MONTE DEI PASCHI DI SIENA BANK

Consolidated interim report as at 31 March 2016

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Interim Report on Operations
Monte dei Paschi di Siena Group
31 March 2016

Banca Monte dei Paschi di Siena S.p.a.
Share capital: € 9,001,756,820.70 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

RESULTS IN BRIEF

Introduction

The Interim Report on Operations as at 31 March 2016, not subject to audit requirements, provides a snapshot of the activities and results which largely characterised the Montepaschi Group's operations in the first quarter of 2016, both as a whole and in the various business sectors into which consolidated operations are organised.

In particular, 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.

Similarly to the procedure adopted for the 2015 Financial Statements, the previous year's comparison values include the restatement of the Alexandria transaction; the pro forma values and the effects of the restatement are presented in the "Note to the Interim Report on Operations".

Legislative Decree 25/2016, which transposes the new *Transparency*[1] Directive, has removed the publication requirement for Interim Reports. The Decree attributes to CONSOB the right to establish by regulation any further disclosure requirements, in addition to the annual financial statements and the half-yearly report, only after an impact assessment that also takes into account the policy adopted by other EU countries, in most of which the obligation has been abolished for all issuers. Pending the complete definition of the regulatory framework, the position of the Montepaschi Group is to voluntarily provide the Interim Report on Operations in order to ensure continuous disclosure to the market with respect to operational and financial performance. However, pending any regulatory measures by CONSOB, the publication of data and information as at 31 March 2016 may not be construed as a commitment by the Group and/or the Bank to prepare and/or to publish quarterly data and information and the relevant Interim Reports on Operations in the future as well.

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[1] Directive 2013/50/EU has removed the requirement to publish interim reports on operations, previously governed by article 6 of Directive 2004/109/EC. The directive that removes the requirement to publish interim reports concludes a process that started with the 2004 Transparency Directive and the related 2007 implementation decree, which brought into clearer focus not only the advantages but also the disadvantages of quarterly reporting, particularly in terms of increased risk of short-termism and volatility of stock prices.

Results in brief

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/03/2016

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	31/03/2016	31/03/2015 (*)	Chg.
Net interest income	548.3	606.7	-9.6%
Net fee and commission income	456.9	443.0	3.1%
Other Income	180.3	323.3	-44.2%
Income from banking and insurance activities	1,185.5	1,373.0	-13.7%
Net impairment losses (reversals) on loans and financial assets	(349.2)	(454.2)	-23.1%
Net operating income	191.3	265.5	-27.9%
Net profit (loss) for the period	93.2	143.7	-35.2%
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**31/03/2016**	**31/12/2015**	**Chg.**
Total assets	173,646	169,012	2.7%
Loans to customers	113,544	111,366	2.0%
Direct funding	119,508	119,275	0.2%
Indirect funding	104,891	106,172	-1.2%
of which: assets under management	55,222	55,516	-0.5%
of which: assets under custody	49,668	50,656	-1.9%
Group net equity	9,675	9,596	0.8%
PROFITABILITY RATIOS (%)	**31/03/2016**	**31/12/2015**	**Chg.**
Cost/Income ratio	54.4	50.4	4.0
R.O.E.	3.9	5.1	-1.2
Return on Assets (RoA) ratio	0.05	0.23	-0.18
EARNING PER SHARE (EUR)	**31/03/2016**	**31/03/2015 (*) (^)**	**Chg.**
Basic earnings per share	0.032	0.562	-0.530
Diluted earnings per share	0.031	0.379	-0.348
KEY CREDIT QUALITY RATIOS (%)	**31/03/2016**	**31/12/2015**	**Chg.**
Net impaired loans / Loans to Customers	21.2	21.7	-0.5
Coverage Impaired loans	49.0	48.5	0.59
Net doubtful loans / Loans to Customers	9.0	8.7	0.2
Coverage Net doubtful loans	63.3	63.4	-0.17
Net adjustments to loans / End loans (Provisioning)	1.22	1.79	-0.57
CAPITAL RATIOS (%)	**31/03/2016**	**31/12/2015**	**Chg.**
Common Equity Tier 1 (CET1) ratio	11.7	12.0	-0.3
Total Capital ratio	15.2	16.0	-0.7
FINANCIAL LEVERAGE INDEX (5)	**31/03/2016**	**31/12/2015**	**Chg.**
Leverage ratio - Transitional Regime	5.1	5.2	-0.2
LIQUIDITY RATIO (%)	**31/03/2016**	**31/12/2015**	**Chg.**
LCR	151.0	222.0	-71.0
NSFR	94.0	100.8	-6.8
OPERATING STRUCTURE	**31/03/2016**	**31/12/2015**	**Chg.**
Total head count - end of period	25,681	25,731	-50
Number of branches in Italy	2,132	2,133	-1

(*) Values at 31 March 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).
(^) Basic and diluted earnings per share as at 31 March 2015 include the grouping of the Parent Company's ordinary shares at a ratio of 1 new ordinary share to 20 treasury shares owned.

Executive summary

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

- The Group achieved **Total revenues** of approximately **€ 1,186 million**, down by approx. € 188 million (-13.7%) compared to the same period of the previous year, which benefited from restatement of the Alexandria transaction for about € 106 million. **Net interest income** amounted to approx. **€ 548 million**, or 9.6% less compared to Q1 2015 due to the negative dynamics of interest-bearing assets (reduction of average volumes and decline of the related returns), partly offset by lower interest expense resulting from repayment of NFIs and lower cost of deposits. **Net fee and commission income**, totalling approximately **€ 457 million**, recorded a year-on-year growth of 3.1%, also due to the reduction of the cost of the State guarantee on "Monti Bonds". Under Other revenue, **Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities** amounted to about **€ 166 million** (including the net result of assets/liabilities carried at positive *fair value* for approximately € 83 million), down compared to Q1 2015 (approx. -€ 116 million) as a result, among other factors, of restatement of the Alexandria transaction (+€ 111 million at 31 March 2015).

- **Operating expenses** amounted to approximately **€ 645 million** (-1.3% on Q1 2015). **Personnel expenses**, which totalled about **€ 418 million**, declined by 0.4% on Q1 2015 due, among other factors, to workforce downsizing, which has helped to offset the increase effects for the Group arising from the second-level bargaining agreement of 24 December 2015. **Other administrative expenses** ended the quarter at about **€ 177 million**: the 4.5% decrease from the first quarter of 2015 was mainly attributable to structural cost control measures. **Depreciation and amortisation** stood at approximately **€ 50 million,** up by 3.8% on Q1 2015 due to higher amortisation of intangible assets.

- **Net impairment losses on loans** totalled approximately **€ 346 million**, showing a 26.1% decline from the same period of the previous year, particularly as a result of slowing non-performing loan flows (the change in gross non-performing loan inventory in Q1 2016 was 70% lower than that recorded in the same period of 2015). The ratio of impairment losses on loans for Q1 2016 to total customer loans reflects a Provisioning Rate of 122 bps, compared to 179 bps at the end of 2015.

- The **Group's consolidated profit** stood at about **€ 93 million**, including - among other things - the Group's entire annual contribution for the SRF of approximately -€ 71 million, compared with a profit of around € 144 million achieved in the first three months of 2015 (influenced for approximately € 71 million by the effects of the restatement of the Alexandria transaction).

- **Total funding volumes** at the end of March 2016 amounted to about **€ 224 billion** (-0.5% from 31 December 2015), with Direct Funding essentially stable (+0.2% compared to the end of 2015) and a reduction of approx. € 1 billion of the indirect component (-1.2%), entirely attributable to negative market effect.

- At 31 March 2016, **Loans to customers** amounted to about **€ 114 billion**, an increase of approximately +€ 2.2 billion compared to 31 December 2015 (+2.0%), reversing the negative trend that had characterised recent years. Net non-performing loans continued on a decreasing trend (-€ 85 million, or -0.4% compared to 31 December 2015). **Gross impaired loans** totalled **€ 47 billion** , with growth in the quarter of about € 377 million, 70% lower than that of the first quarter 2015 and among the lowest levels recorded in the last two years (excluding the impact of disposals). **Non-performing loan coverage** ratio was **49.0%**, up by 59 bps compared to 31 December 2015.

- With regard to capital ratios, at 31 March 2016 the Common Equity Tier 1 Ratio stood at **11.7%** (12.0% at the end of 2015) and the Total Capital Ratio at **15.2%**, compared to 16.0% recorded at the end of December 2015.

Shareholders

As at 31 March 2016, Banca Monte dei Paschi di Siena's share capital amounted to € 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 31 March 2016, directly and/or indirectly hold significant shareholdings in the Issuer and which do not fall under the cases of exemption set forth in art. 119-bis of the Issuers' Regulation, are as follows:

Shareholder	% of Outstanding Ordinary Shares*
Fintech Advisory Inc.**	4,50%
Ministry of Economy and Finances	4,02%
AXA S.A.***	3,17%
Classic Fund Management AG	2,01%

*Situation related to the size of the share capital as at 31 March 2016 amounted to Euro 9,001,756,820.70
**Share held through companies in its Group
***Share held directly and through 12 subsidiary companies

Compared to the share capital composition at 31 December 2015, the People's Bank of China has exited the group of major shareholders.

Banca Monte dei Paschi di Siena is checking with the MEF the methods for payment of interest earned on the New Financial Instruments (NFIs) in the first half of 2015. Should this payment take place by assignment of shares, the MEF would bring its holding in the Bank's capital from the current 4% to around 7%.

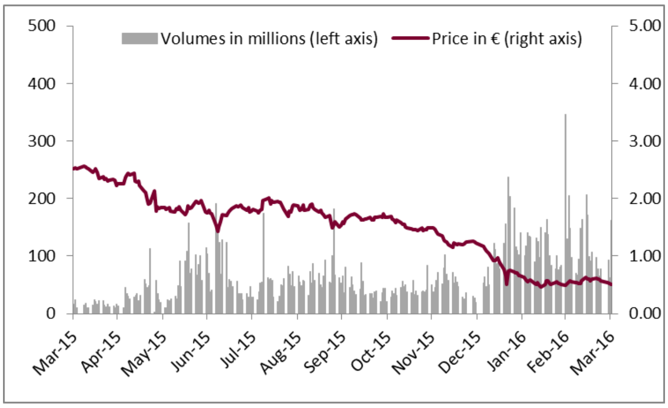
Information on the BMPS share

Share price and trends

The beginning of 2016 was characterised by strong turbulence in the world stock markets. This was triggered by the collapse in oil prices, which acted as a negative sign of global economic slowdown despite liquidity injections by central banks. Based on this premise, European equity indices in the first three months of the year have shown negative performances (Frankfurt -7.2%; Paris -5.4%; London -1.1%; Madrid -8.6%). Milan brought up the rear among European financial markets, with a quarterly loss of 15.4%; its performance was also affected by a slower-than-expected macroeconomic recovery. The FTSE Italian Banks (-32%) did not perform any better and is still impacted by poor visibility on the issue of the strengthening of the Italian banking sector.

BMPS stock closed the quarter at € 0.50, with a negative performance of 59.2% since the beginning of the year.

