensive income after tax recycled to profit and loss	2.5	207.4	423.2	630.6
80	Exchange differences	(1.9)	5.4	-	5.4
90	Cash flow hedges	35.6	30.6	-	30.6
100	Financial assetes available for sale	(10.8)	124.4	423.2	547.6
110	Non-current assets held for sale	(19.6)	(1.8)	-	(1.8)
120	Share of valuation reserves of equity-accounted investments	(0.8)	48.8	-	48.8
130	Total other comprehensive icome after tax	(2.8)	223.1	423.2	646.3
140	Total comprehensive income (Item 10+130)	(850.1)	809.1	(76.8)	732.3
150	Consolidated comprehensive income attributable to non-controlling interests	1.4	1.3	-	1.3
160	Consolidated comprehensive income attributable to Parent Company	(851.5)	807.8	(76.8)	731.0