BMPS SHARE PRICE (from 31/03/2015 to 31/03/2016)

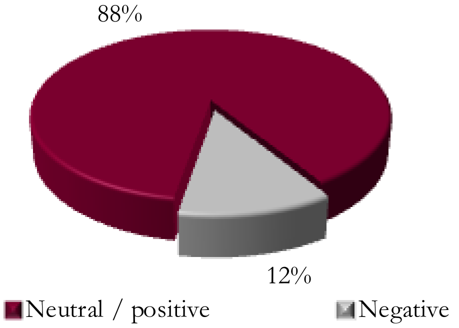


BMPS SHARE PRICE: STATISTICAL SUMMARY (from 12/31/2015 to 03/31/2016)	
Average	0,65
Lowest	0,46
Highest	1,17

In Q1 2016, the number of BMPS shares traded on a daily basis averaged 117 million units.

MONTHLY VOLUMES OF SHARES TRADED 2016 volumes summary (mln)	
January	2.228
February	2.609
March	2.433

BMPS SHARE RATINGS AS AT 31/03/2016



Ratings

The ratings given by the rating agencies as at 31 March 2016 are provided below:

Rating Agencies	Short-term debt	Outlook	Long-term debt	Outlook	Last update
DBRS	R-3	Negative	BB (high)	Negative	29/09/15
Fitch Ratings	B	-	B-	Stable	19/05/15
Moody's Investors Service	NP	-	B3	Negative	22/04/15

- On 22 April 2015, following publication of the new rating criteria and the downgrade of the systemic support provided to banks of countries involved in the single mechanism for settling bank crises, Moody's downgraded the long-term rating from 'B1' to 'B3', with negative outlook. The individual rating (Baseline Credit Assessment - BCA) was instead confirmed at "caa2".
- On 19 May 2015 the rating agency Fitch lowered the Bank's long-term rating from "BBB" to "B-", the short-term rating from "F3" to "B", while the Viability Rating (VR) was confirmed at "b-". The outlook was considered stable. The Bank's rating was reduced following the revision by Fitch of the rating criteria, and in particular of the assumptions underlying State support announced in March 2014.
- On 29 September 2015, the rating agency DBRS, following the revision of the systemic support initiated by the agency in May 2015 for all European banks, lowered the Issuer's long-term rating from "BB (high)" to "BBB (low)" and the Issuer's short-term rating from "R-3" to "R-2 (low)", with negative outlook. At the same time DBRS left the Intrinsic Assessment (IA) unchanged at "BB (high)".

After the close of the quarter, on 20 April the Fitch rating agency left the ratings of MPS unchanged (short-term rating to "B", long-term rating to "B-", Viability Rating to "b-") and maintained the outlook stable.

CONSOLIDATED FINANCIAL STATEMENTS

Notes

The Montepaschi Group Consolidated Interim Report on Operations as at 31 March 2016 was prepared in accordance with the IAS/IFRS international accounting principles issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission and effective at the time this interim report was prepared, pursuant to EC Regulation no. 1606 of 19 July 2002.

The international accounting principles were applied following the indications set forth in the "Framework for the preparation and presentation of financial statements" (the Framework).

With reference to the classification, recognition, valuation and derecognition of the various asset, liability and equity entries, as well as the methods for recognising revenue and costs, the accounting principles used for the preparation of this Consolidated Interim Report on Operations are the same as those used for preparation of the Consolidated Financial Statements as at 31 December 2015, to which the reader is referred for more detail.

Income statement

Reclassified Income Statement (Euro mln)				
Montepaschi Group	31/03/2016	31/03/2015 (*)	Change Abs.	Change %
Net interest income	548.3	606.7	(58.5)	-9.6%
Net fee and commission income	456.9	443.0	13.9	3.1%
Income from banking activities	**1,005.2**	**1,049.7**	**(44.5)**	**-4.2%**
Dividends, similar income and gains (losses) on investments	19.3	24.3	(5.0)	-20.5%
Net profit (loss) from trading	165.7	281.7	(115.9)	-41.2%
Net profit (loss) from hedging	0.1	15.9	(15.8)	-99.1%
Other operating income (expenses)	(4.9)	1.4	(6.3)	n.s.
Income from banking and insurance activities	**1,185.5**	**1,373.0**	**(187.5)**	**-13.7%**
Administrative expenses:	(594.7)	(604.9)	10.2	-1.7%
a) personnel expenses	(417.6)	(419.4)	1.7	-0.4%
b) other administrative expenses	(177.1)	(185.5)	8.4	-4.5%
Net losses/reversal on impairment on property, plant and equipment / Net adjustn	(50.2)	(48.4)	(1.8)	3.8%
Operating expenses	**(645.0)**	**(653.3)**	**8.3**	**-1.3%**
Pre Provision Profit	**540.5**	**719.7**	**(179.2)**	**-24.9%**
Net impairment losses (reversals) on:	**(349.2)**	**(454.2)**	**105.0**	**-23.1%**
a) loans	(345.9)	(468.2)	122.3	-26.1%
b) financial assets	(3.3)	14.0	(17.3)	-123.8%
Net operating income	**191.3**	**265.5**	**(74.2)**	**-27.9%**
Net provisions for risks and charges	(5.3)	(29.8)	24.5	-82.0%
Gains (losses) on investments	7.5	0.2	7.2	n.s.
Restructuring costs / One-off costs	-	(0.2)	0.2	n.s.
Risks and charges related to the SRF, DGS and similar schemes	(71.1)	-	(71.1)	n.s.
Gains (losses) on disposal of investments	(0.0)	0.4	(0.4)	-107.9%
Profit (loss) before tax from continuing operations	**122.3**	**236.1**	**(113.8)**	**-48.2%**
Tax expense (recovery) on income from continuing operations	(20.7)	(79.1)	58.4	-73.8%
Profit (loss) after tax from continuing operations	**101.6**	**157.0**	**(55.4)**	**-35.3%**
Net profit (loss) for the period including non-controlling interests	**101.6**	**157.0**	**(55.4)**	**-35.3%**
Net loss (profit) attributable to non-controlling interests	(0.5)	(0.5)	0.0	-2.9%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**101.1**	**156.5**	**(55.4)**	**-35.4%**
PPA (Purchase Price Allocation)	(7.9)	(12.8)	4.8	-37.9%
Net profit (loss) for the period	**93.2**	**143.7**	**(50.6)**	**-35.2%**

(*) Values at 31 March 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

Quarterly trend in reclassified incomen statement (Euro mln)

Montepaschi Group	2016 1Q	2015 4Q	2015 3Q (*)	2015 2Q (*)	2015 1Q (*)
Net interest income	548,3	541,1	556,8	554,0	606,7
Net fee and commission income	456,9	451,6	431,2	484,2	443,0
Income from banking activities	**1.005,2**	**992,6**	**988,0**	**1.038,2**	**1.049,7**
Dividends, similar income and gains (losses) on investments	19,3	4,8	28,7	42,0	24,3
Net profit (loss) from trading	165,7	133,6	459,0	163,5	281,7
Net profit (loss) from hedging	0,1	4,3	(6,3)	0,2	15,9
Other operating income (expenses)	(4,9)	(17,8)	0,4	11,3	1,4
Income from banking and insurance activities	**1.185,5**	**1.117,6**	**1.469,7**	**1.255,2**	**1.373,0**
Administrative expenses:	(594,7)	(602,2)	(601,8)	(603,7)	(604,9)
a) personnel expenses	(417,6)	(396,2)	(422,7)	(414,4)	(419,4)
b) other administrative expenses	(177,1)	(205,9)	(179,1)	(189,2)	(185,5)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(50,2)	(59,4)	(54,4)	(53,7)	(48,4)
Operating expenses	**(645,0)**	**(661,6)**	**(656,3)**	**(657,4)**	**(653,3)**
Pre Provision Profit	**540,5**	**456,0**	**813,4**	**597,8**	**719,7**
Net impairment losses (reversals) on:	**(349,2)**	**(575,4)**	**(435,3)**	**(528,1)**	**(454,2)**
a) loans	(345,9)	(577,2)	(429,8)	(515,8)	(468,2)
b) financial assets	(3,3)	1,8	(5,5)	(12,3)	14,0
Net operating income	**191,3**	**(119,4)**	**378,1**	**69,7**	**265,5**
Net provisions for risks and charges	(5,3)	(58,7)	43,2	(18,8)	(29,8)
Gains (losses) on investments	7,5	(7,1)	1,5	124,9	0,2
Restructuring costs / One-off costs	-	(14,6)	(2,2)	(0,3)	(0,2)
Risks and charges related to the SRF, DGS and similar schemes	(71,1)	(140,9)	(54,6)	-	-
Gains (losses) on disposal of investments	(0,0)	1,0	0,9	0,6	0,4
Profit (loss) before tax from continuing operations	**122,3**	**(339,8)**	**366,9**	**176,1**	**236,1**
Tax expense (recovery) on income from continuing operations	(20,7)	152,0	(102,5)	18,1	(79,1)
Profit (loss) after tax from continuing operations	**101,6**	**(187,7)**	**264,4**	**194,2**	**157,0**
Net profit (loss) for the period including non-controlling interests	**101,6**	**(187,7)**	**264,4**	**194,2**	**157,0**
Net loss (profit) attributable to non-controlling interests	(0,5)	(0,5)	(0,5)	(0,3)	(0,5)
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**101,1**	**(188,2)**	**263,9**	**193,9**	**156,5**
PPA (Purchase Price Allocation)	(7,9)	(8,4)	(8,2)	(8,7)	(12,8)
Net profit (loss) for the period	**93,2**	**(196,6)**	**255,7**	**185,2**	**143,7**

(*) The values of the first three quarters of 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

Balance Sheet

Reclassified balance sheet (EUR mln)

ASSETS	31/03/2016	31/12/2015	Chg abs.	Chg %
Cash and cash equivalents	913	1,189	(275)	-23.2%
Receivables :				
a) Loans to customers	113,544	111,366	2,178	2.0%
b) Loans to banks	6,856	8,242	(1,386)	-16.8%
Financial assets held for trading	40,000	35,209	4,791	13.6%
Financial assets held to maturity	-	-	-	
Equity investments	934	908	26	2.9%
Property, plant and equipment / Intangible assets	3,112	3,142	(29)	-0.9%
of which:				
a) goodwill	*8*	*8*	-	
Other assets	8,285	8,956	(671)	-7.5%
Total assets	**173,646**	**169,012**	**4,634**	**2.7%**

LIABILITIES	31/03/2016	31/12/2015	Chg abs.	Chg %
Payables				
a) Deposits from customers and securities issued	119,508	119,275	233	0.2%
b) Deposits from banks	17,525	17,493	32	0.2%
Financial liabilities held for trading	20,051	15,922	4,129	25.9%
Provisions for specific use				
a) Provisions for staff severance indemnities	248	246	2	0.6%
b) Pensions and other post retirement benefit obligations	51	49	2	4.1%
c) Other provisions	1,050	1,068	(18)	-1.6%
Other liabilities	5,512	5,337	175	3.3%
Group net equity	9,675	9,596	79	0.8%
a) Valuation reserves	(37)	(22)	(15)	67.4%
c) Equity instruments carried at equity	-	-	-	
d) Reserves	611	222	388	n.s.
e) Share premium	6	6	(0)	
f) Share capital	9,002	9,002	-	
g) Treasury shares (-)	-	-	-	
h) Net profit (loss) for the year	93	388	(295)	-76.0%
Non-controlling interests	26	26	(1)	-2.1%
Total Liabilities and Shareholders' Equity	**173,646**	**169,012**	**4,634**	**2.7%**

Reclassified Balance Sheet - Quarterly Trend (EUR mln)					
ASSETS	31/03/2016	31/12/2015	30/09/2015 (*)	30/06/2015 (*)	31/03/2015 (*)
Cash and cash equivalents	913	1,189	812	822	682
Receivables :					
a) Loans to customers	113,544	111,366	112,513	117,436	123,139
b) Loans to banks	6,856	8,242	6,432	8,327	7,856
Financial assets held for trading	40,000	35,209	36,297	32,990	37,633
Financial assets held to maturity	-	-	-	-	-
Equity investments	934	908	960	908	947
Property, plant and equipment / Intangible assets	3,112	3,142	3,090	3,122	3,139
of which:					
a) goodwill	*8*	*8*	*8*	*8*	*8*
Other assets	8,285	8,956	10,022	10,596	10,453
Total assets	**173,646**	**169,012**	**170,126**	**174,201**	**183,850**

LIABILITIES	31/03/2016	31/12/2015	30/09/2015 (*)	30/06/2015 (*)	31/03/2015 (*)
Payables					
a) Deposits from customers and securities issued	119,508	119,275	122,717	122,891	128,161
b) Deposits from banks	17,525	17,493	17,805	18,831	22,519
Financial liabilities held for trading	20,051	15,922	11,476	14,534	18,268
Provisions for specific use					
a) Provisions for staff severance indemnities	248	246	245	246	268
b) Pensions and other post retirement benefit obligations	51	49	51	50	52
c) Other provisions	1,050	1,068	1,087	1,106	1,104
Other liabilities	5,512	5,337	6,990	7,285	7,291
Group net equity	9,675	9,596	9,730	9,234	6,162
a) Valuation reserves	(37)	(22)	(85)	(324)	(14)
c) Equity instruments carried at equity	-	-	-	-	3
d) Reserves	611	222	222	466	(6,458)
e) Share premium	6	6	6	4	2
f) Share capital	9,002	9,002	9,002	8,759	12,484
g) Treasury shares (-)	-	-	-	-	0
h) Net profit (loss) for the year	93	388	585	329	144
Non-controlling interests	26	26	26	24	24
Total Liabilities and Shareholders' Equity	**173,646**	**169,012**	**170,126**	**174,201**	**183,850**

(*) The balances of the first three quarters of 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

Shareholders’ equity

For information on equity, please refer to the section on page 32.

CONSOLIDATED REPORT ON OPERATIONS

Reference context

The global economy ended 2015 with a growth of just over 3% and a moderate slowdown in the second half of the year. In aggregate, the advanced economies group grew at a rate just below 2%, while the emerging economies aggregate grew by 4%. Within this group, the economies of Brazil and Russia stood out for heavily negative growth rates, around -3.7%. 2015 saw a marked decline in world trade, as a result of the uncertainty and slowing growth in several emerging countries.

2016 started with mixed signs from the major economies. The US economy's growth rate is expected at about 2% this year, lower than in 2015. The trend towards a stronger job market and a moderate rise in inflation, already visible in 2015, was confirmed in early 2016. Instead, the growth rate in the Euro Area is expected to stay close to the 1.6% recorded in 2015. The greatest element of concern remains the continuing downturn of inflation.

The monetary policies of the two major areas continue to be significantly divergent as a result of different cyclical phases. After the first rise in rates, implemented in December after almost 10 years since the last increase, the Fed is inclined to continue the phase of monetary tightening.

Conversely, the ECB has strengthened its highly expansionary monetary policy approach, with several important measures announced in the March meeting. In addition to cutting rates, the ECB has strengthened its securities purchase programme and extended it to corporate bonds, and has launched a new TLTRO programme with characteristics that are extremely favourable to the banking system, designed to support the so far weak recovery of lending activities in the Euro Area.

Against this backdrop, the Italian economy has seen the end of a three-year period of negative growth: the GDP grew by 0.6% as a result of a satisfactory growth rate in the first half of the year, followed by a marked slowdown in the second half. The growth was driven by domestic demand, with revived consumer spending and a significant contribution from the dynamics of inventories. For 2016, in the last few months growth forecasts have been revised downwards and are currently just above 1%, with price trends in the early months of the year pointing to the Country's entry into deflation.

As for the financial markets, in the first quarter the major equity indices partially reversed the trend seen in 2015, with US indices marginally positive and European indices recording losses around 10%. The balance was significantly bleaker in the first part of the quarter, when turbulence experienced particularly in the European banking sector led to the FTSEMIB and the Euro Stoxx losing 20% and 17% respectively. The second part of the quarter saw a marked recovery of the indices, owing among other factors to expectations of system-wide initiatives in the Italian banking sector, which actually came to fruition through the GACS (Garanzia Cartolarizzazione Sofferenze: NPL Securitisation Guarantee), a guarantee scheme that aims to dispose of non-performing loans in banks' balance sheets, and the establishment of a private alternative investment fund ("Atlas"), whose objectives are to support Italian banks' next capital increases and to facilitate the sale and management of non-performing loans through the subscription of junior tranches of securitisation vehicles.

On the interest rates front, the first quarter was characterised by a decline in all major areas. Government bond yields dropped in the US as a result of a downward revision of expected official rates; the yield of US 10-year Treasury notes closed the quarter at 1.77%, approximately 50 basis points below the year-start level. The yield of the corresponding German bonds threatened several times to break the record low (0.07%) reached on 20 April 2015, and ended the quarter at 0.15%. Ten-year BTPs followed the evolution of core rates, ending the quarter at 1.22%, down by about 40 basis points compared to the beginning of the year.

Significant events in the period

A new securitization of lease receivables portfolio for € 1.6 billion was successfully finalised on 21 January 2016.

Significant events after the first quarter

On 15 April 2016, the Board of Directors of Banca Monte dei Paschi di Siena, having favourably reviewed the "Atlas" Fund initiative and fully approving of its objectives, gave mandate to the CEO to draw up a binding commitment to purchase 50 units of the aforesaid Fund, for a total investment of € 50 million.

By Decree dated 18 April 2016, the MEF ordered Banca Tercas to return to the Interbank Deposit Protection Fund (IDPF) the contribution received at the time as a result of the decision of the European Commission, which ruled that the support received in 2014 constitutes State aid and is therefore incompatible with the internal market. The voluntary Scheme Management Committee resolved to intervene in support of Banca Tercas for an amount equal to the contribution returned by the latter to the IDPF. The impact of the entire transaction is essentially neutral to Banca Monte dei Paschi di Siena.

During a meeting held on Friday, 29 April 2016 the Council of Ministers approved a law decree that, as stated in the relevant press release, also includes provisions concerning deferred tax assets. According to the press release, "companies can continue to apply the tax provisions currently in force to deferred tax assets, provided they pay an annual fee equal to 1.5% of the difference between deferred tax assets and taxes paid. The provisions will overcome the doubts raised by the European Commission on the existence of State aid components in the current regulatory framework related to deferred tax assets."

Operating performance

Trends in revenues

In Q1 2016 the Group achieved **Total revenues** of approximately **€ 1,186 million** down by € 188 million (-13.7%) compared to the same period of the previous year; this deviation was concentrated in the net interest income (-€ 59 million) and in the aggregate "Net profit(loss) from trading" (-€ 116 million), which had been positively influenced in 2015 by the restatement of the Alexandria transaction (+€ 106 million).

In the first three months of 2016, **Net interest income** amounted to approx. **€ 548 million**, or 9.6% less compared to Q1 2015 due to the negative dynamics of interest-bearing assets (reduction of average volumes and decline of the related returns), partly offset by lower interest expense resulting from repayment of NFIs and lower cost of deposits. On the contrary, compared to the last quarter of 2015 the aggregate records a 1.3% growth due the lower cost of funding (as a result of commercial initiatives and of the restructuring of volumes in favour of repurchase agreements with institutional counterparties, following the decline in corporate funding, at more advantageous rates), which more than offset the decrease in returns from interest bearing assets (due to average volume and rate).

Balance sheet items	31 03 2016	(*) 31 03 2015	Chg. Y/Y Abs.	Chg. Y/Y %	1°Q 2016	4°Q 2015	Chg. Q/Q Abs.	Chg. Q/Q %
Customer positions	722.5	833.3	(110.9)	-13.3%	722.5	687.0	35.4	5.2%
of which non-performing assets	163.1	186.3	(23.2)	-12.5%	163.1	170.4	(7.3)	-4.3%
Securities issued	(218.5)	(275.9)	57.4	-20.8%	(218.5)	(225.2)	6.7	-3.0%
Net spreads on hedging derivatives	(2.9)	(25.2)	22.3	-88.3%	(2.9)	(14.8)	11.9	-80.1%
Interbank positions	(17.8)	(22.4)	4.6	-20.4%	(17.8)	(11.6)	(6.3)	54.1%
Trading Books	20.3	28.2	(7.9)	-28.0%	20.3	31.5	(11.2)	-35.4%
Portfolios designated at fair value	(9.9)	(18.7)	8.9	-47.4%	(9.9)	(14.1)	4.2	-30.0%
Financial assets available for sale	53.3	88.4	(35.1)	-39.7%	53.3	80.4	(27.1)	-33.7%
Other net interest	1.4	(0.9)	2.3	n.s.	1.4	7.8	(6.5)	-82.6%
Net interest income	**548.3**	**606.7**	**(58.5)**	**-9.6%**	**548.3**	**541.1**	**7.2**	**1.3%**

(*) The values include the restatement effect of the "Alexandria" transaction.

Net fee and commission income, totalling approximately **€ 457 million**, recorded a year-on-year growth of 3.1%, also due to the reduction of the cost of the State guarantee on "Monti Bonds" (+€ 10 million, with approximately € 6.5 billion expired between February and March 2015). In the quarter there was a reduction in placement fees, due largely to the dynamics of financial markets, offset by a growing trend in income from basic services and lending. The comparison with the 4th quarter of 2015 shows a 1.2% aggregate growth.

Services / Values	- 31 03 2016	31 03 2015	Chg. Y/Y Abs.	Chg. Y/Y %	1°Q 2016	4°Q 2015	Chg. Q/Q Abs.	Chg. Q/Q %
Guarantees given / received	12.1	3.8	8.3	n.s.	12.1	13.2	(1.1)	-8.4%
Collection and payment services	21.1	21.6	(0.5)	-2.3%	21.1	21.7	(0.6)	-3.0%
Holding and managing current accounts	130.5	134.0	(3.5)	-2.6%	130.5	135.1	(4.6)	-3.4%
debit and payment cards	56.1	47.2	8.9	18.9%	56.1	54.1	1.9	3.6%
Commercial Banking	**219.7**	**206.5**	**13.2**	**6.4%**	**219.7**	**224.2**	**(4.5)**	**-2.0%**
Receipt and transmission of orders	12.5	17.1	(4.6)	-27.1%	12.5	11.1	1.4	13.0%
Trading in financial instruments and currencies	5.8	4.4	1.4	31.3%	5.8	3.6	2.2	61.2%
distribution of third-party services	107.7	105.7	2.1	2.0%	107.7	106.1	1.6	1.5%
Insurance services	43.7	61.8	(18.1)	-29.2%	43.7	49.9	(6.2)	-12.4%
Placement / offer of financial instruments and services	(5.3)	(11.4)	6.1	-53.8%	(5.3)	(26.4)	21.2	-80.1%
Portfolio management	15.7	13.6	2.0	14.8%	15.7	12.8	2.9	22.9%
Brokerage Management and consultancy	**180.1**	**191.2**	**(11.1)**	**-5.8%**	**180.1**	**157.0**	**23.1**	**14.7%**
Other intermediary services	**57.1**	**45.2**	**11.8**	**26.2%**	**57.1**	**70.4**	**(13.3)**	**-18.9%**
Net fee and commission income	**456.9**	**443.0**	**13.9**	**3.1%**	**456.9**	**451.6**	**5.3**	**1.2%**

Dividends, similar income and gains (losses) on investments amounted to approx. **€ 19 million** (compared with € 24.3 million in Q1 2015) and roughly coincide with the contribution from AXA-MPS, consolidated using the equity method.

Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities in the first three months of 2016 stood at around **€ 166 million**, down over the same period in the previous year (approx. -€116 million) as a result of a decline in trading, due both to the effect of the "Alexandria" transaction restatement (+€ 111 million at 31 March 2015) and to reduced revenues from sale/repurchase (-€ 101 million mainly on assets classified as AFS), as well as to an increase in the net result of assets/liabilities carried at *fair value* (+€ 100 million) due to the worsening during the quarter of the creditworthiness of the issuer Banca Monte dei Paschi di Siena.

Balance sheet items	31 03 2016	(*) 31 03 2015	Chg. Y/Y Abs.	Chg. Y/Y %	1°Q 2016	4°Q 2015	Chg. Q/Q Abs.	Chg. Q/Q %
Financial assets held for trading	16.2	134.7	(118.5)	-88.0%	16.2	59.9	(43.6)	-72.9%
Financial liabilities held for trading	(17.7)	(52.8)	35.1	-66.5%	(17.7)	(26.2)	8.5	-32.6%
Exchange rate effects	10.0	10.8	(0.8)	-7.6%	10.0	9.3	0.7	7.9%
Derivatives	53.6	83.9	(30.4)	-36.2%	53.6	(50.6)	104.1	n.s.
Trading results	**62.1**	**176.7**	**(114.6)**	**-64.9%**	**62.1**	**(7.6)**	**69.8**	**n.s.**
FVO result	82.8	(17.3)	100.0	n.s.	82.8	55.9	26.9	48.1%
Disposal / repurchase	20.9	122.2	(101.4)	-82.9%	20.9	85.3	(64.4)	-75.5%
Net profit (loss) from trading	**165.7**	**281.7**	**(115.9)**	**-41.2%**	**165.7**	**133.6**	**32.2**	**24.1%**

(*) The values include the restatement effect of the "Alexandria" transaction.

The following items make up the Revenue:

- **Net profit from hedging** essentially **null** in the quarter (positive by about € 16 million in the first three months of 2015);
- **Other operating income/expense** negative by about **-€ 5 million** vs. a positive balance of € 1.4 million in the first quarter 2015.

Operating expenses

In Q1 2016 the Group's **Operating expense** totalled approximately **€ 645 million,** down by 1.3% from the values recorded in the first quarter of 2015 and by 2.5% from those recorded in the last quarter of last year.

Personnel expenses, which totalled about **€ 418 million**, declined year on year by 0.4% due, among other factors, to workforce downsizing, which has helped to offset the increase effects for the Group arising from the second-level bargaining agreement of 24 December 2015. These expenses are higher than the values of Q4 2015, which also benefited from lower provisions for variable compensation.

Other administrative expenses ended the quarter at about **€ 177 million**: the 4.5% decrease from the first quarter of 2015 was mainly attributable to structural cost control measures which involved, in particular, the management of the real estate/security segment (-14% QOQ; the trend is not particularly significant, as it is influenced by seasonality effects).

Amortisation and depreciation stood at approximately **€ 50 million**, up by 3.8% from Q1 2015 due to higher amortisation of intangible assets (-15.4% compared to Q4 2015).

Type of transaction			Chg Y/Y		1°Q	4°Q	Chg Q/Q	
	31 03 2016	31 03 2015	Abs.	%	2016	2015	Abs.	%
Wages and payrolls	(301.7)	(302.3)	0.6	-0.2%	(301.7)	(286.1)	(15.7)	5.5%
Social charges	(81.9)	(82.2)	0.3	-0.4%	(81.9)	(78.0)	(3.9)	5.0%
Other personnel costs	(34.0)	(34.9)	0.9	-2.5%	(34.0)	(32.2)	(1.8)	5.7%
Personnel expenses	**(417.6)**	**(419.4)**	**1.7**	**-0.4%**	**(417.6)**	**(396.2)**	**(21.4)**	**5.4%**
Taxes	(73.8)	(76.6)	2.8	-3.6%	(73.8)	(65.1)	(8.7)	13.4%
Transferable expenses , real estate and security	(49.3)	(52.5)	3.3	-6.2%	(49.3)	(51.0)	1.7	-3.3%
General operating expenses	(50.8)	(49.8)	(1.0)	2.0%	(50.8)	(39.2)	(11.7)	29.8%
Expenses for ICT services	(44.5)	(46.3)	1.8	-3.9%	(44.5)	(46.9)	2.5	-5.2%
Legal and professional expenses	(33.7)	(25.7)	(8.0)	31.3%	(33.7)	(52.6)	18.9	-36.0%
Indirect personnel costs	(3.0)	(2.2)	(0.8)	34.8%	(3.0)	(6.4)	3.4	-53.7%
Insurance	(6.9)	(6.2)	(0.7)	10.8%	(6.9)	(6.6)	(0.3)	4.3%
Advertising, sponsorship and promotions	(4.0)	(4.5)	0.4	-9.7%	(4.0)	(7.3)	3.3	-44.9%
Other	(6.3)	(12.2)	5.9	-48.5%	(6.3)	(11.8)	5.5	-46.6%
Expense recovery	95.2	90.5	4.7	5.2%	95.2	81.0	14.2	17.5%
Other administrative expenses	**(177.1)**	**(185.5)**	**8.4**	**-4.5%**	**(177.1)**	**(205.9)**	**28.8**	**-14.0%**
Tangible assets	(26.3)	(29.9)	3.6	-12.0%	(26.3)	(36.9)	10.6	-28.6%
Intangible assets	(23.9)	(18.5)	(5.4)	29.2%	(23.9)	(22.5)	(1.4)	6.3%
Amortization and impairment losses	**(50.2)**	**(48.4)**	**(1.8)**	**3.8%**	**(50.2)**	**(59.4)**	**9.1**	**-15.4%**
Operating costs	**(645.0)**	**(653.3)**	**8.3**	**-1.3%**	**(645.0)**	**(661.6)**	**16.6**	**-2.5%**

As a result of these factors, the Group's **Gross Operating Income** totalled approximately **€ 541 million** (€ 720 million in Q1 2015 and € 456 million in Q4 2015).

Net impairment losses (reversals) on loans and financial assets

In the first three months of 2016, the Group recorded **Net impairment losses on loans** of approximately **€ 346 million**, or a 26.1% decline from the same period of the previous year, particularly as a result of slowing non-performing loan flows (the change in gross non-performing loan inventory in Q1 2016 was 70% lower than that recorded in the same period of 2015). The annual trend is downward even excluding from Q1 2016 values the entries made for the Credit File Review.

The ratio on an annual basis of impairment losses on loans for Q1 2016 to total customer loans reflects a **Provisioning Rate** of **122 bps**, compared to 179 bps at the end of 2015.

Net impairment losses on financial assets and other transactions are negative by **€ 3.3 million**, attributable to adjustments to AFS positions (approximately -€ 11 million), essentially offset by releases on signature exposure (about +€ 7.5 million).

Balance sheet items	31 03 2016	31 03 2015	Chg. Y/Y		1°Q	4°Q	Chg. Q/Q	
			Abs.	%	2016	2015	Abs.	%
Loans to banks	(0.5)	(1.3)	0.8	-61.9%	(0.5)	(10.8)	10.3	-95.3%
- Loans	(0.6)	(1.2)	0.6	-47.0%	(0.6)	**0.3**	(0.9)	n.s.
- Debt securities	0.1	(0.2)	0.3	n.s.	0.1	**(11.1)**	11.2	-101.0%
Loans to customers	(345.4)	(466.9)	121.5	-26.0%	(345.4)	(566.4)	221.0	-39.0%
- Loans	(345.4)	(466.2)	120.8	-25.9%	(345.4)	(566.3)	220.9	-39.0%
- Debt securities	(0.0)	(0.7)	0.7	-95.0%	(0.0)	(0.1)	0.1	-69.8%
Provisions for Loans	**(345.9)**	**(468.2)**	**122.3**	**-26.1%**	**(345.9)**	**(577.2)**	**231.3**	**-40.1%**
Financial assets held for trading (AFS)	(10.8)	(0.5)	(10.3)	n.s.	(10.8)	(18.7)	7.9	-42.3%
Guarantees and commitments	**7.5**	14.5	(7.0)	-48.4%	7.5	20.6	(13.1)	-63.7%
Financial activities and other operations	**(3.3)**	**14.0**	**(17.3)**	**-123.8%**	**(3.3)**	**1.8**	**(5.2)**	**n.s.**
Total	**(349.2)**	**(454.2)**	**105.0**	**-23.1%**	**(349.2)**	**(575.4)**	**226.1**	**-39.3%**

Consequently, the Group's **Net Operating Income** totalled approximately **€ 191 million**, down by 27.9% from Q1 2015. Excluding the component due to the restatement effect of the "Alexandria" transaction, the trend is upward and the improvement was attributable to better credit dynamics.

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

The **result for the period** included:

- **Provisions for risks and charges** in the amount of **-€ 5 million**, mainly concentrated in legal actions, which in any case have decreased compared to Q1 2015 levels;
- **Gains (losses) on investments**, amounting to about **€ 7.5 million** (nearly zero in Q1 2015), referring essentially to the capital gain realised from the sale of Fabrica Immobiliare SGR. The fourth quarter of 2015, amounting to -€ 7.1 million, included the reduction in equity of certain subsidiaries (in particular Marinella and Terme di Chianciano);
- **Risks and charges associated with SRF, DGS and similar schemes**, amounting to about **-€ 71 million**, relating to the Group's entire annual contribution to the SRF;
- **Gains on disposal of investments**, with a balance close to zero.

As a result of the above, in Q1 2016 the Group's **profit before tax from continuing operations** stood at approx. **€ 122 million**. The 48.2% decrease YoY, corresponding to approximately -€ 114 million, is due to higher revenues in 2015 attributable to the restatement effect of the "Alexandria" transaction (+€ 106 million).

Income taxes for the period on continuing operations show a **negative balance of approx. € 21 million** (negative by approx. € 79 million in Q1 2015, which included an extraordinary expense of € 22 million as a result of the negative outcome of an appeal filed by Banca Monte dei Paschi di Siena against the Italian Revenue Agency pursuant to art. 11, Italian Law no. 212 of 27 July 2000, the response to which was served on 21 April 2015.)

Considering the net effects of the PPA (approx. -€ 8 million) and the profit of non-controlling interests (-€ 0.5 million), the Group's **consolidated profit for the 1st quarter of 2016 amounts to around € 93 million,** compared to a profit of around € 144 million in the first three months of 2015 (of which approx. € 71 million due to the effects of the "Alexandria" transaction restatement.

Balance sheet aggregates

Customer funding

As at 31 March 2016, the Group's **Total funding** amounted to about **€ 224 billion** (-0.5% from 31 December 2015), with Direct Funding essentially stable (+0.2% compared to the end of 2015) and a reduction of approx. € 1 billion of the indirect component (-1.2%), entirely attributable to negative market effect.

Background

The first half of 2016 saw a 1.3% decline on an annual basis of Direct Funding. The deposits trend remains positive (net of repo transactions with central counterparties), growing by more than 3% annually, supported by demand deposits of households, while bank bond volumes continue to decrease (by more than € 20 billion in the first two months of 2016) as their placements are impacted by high amounts about to expire, poor cost-efficiency in terms of pricing, and penalisation arising from the entry into force of the new European regulation on banking crises ("bail-in").

The average interest rate on deposits decreased by a further 3 bps in the firs two months of 2016, while the bonds interest rate remained stable. The evolution of interest rates payable reflects the current monetary policy, and in particular the mass of liquidity provided by the ECB.

The phase of greater volatility in equity markets is mitigating the process leading to a recomposition of financial portfolios towards managed components to the detriment of government and bank debt securities. In any case, 2016 started with positive net funding flows for the managed component, indicating that the segment is holding up better, also because of the absence of low risk investment alternatives with attractive returns.

Customer Funding (EUR mln)	31/03/2016	31/12/2015	(*) 31/03/2015	Chg 31/12 %	Chg Y/Y %
Direct funding	**119,508**	**119,275**	**128,161**	**0.2%**	**-6.8%**
Indirect funding	**104,891**	**106,172**	**111,175**	**-1.2%**	**-5.7%**
Total funding	**224,398**	**225,447**	**239,336**	**-0.5%**	**-6.2%**

(*) Direct Funding values at 31 March 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

As regards the composition of **Direct Funding**, which amounts to about **€ 120 billion** (+0.2% from 31 December 2015), the analysis of technical forms shows a growth in repo transactions, which offset the decline in all other technical forms. This trend is explained by the withdrawal of funds by corporate customers in January 2016 as a response of customers to the turbulence in financial markets (particularly in the banking sector), the entry into force of the European bail-in regulations and the resolution of the crisis that involved the four banks under government-controlled receivership (which took place in November 2015). With respect to customer segments, the phenomenon is more pronounced in the Corporate segment which, due to its characteristics, is more sensitive to the effects of the new bail-in regulations. The peak of this event occurred in January 2016 and was followed by gradual stabilisation. Use of the technical form of repurchase agreements with market counterparties was made possible by the use of available resources in terms of free counterbalancing, which at 31 December 2015 reached a value of € 24 billion. During the quarter, additional available resources were also reconstituted (securitisation, Abaco etc.) bringing the level at 31 March 2016 to about € 18.5 billion (with further growth recorded in April), well above the contingency level.

The Group's market share[2] of Direct Funding stood at 4.45% (updated in January 2016).

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.

Direct funding (EUR mln)							
			(*)	Change 31.12		Change Y/Y	
Type of transaction	31/03/2016	31/12/2015	31/03/2015	Abs.	%	Abs.	%
Current accounts	51,509	54,575	54,311	(3,066)	-5.6%	(2,802)	-5.2%
Time deposits	13,520	14,343	12,657	(823)	-5.7%	862	6.8%
Reverse repurchase agreements	17,501	10,575	17,718	6,926	65.5%	(217)	-1.2%
Bonds	29,089	31,246	32,690	(2,157)	-6.9%	(3,601)	-11.0%
Other types of direct funding (**)	7,889	8,536	10,784	(647)	-7.6%	(2,895)	-26.8%
Total	**119,508**	**119,275**	**128,161**	**233**	**0.2%**	**(8,653)**	**-6.8%**

(*) Values at 31 March 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

Indirect Funding, which at the end of the quarter was about **€ 105 billion**, decreased by 1.2% from the end of 2015 because of negative market impact which outweighed the positive net flows recorded both in Managed and in Administered Assets. In Q1 2016 **Assets under Management**, which account for more than € 55 billion, decreased by approximately € 0.3 billion; the decline was concentrated in Funds (-€ 0.4 billion), which were impacted by stock prices, while Asset Management and Bancassurance exhibited a positive trend (+ 1.3% and +0.3% respectively.)

Indirect Funding (EUR mln)					
	31/03/2016	31/12/2015	31/03/2015	Change % 31.12	Change % Y/Y
Assets under management	*55,222*	*55,516*	*55,300*	*-0.5%*	*-0.1%*
Mutual Funds/Sicav	*25,059*	*25,493*	*24,424*	*-1.7%*	*2.6%*
Individual Portfolio under Management	*6,387*	*6,307*	*6,751*	*1.3%*	*-5.4%*
Insurance Products	*23,776*	*23,716*	*24,125*	*0.3%*	*-1.4%*
Assets under custody	*49,668*	*50,656*	*55,874*	*-1.9%*	*-11.1%*
Total funding	**104,891**	**106,172**	**111,175**	**-1.2%**	**-5.7%**

Loans to customers

At 31 March 2016, the Group's **Loans to customers** amounted to about **€ 114 billion**, an increase of approximately +€ 2.2 billion compared to 31 December 2015 (+2.0%), reversing the negative trend that had characterised recent years.

The quarterly trend is due in part to non-commercial components (about +€ 1.4 billion primarily related to repurchase agreements), as well as to an expansion of the commercial component.

Net non-performing loans continued on a decreasing trend (-€ 85 million, or -0.4% QoQ).

The Group's market share[3] stood at 6.92% (last available figure from January 2016), up by 7 bps compared to the end of 2015.

Background

The terms of both of supply and demand are becoming more favourable in the banking credit market. There are signs of a recovery in demand, especially from SMEs (to finance working capital as well as investments), and the supply terms are also improving, with a further decline in interest rates also facilitated by expansionary monetary policy. The first two months of 2016 saw a reversal to positive values in the annual trend of total bank loans,(+0.3% in February), which - net of non-performing loans - show a virtually flat growth, after about three years of uninterrupted decline. However, loans to non-financial businesses only show a further attenuation of the annual decrease (which has dropped below 2%); loans to households strengthen the recovery, reaching growth rates exceeding 3%, helped by the positive cycle of durable goods and cars and by the slow improvement in the real estate market, as well as by corporate reorganization processes.

The interest rate on loans to non-financial businesses decreased by an additional 3 bps and the rate on new transactions is confirmed around 1.7%. The rate on loans is also declining (-4 bps), with the rate on new home purchase loans below 2.5%.

The annual growth rate of the number of non-performing loans shows a significant reduction (from +15.9% in the first half of 2015 to +9.4% at the end of 2015 and +4.7% in February 2016), driven by assignment of receivables without recourse in the last quarter of last year (almost € 4 billion) and further transactions in early 2016. However, the ratio of total non-performing loans to total outstanding loans, while slightly decreasing, remains over 10%. The recent establishment of the Atlas Fund, supplied by private capital and aimed at supporting future capital increases by banks and contributing to the disposal of non-performing loans - along with previous Government measures designed to reduce receivable payment time (currently almost double the European average) could accelerate the closure of outstanding positions and revive the secondary market , which could also benefit from approval of the warranty scheme contained in Law Decree no. 18/2016.

Loans to customers (EUR mln)

Type of transaction	31/03/2016	31/12/2015	31/03/2015	Change 31.12		Change Y/Y	
				Abs.	%	Abs.	%
Current accounts	7,922	7,650	8,488	271	3.5%	(566)	-6.7%
Mortgages	52,069	52,453	55,031	(384)	-0.7%	(2,962)	-5.4%
Other forms of lending	22,848	21,380	27,219	1,468	6.9%	(4,371)	-16.1%
Repurchase agreements	5,577	4,686	7,667	891	19.0%	(2,091)	-27.3%
Securities lending	1,060	1,043	961	17	1.7%	99	10.4%
Non performing loans	24,069	24,154	23,773	(85)	-0.4%	296	1.2%
Total	**113,544**	**111,366**	**123,139**	**2,178**	**2.0%**	**(9,595)**	**-7.8%**

During the quarter, the aggregate was supported by new disbursements in the medium-long term segment for over € 2 billion, higher by approx. 5% than recorded in the same period of last year, which concerned both households and businesses.

[3] Loans to resident consumer customers, including NPLs and net of repo transactions with central counterparties

Non-performing loans

As at 31 March 2016, the Group's **net exposure to non-performing loans** totalled approx. **€ 24 billion**, down by € 85 million compared to 31 December 2015. Within this aggregate, net doubtful loans increased during the quarter (+4.6%), while there has been a decrease in unlikely to pay loans and non-performing past due exposures (by 2.8% and 9.3%, respectively).

Loans to customers			
Risk category - Net book values	**weight %**	**weight %**	**weight %**
(EUR mln)	31/03/2016	**31/12/2015**	**31/03/2015**
A) Non performing loans	**21.2**	**21.7**	**19.3**
a1) Doubtful loans	9.0	8.7	7.1
a2) Unlikely to pay	10.6	11.1	9.9
a3) Net past due and overdue exposures	1.7	1.9	2.3
B) Performing loans	**78.8**	**78.3**	**80.7**
Total customer loans	**100.0**	**100.0**	**100.0**

Types of exposures / values	Gross exposure	Provisions	Net exposure 31 03 16	Net exposure 31 12 15	Net exposure 31 03 15	Chg. 31.12.2015		Chg. Y/Y	
						Abs.	%	Abs.	%
Cash exposures									
Non performing loans	47,238	23,170	24,069	24,154	23,773	(85.2)	-0.4%	296	1.2%
a) Doubtful loans	27,733	17,549	10,184	9,733	8,718	451	4.6%	1,466	16.8%
b) Unlikely to pay	16,897	4,913	11,985	12,325	12,238	(341)	-2.8%	(254)	-2.1%
c) Net past due and overdue exposures	2,608	708	1,900	2,096	2,817	(196)	-9.3%	(917)	-32.6%
Performing loans	90,114	639	89,476	87,213	99,367	2,263	2.6%	(9,891)	-10.0%
Total customer loans	137,353	23,808	113,544	111,366	123,140	2,178	2.0%	(9,595)	-7.8%
- of which non-performing exposures subject to forbearance arrangements	9,723	2,524	7,199	7,113	6,243	86	1.2%	955	15.3%
- of which performing exposures subect to forbearance arrangements	2,931	79	2,853	2,901	3,116	(49)	-1.7%	(263)	-8.4%

The Group's exposure to Gross impaired loans at 31 March 2016 totalled **€ 47 billion** , with growth in the quarter of about € 377 million, 70% lower than that of the first quarter 2015 and among the lowest levels recorded in the last two years (excluding the impact of NPL disposals). This trend was positively influenced by changes in entries/exits from performing to default, increased recoveries on NPLs and further actions to optimise the stock of impaired loans. Efforts to reduce the level of Non-Performing Exposure (NPE) continued, also through specific disposal transactions.

Types of exposures / values	Gross exposure 31 03 16	Gross exposure 31 12 15	Gross exposure 31 03 15	Chg. 31.12.2015		Chg. Y/Y	
				Abs.	%	Abs.	%
Cash exposures							
Non performing loans	47,238	46,862	46,583	377	0.8%	655	1.4%
a) Doubtful loans	27,733	26,627	25,249	1,106	4.2%	2,484	9.8%
b) Unlikely to pay	16,897	17,400	17,893	(503)	-2.9%	(995)	-5.6%
c) Net past due and overdue exposures	2,608	2,834	3,442	(226)	-8.0%	(833)	-24.2%
Performing loans	90,114	87,904	100,165	2,210	2.5%	(10,051)	-10.0%
Total customer loans	137,353	134,766	146,748	2,587	1.9%	(9,396)	-6.4%

	31 03 2016		31 12 2015		Chg. 31.12	
	Non-performing exposures	Doubtful loans	Non-performing exposures	Doubtful loans	Abs.	%
Start Gross Exposure	**46,862**	**26,627**	**45,329**	**24,334**	**1,533**	**3.4%**
Inputs from performing loans	820	39	5,543	804	-	0.0%
Outflows to performing loans	(370)	(0)	(1,231)	(4)	-	0.0%
Receipts (including realized on disposal)	(480)	(148)	(2,293)	(656)	-	0.0%
Cancellations (including loss on disposal)	(96)	(66)	(2,648)	(2,375)	-	0.0%
+/- Other changes	503	1,281	2,163	4,525	-	0.0%
Final Gross exposure	**47,238**	**27,733**	**46,862**	**26,627**	**376**	**0.8%**
Writedowns	**22,708**	**16,894**	**22,185**	**15,889**	**523**	**2.4%**
Adjustments / spell Shooting	478	356	2,685	1,688	-	0.0%
+/- Other changes	(17)	298	(2,162)	(682)	-	0.0%
Final adjustments	**23,170**	**17,549**	**22,708**	**16,894**	**462**	**2.0%**
Final net exposure	**24,069**	**10,184**	**24,154**	**9,733**	**(85)**	**-0.4%**

At 31 March 2016, **coverage of non-performing loans** stood at 49.0%, up by 59 bps compared to 31 December 2015. Within the aggregate, NPL coverage was 63.3%, down by 17 bps compared to December 31, 2015. With respect to unlikely to pay positions, coverage at the end of the quarter stood at 29.1% (-9 bps compared to 31/12/2015), while that of non-performing past due or limit exceeding exposures rose to 27.2% from 26.1% at the end of December 2015 (+109 bps).

Coverage ratios					
				Change 31.12	Var. Y/Y
	31/03/2016	31/12/2015	31/03/2015	Abs.	Ass.
Provisions for Impaired Loans / Gross Impaired Loans	49.0%	48.5%	49.0%	0.59%	0.08%
Provisions for NPLs / gross NPLs	63.3%	63.4%	65.5%	-0.17%	-2.19%
Provisions for Unlikely To Pay Loans / Gross Unlikely To Pay Loans	29.1%	29.2%	31.6%	-0.09%	-2.53%
Provisions for Past Due Positions / Gross Past Due Positions	27.2%	26.1%	18.1%	1.09%	9.01%

Financial assets/liabilities

At 31 March 2016, the Group's marketable assets amounted to approximately € 40 billion, up from the end of 2015 by about € 4.8 billion, of which €4.5 billion related to trading and € 0.3 billion related to assets classified in AFS. The increase in the trading component is predominantly attributable to activities of the subsidiary MPS Capital Services and has roughly equal positions in the debt securities portfolio (Italian Government Bonds on which the company acts as primary dealer) and in market repos. Regarding the growth of the AFS component, this trend is concentrated in Banca Monte dei Paschi di Siena and is a result of portfolio optimisation actions that significantly affected the 4th quarter of 2015.

			(*)	Chg. 31.12		Chg. Y/Y	
	31 03 2016	31 12 2015	31 03 2015	Abs.	%	Abs.	%
Marketable assets	40,000	35,209	37,633	4,791	13.6%	2,366	6.3%
Financial assets held for trading	*22,502*	*18,017*	*20,834*	*4,485*	*24.9%*	*1,668*	*8.0%*
Financial assets available for sale	*17,498*	*17,191*	*16,799*	*307*	*1.8%*	*698*	*4.2%*
Trading liabilities	20,051	15,922	18,268	4,129	25.9%	1,783	9.8%

(*) Values at 31 March 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

	31 03 2016		31 12 2015		31 03 2015 (*)	
	Financial assets held for trading	Financial liabilities held for trading	Financial assets held for trading	Financial liabilities held for trading	Financial assets held for trading	Financial liabilities held for trading
Debt securities	26,332	-	23,995	-	24,343	-
Equities and O.I.C.R.	519	-	510	-	565	-
Loans	7,777	16,774	5,285	12,548	4,374	11,174
Derivatives	5,372	3,277	5,419	3,374	8,351	7,095
Total	40,000	20,051	35,209	15,922	37,633	18,268

(*) Values at 31 March 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

The Group's Regulatory Trading Book

Risk assessment model

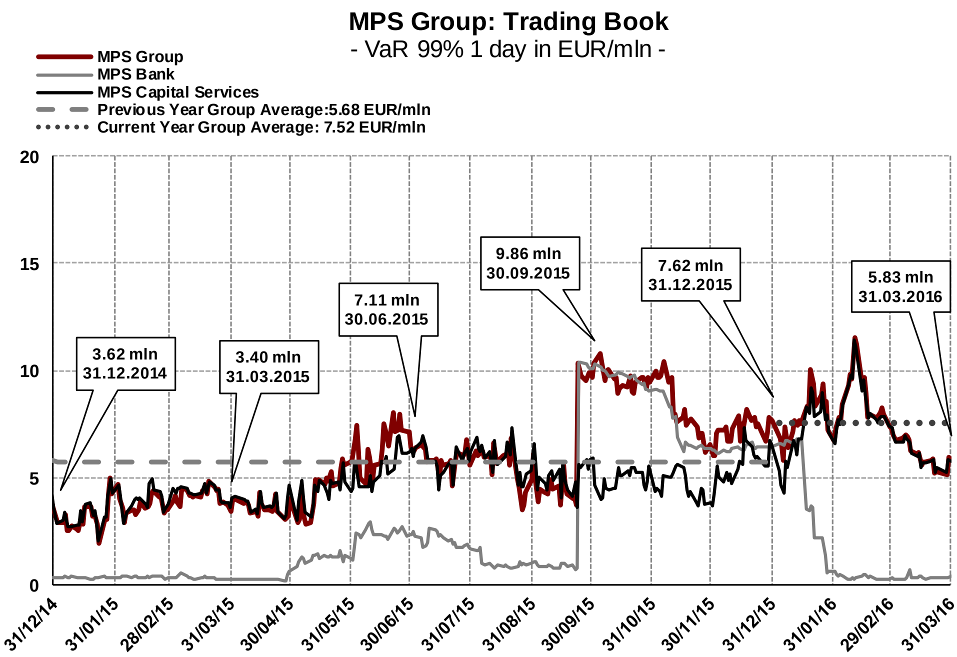
Market risk inherent in the Regulatory Trading Book is analysed by using an internally developed management model, which has the following key characteristics:

- Model type: Historical Simulation Value-at-Risk (VaR) 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: BMPS, 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.

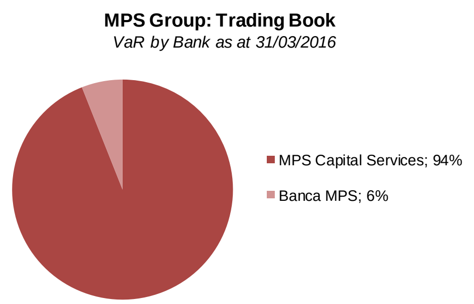
For Supervisory purposes, the Group uses the **standard methodology**.

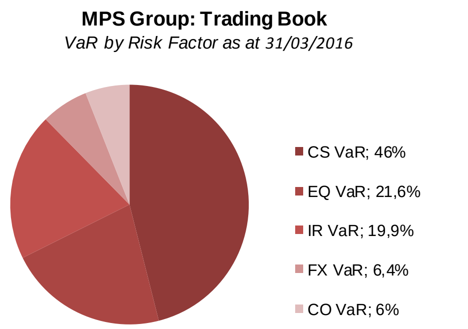
Risk exposure

The market risk of the Group's Regulatory Trading Book, measured as VaR, showed a decrease by approx. € 1.79 at the end of the first quarter, amounting to € 5.83 million as at 31 March 2016. The trend of the Group's VaR in the first quarter of the year was influenced by changes in market parameters and by the trading activities of the subsidiary MPS Capital Services. The VaR decrease in the parent company's portfolio was due to the closure of the remaining derivative positions, classified as held for trading, as a result of the closure of the Alexandria transaction which took place in late September 2015.



VaR breakdown





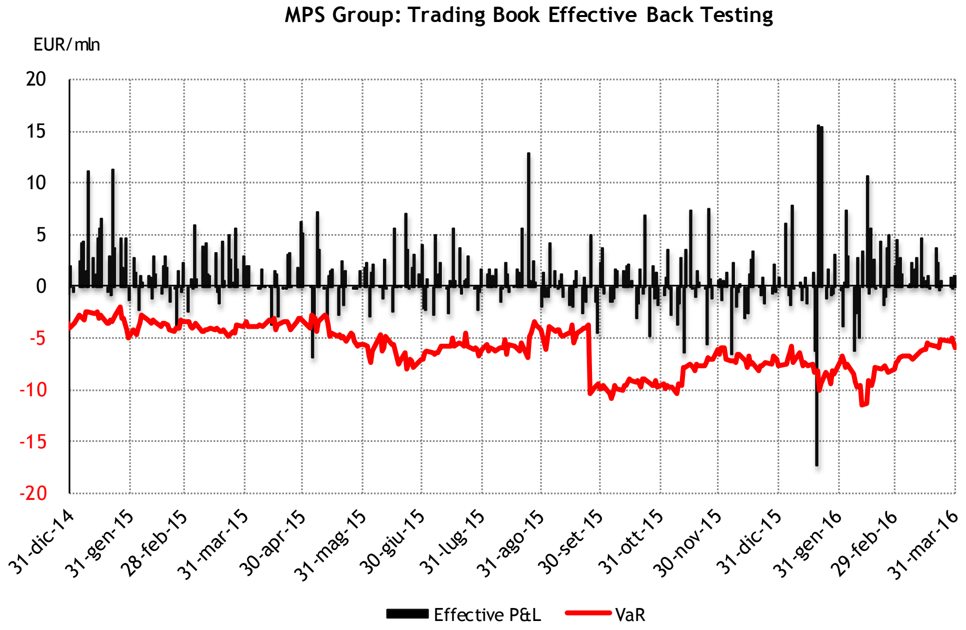
VaR trendline

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

	VaR	Date
End of Period	5.83	31/03/2016
Min	5.08	29/03/2016
Max	11.55	11/02/2016
Average	7.52	

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 three months of 2016:



The backtesting shows one exception during the first quarter 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 the 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.

Interbank position

At the end of March 2016 the Group's **net interbank position** amounted to **€ 10.7 billion** in funding, with an expansion of € 1.4 billion compared with the net balance recorded at 31 December 2015 (improved compared to the end of the first quarter 2015, -€ 4 billion). The quarterly trend is to be attributed mainly to the reduction of the ROB balance.

Interbank balances (end-of-period; EUR mln)				Change 31.12		Change Y/Y	
	31/03/2016	31/12/2015	31/03/2015	Abs.	%	Abs.	%
Loans to banks	6,856	8,242	7,856	(1,386)	-16.8%	(1,000)	-12.7%
Deposits from banks	17,525	17,493	22,519	32	0.2%	(4,995)	-22.2%
Net position	**(10,669)**	**(9,251)**	**(14,664)**	**(1,418)**	**15.3%**	**3,995**	**-27.2%**

As at 31 March 2016 the operational liquidity position showed an unencumbered Counterbalancing Capacity of approx. € 18.5 billion, down by approximately € 5 billion compared to the end of December 2015. This was due to the dynamics described in the section dedicated to Direct Funding, but with a growth of over € 1 billion YoY. Early April data show further signs of growth of these levels.

Shareholders' equity

As at 31 March 2016, the **Group's shareholders' equity and non-controlling interests** totalled around **€ 9.7 billion** up by about € 78 million compared with end 2015 levels (due to profit for the period), with an increase in Reserves as a result of allocation of the profit for the year 2015. Aggregate growth compared to the 31 March 2015 (+€ 3.5 billion) is due to the capital increase carried out by Banca Monte dei Paschi di Siena in June 2015.

Reclassified Balance Sheet (EUR mln)				Chg vs 31/12/2015		Chg Y/Y	
ASSETS	31/03/2016	31/12/2015	31/03/2015 (*)	Abs.	%	Abs.	%
Group net equity	9,675	9,596	6,162	79	0.8%	3,514	57.0%
a) Valuation reserves	(37)	(22)	(14)	(15)	67.4%	(23)	161.9%
c) Equity instruments carried at equity	-	-	3	-	n.s.	(3)	-100.0%
d) Reserves	611	222	(6,458)	388	174.9%	7,068	-109.5%
e) Share premium	6	6	2	(0)	0.0%	4	176.1%
f) Share capital	9,002	9,002	12,484	-		(3,482)	-27.9%
g) Treasury shares (-)	-	-	0	-	n.s.	(0)	-100.0%
h) Net profit (loss) for the period	93	388	144	(295)	-76.0%	(51)	-35.2%
Non-controlling interests	26	26	24	(1)	-2.1%	2	6.6%
Total Liabilities and Shareholders' Equity	**9,701**	**9,623**	**6,186**	**78**	**0.8%**	**3,515**	**56.8%**

(*) Values at 31 March 2015 have been restated, as had been the case for the 2015 Financial Statements, taking into account the changes made in accordance with IAS 8 provisions (Accounting Policies, Changes in Accounting Estimates and Errors).

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 31 March 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	
	31 03 2016	31 12 2015	Abs.	%
OWN FUNDS	-	-	-	**0.00%**
Common Equity Tier 1 (CET1)	8,441.5	8,503.1	(61.7)	-0.73%
Tier 1 (T1)	8,988.2	9,101.5	(113.3)	-1.24%
Tier 2 (T2)	2,003.7	2,196.3	(192.5)	-8.77%
Total capital (TC)	**10,991.9**	**11,297.7**	**(305.8)**	**-2.71%**
RISK ASSETS				
Credit and Counterparty Risk	58,899.7	57,804.3	1,095.4	1.90%
Credit valuation adjustment risk	755.4	806.1	(50.7)	-6.29%
Settlement risk	-	-	-	
Market risk	3,655.4	3,431.9	223.5	6.51%
Operational risk	8,802.7	8,786.2	16.5	0.19%
Other prudential requirements	-	-	-	
Other calculation elements	-	-	-	
Risk-weighted assets	72,113.2	70,828.4	**1,284.7**	**1.81%**
REGULATORY RATIOS				
CET1 capital ratio	**11.71%**	**12.01%**	**-0.30%**	
Tier1 capital ratio	**12.46%**	**12.85%**	**-0.39%**	
Total capital ratio	**15.24%**	**15.95%**	**-0.71%**	

Compared to 31 December 2015, CET1 decreases slightly (approximately -€ 62 million), essentially as a result of the increase in the filter on the profits of its liabilities carried at fair value (due to changes in creditworthiness), as well as of an increase in phasing-in percentage on deduction entries (from 40% in 2015 to 60% in 2016). The positive impact of net profit generated in the quarter, for the residual component compared to profits on liabilities at fair value, is permanently offset by the increase of Basel 3 deductions.

Tier 1 is reduced (about -€ 113 million), not only as a result of CET1, but also and primarily of the grandfathering applied to Additional Tier 1 instruments, which reduces its contribution to capital.

By contrast, the Tier2 ratio (approx. -€ 193 million) decreased mainly due to the effect of the regulatory amortisation of subordinated securities as envisaged in Basel 3.

Overall, the Total Capital level decreases by € 306 million.

RWAs recorded a total increase of € 1,285 million, due mainly to an increase in the standard credit risk portfolio, driven by the growth in the managed loan book, and in market risk.

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

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 organisational structures in place as at 31 March 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.

Compared with the situation published in the Interim Report at 31 March 2015, the "Financial Promotion and Digital Banking" operating segment has been removed and the relevant results (including those of the subsidiary Banca Widiba SpA) have been channelled into the "Retail Banking" segment, in line with the approach already adopted in the 2015 Financial Statements.

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Group's Operating Segments as at 31 March 2016.

SEGMENT REPORTING	Business Segments				Corporate Center		Total MPS Group	
Primary segment	Retail banking		Corporate banking					
(EUR mln)	31/03/2016	Chg % Y/Y	31/03/2016	Chg % Y/Y	31/03/2016	Chg % Y/Y	31/03/2016	Chg % Y/Y
PROFIT AND LOSS AGGREGATES								
INCOME FROM BANKING AND INSURANCE	1,076.7	-7.0%	197.5	-16.3%	(88.7)	n.s.	1,185.5	-13.7%
Operating expenses	(588.2)	-0.8%	(66.5)	0.7%	9.7	77.3%	(645.0)	-1.3%
PRE PROVISION PROFIT	488.5	-13.6%	131.0	-23.0%	(79.0)	n.s.	540.5	-24.9%
Net impairment losses (reversals) on loans and financial assets	(297.9)	-9.5%	(35.2)	-67.9%	(16.2)	3.1%	(349.2)	-23.1%
NET OPERATING INCOME	190.6	-19.2%	95.9	58.1%	(95.2)	n.s.	191.3	-27.9%
BALANCE SHEET AGGREGATES								
Interest-bearing loans to customers	72,883	-6.9%	23,559	-4.8%	6,918	-39.1%	103,360	-9.7%
Deposits from customers and debt securities issued(*)	67,211	-8.7%	10,860	-28.2%	41,437	5.0%	119,508	-6.8%
Indirect funding	73,634	-4.9%	16,519	-13.6%	14,738	0.9%	104,891	-5.7%
Assets under management	*51,719*	*0.1%*	*754*	*-19.6%*	*2,749*	*1.1%*	*55,222*	*-0.1%*
Assets under custody	*21,914*	*-15.1%*	*15,765*	*-13.3%*	*11,989*	*0.9%*	*49,668*	*-11.1%*

(*)Retail Banking and Corporate Banking data refers to the distribution network alone. It is noted that these figures do not include intercompany balances for the legal entities reporting to their respective business segments (typically intragroup funding).

(**) Data on Retail Banking includes the figures of BMPS's Sales & Distribution Network and Banca Widiba SpA. The Corporate Banking figure includes the figures of BMPS's Sales Distribution Network as well as those of the Banks under foreign law (MP Banque and MPS Belgio).

It should be noted that the comparison values for 31 March 2015, include at overall level the effects of the restatement of the "Alexandria" transaction and were also recalculated to incorporate the different segmentation of operating results as set forth above, as well as the effects of the following events:

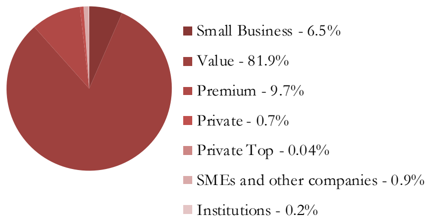
- merger of Consum.it SpA into Banca Monte dei Paschi di Siena SpA[4];
- change in the organisational management of some clusters of customers;
- different allocation of a position originally classified in Corporate Banking;
- different allocation of the results of foreign banks MP Banque and MP Belgium;

[4] carried out on 1 June 2015 with accounting and tax effects starting from 1 January 2015

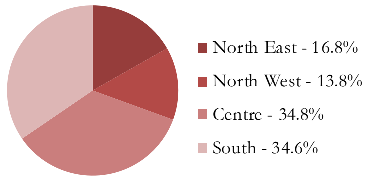
Retail Banking

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 5.2 million, of which around 0.1 million managed exclusively by Banca Widiba SpA.

Breakdown by type



Breakdown by geography



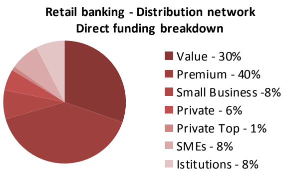
Income statement and balance sheet results

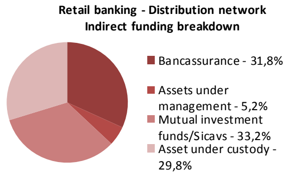
As at 31 March 2016, **Total funding** from Retail Banking stood at approximately **€ 141 billion**, down by around € 7 billion compared to the end of 2015 (-4.8%), largely attributable to Direct Funding. More specifically:

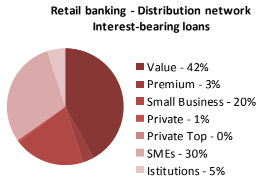
- **Direct Funding**, which amounts to about **€ 67 billion**, dropped in the quarter by approximately € 6 billion (-8%) concentrated mainly in demand deposits and to a lesser extent also in bonds. The peak of this reduction in the aforesaid forms of funding was seen at the end of January 2016, as already mentioned in the section dedicated to the evolution of the Group's aggregate balance sheet items;
- **Indirect Funding** of around **€ 74 billion**, decreased from 31 December 2015 by 1.6% (corresponding to approximately -€1 billion), more significant in Assets under Custody as a result of market dynamics, despite largely positive quarterly net flows.

Interest-bearing retail banking **loans** remained virtually stable on end 2015 levels, and therefore amounted then **€ 73 billion**, with a concentration of more than 70% on Value and SME customers.

RETAIL BANKING - BALANCE SHEET AGGREGATES							
(Eur mln)	31/03/2016	31/12/2015	31/03/2015	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt securities issued	**67,211**	**73,022**	**73,588**	**-5,811**	**-8.0%**	**-6,377**	**-8.7%**
Assets under management	*51,719*	*51,980*	*51,645*	*-260*	*-0.5%*	*74*	*0.1%*
Assets under custody	*21,914*	*22,889*	*25,810*	*-974*	*-4.3%*	*-3,896*	*-15.1%*
Indirect Funding	**73,634**	**74,868**	**77,455**	**-1,235**	**-1.6%**	**-3,822**	**-4.9%**
Total Funding	**140,844**	**147,890**	**151,043**	**-7,046**	**-4.8%**	**-10,199**	**-6.8%**
Interest-Bearing Loans to Customers	**72,883**	**73,378**	**78,306**	**-495**	**-0.7%**	**-5,424**	**-6.9%**





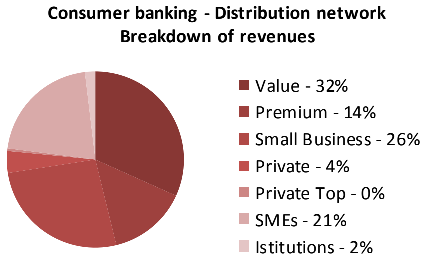


With regard to profit and loss, in the first quarter of 2016 Retail Banking achieved **Revenues** of approx. **€ 1,077 million**, down 7% compared to the same period of the previous year, principally due to a decline in Net Interest Income (-10.2% YoY) as a result of a reduction in commercial assets (volumes and rates).

Considering the impact of operating expenses, which have decreased by 0.8% YoY, in Q1 2016 Retail Banking generated a **Gross Operating Income** of about **€ 489 million**, down by 13.6% compared to the same period of the previous year. The **Net Operating Profit** therefore amounted to about **€ 191 million**, influenced by impairments of receivables and financial assets equal to about € 298 million, down from those recorded in the first three months of the previous year.

The ***cost-income*** of the Operating Segment is **54.6%** (52.2% at the end of December 2015).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/2016	31/03/2015	Chg % Y/Y
Net interest income	*616.5*	*686.4*	*-10.2%*
Net fee and commission income	*448.8*	*450.8*	*-0.4%*
Other income	*14.9*	*15.7*	*-5.3%*
Other operating expenses/income	*(3.4)*	*5.1*	*n.s.*
INCOME FROM BANKING AND INSURANCE	**1,076.7**	**1,158.0**	**-7.0%**
Operating expenses	*(588.2)*	*(592.8)*	*-0.8%*
PRE PROVISION PROFIT	**488.5**	**565.1**	**-13.6%**
Net impairment losses (reversals) on loans and financial assets	(297.9)	(329.1)	-9.5%
NET OPERATING INCOME	**190.6**	**236.0**	**-19.2%**



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 € 2.8 million, significantly improved compared to the result of the first three months of 2015 (when the loss was € 5.8 million) due to revenue growth and substantial stability in operating expenses. Increased direct funding volumes, both compared to the end of 2015 and to 31 March 2015, while there was a reduction in assets under custody and under management; these changes were also impacted by negative market effects;
- **MPS Fiduciaria**: Profit for the period amounted to € 0.1 million, unchanged from the same period of the previous year.

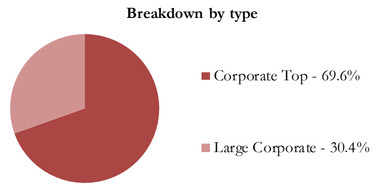
Corporate Banking

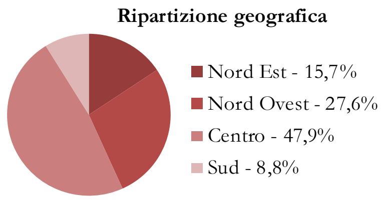
Business areas

- 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 Bank'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 4,200 Top Corporate customers and large groups of the parent company, directly followed by Corporate Banking





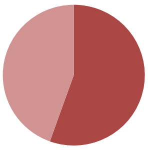
Income statement and balance sheet results

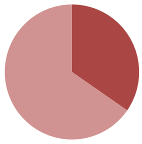
As at 31 March 2016, Corporate Banking **total funding** volumes stood at € **27.4 billion**, down by 13.5% from end-2015 levels. The dynamics of the aggregate has been significantly affected by a reduction in **direct funding**, which has decreased from € 14.5 billion on 31 December 2015 to **€ 10.9 billion** at the end of March 2016. The volume reduction as described above, which refers both to demand and short-term forms, occurred for the most part at the end of January 2016 and was related to the withdrawals by Corporate clients and Large Groups who, because of the special types of investments held, are more sensitive to the effects of the new bail-in regulations. **Indirect Funding**, the majority of which is represented by Assets under Custody, dropped during the quarter to **€ 16.5 billion**, with a 3.7% reduction also as a result of negative market effects.

With regard to lending, as at 31 March 2016, Corporate banking **interest-bearing loans** stood at approx. **24 billion** (+2.7% compared to 31/12/2015), mainly concentrated in medium-long term loans.

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	31/03/2016	31/12/2015	31/03/2015	Chg Abs 31/12	Chg % 31/12	Chg Abs Y/Y	Chg % Y/Y
Deposits from customers and debt securities issued	**10,860**	**14,506**	**15,118**	**-3,646**	**-25.1%**	**-4,258**	**-28.2%**
Assets under management	*754*	*760*	*937*	*-6*	*-0.8%*	*-183*	*-19.6%*
Assets under custody	*15,765*	*16,395*	*18,180*	*-629*	*-3.8%*	*-2,414*	*-13.3%*
Indirect Funding	**16,519**	**17,155**	**19,117**	**-635**	**-3.7%**	**-2,598**	**-13.6%**
Total Funding	**27,379**	**31,661**	**34,235**	**-4,281**	**-13.5%**	**-6,856**	**-20.0%**
Interest-Bearing Loans to Customers	**23,559**	**22,945**	**24,757**	**614**	**2.7%**	**-1,198**	**-4.8%**





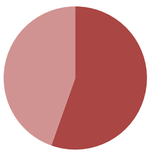
From a P&L standpoint, in the first three months of 2016, Corporate Banking generated **Revenues** of around **€ 198 million** (-16.3% YoY); within this component:

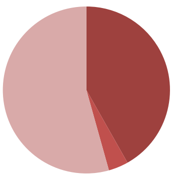
- Net Interest Income is lower than that of the previous year by about € 16 million (-13.5%) as a result of returns on commercial assets (volumes and rates);
- Net Commissions increased YoY by approximately € 6 million (+14.9%), mainly due to proceeds related to Credit and Foreign services;
- Other revenues from financial and insurance management declined year over year (-35%), in connection with particularly positive revenues recorded by the subsidiary MPS Capital Services in Q1 2015;

The segment's **Net Operating Profit** therefore amounts to approximately **€ 96 million,** with an annual increase of over 58%, affected by a reduction YoY of value adjustments for impairment of receivables and financial assets (-67.9%) and substantial stability in operating expenses (+0.7% YoY).

The Corporate Banking cost-income ratio stands at **33.7%** (36.4% at 31/12/2015).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/2016	31/03/2015	Chg % Y/Y
Net interest income	*102.1*	*118.0*	*-13.5%*
Net fee and commission income	*46.5*	*40.4*	*14.9%*
Other income	*51.1*	*78.7*	*-35.0%*
Other operating expenses/income	*(2.2)*	*(1.1)*	*91.9%*
INCOME FROM BANKING AND INSURANCE	**197.5**	**236.1**	**-16.3%**
Operating expenses	*(66.5)*	*(66.0)*	*0.7%*
PRE PROVISION PROFIT	**131.0**	**170.1**	**-23.0%**
Net impairment losses (reversals) on loans and financial assets	(35.2)	(109.4)	-67.9%
NET OPERATING INCOME	**95.9**	**60.6**	**58.1%**





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 € 29 million, double from Q1 2015, mainly due to the lower cost of credit;
- **MPS Leasing & Factoring**: loss for the period of € 7.9 million, improved from Q1 2015, (loss of € 9.4 million), principally owing to a reduction in non-performing loan impairments;
- **Foreign banks[5]:** during the first quarter of 2016 **MP Banque** recorded a loss of € 0.7 million (€ 0.1 million profit in the same period of the previous year); as for **MP Belgium**, the result for the period was positive at € 2.6 million, down by 42.9% on Q1 2015.

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

Corporate Centre

The Corporate Centre includes:

- head office units, particular 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.

Prospects and outlook on operations

Within the context of the global economy, the United States and other advanced economies continue their expansionary process, while emerging economies still show signs of weakness; in China, concerns of a possible *hard landing* have been staved off, but the economic slowdown persists. In the euro area, growth continues to be driven by domestic demand; however, exports remain weak dynamics and risks associated with the geopolitical situation are growing; inflation was virtually zero, reflecting ample margins of unused workforce. Against this background, the ECB Governing Council has tightened monetary stimulus with a comprehensive package of expansionary measures: lower interest rates, strengthening of the asset purchasing programme, introduction of 4 new longer-term refinancing operations under extremely favourable conditions (TLTRO 2) to encourage credit to households and businesses. Italy's economic recovery continues at a moderate pace, supported in late 2015 by stronger consumer spending and acceleration in investments. Businesses remain optimistic on the outlook for the coming months, despite signs of caution. According to Bank of Italy evaluations, in the first quarter of 2016 growth, while still moderate, would be slightly higher than in the previous three months.

In the banking sector there have been a number of initiatives: in addition to the above-mentioned TLTRO 2 starts, Law Decree no. 18, issued on 14 February 2016 and later converted to Law 8/4 contains urgent measures for the reform of cooperative credit institutions and transposition into national law of the agreement reached with the European Commission on the guarantee scheme to help banks in the disposal of non-performing loans. Additionally, the establishment of an private alternative investment fund was announced in early April. The fund, named "Atlas", is designed to support future capital increases by banks and to contribute to the disposal of non-performing loans currently in the balance sheets of Italian intermediaries. Banca Monte dei Paschi di Siena has welcomed the initiative and provided for a binding commitment to purchase 50 units of the Atlas Fund for a total investment of € 50 million.

With regard to our Group, the supervisory decision following the Supervisory Review and Evaluation Process (SREP) carried out for the year 2015 by the ECB (the "SREP Decision"), notified to BMPS on 25 November 2015, provides for the maintenance in 2016 of the minimum capital requirement in terms of Common Equity Tier 1 ("CET1") Ratio on a consolidated basis at 10.20%, increased to 10.75% from 31 December 2016 (for further details, please refer to the 2015 Financial Statements). The SREP *decision* also requires the preparation of a *capital plan* listing detailed measures to achieve a CET1 capital ratio of 10.75% by 31.12.2016 and subject to quarterly monitoring by the Bank. This plan, approved by the Board of Directors in December 2015, identifies managerial actions focused on reducing risk levels in terms of RWA, as guarantee of the prudential buffer to be activated if levels reach close to the threshold. Based on the forecasts of the 2016-2018 RAF, the capital adequacy level is required to be structurally above the SREP threshold, which also allows to have a buffer along the entire projection horizon, generated in particular by profits without the need for extraordinary measures. Q1 2016 results confirm the RAF forecasts with CET1 values above the SREP threshold and consistent with the capital plan.

As requested by the EBA in 2015, stress tests are currently underway also for our Group; the results of these tests will be announced probably during the 3rd quarter of the current year.

It should be noted that on 3 May 2016 Law Decree no. 59/2016 was published in the Official Journal and entered into force on the day following the date of publication. This Decree contains, inter alia, provisions on deferred tax assets ("DTA"), under which companies may continue to apply the existing rules on conversion into tax credits of deferred tax assets, on condition that within 30 days of publication of the Decree they exercise an irrevocable option and pay an annual fee payable with respect to each of the financial years from 2015 and subsequently, if the conditions exist, until 2029. As clarified in the Council of Ministers' press release of 29 April 2016, this provision will overcome the doubts raised by the European Commission on the existence of State aid components in the current regulatory framework related to deferred tax assets.

More specifically, the fee is determined annually by applying the rate of 1.5% to a "base" obtained by adding to the difference between the convertible DTAs recorded in the financial statements of the reference year and the corresponding DTAs recorded in the 2007 financial statements, the amount of DTA conversions made from 2008 to the reference year, and subtracting the tax specified in the Decree and paid for to the aforesaid tax periods.

The Bank estimated the fee referring to the year 2015 for the Group to amount to approx. € 80 million, gross of tax effects (according to the Decree, the fee is deductible for income tax and IRAP purposes). This estimate was made based on the best current interpretation of the indications directly inferable from the text of the Decree, and therefore without prejudice to any further evaluations, including the relevant accounting profiles that may also result from the implementation provisions required by the Decree to be issued in a subsequent measure by the Italian Revenue Agency.

Despite a complex and changing operating environment, such as that described above, in Q1 2016 no elements have been identified which could affect the overall predictability of operations and the determination of the Group's outlook, and therefore induce uncertainty as to business continuity.

NOTES TO THE INTERIM REPORT ON OPERATIONS

Income statement and balance sheet reclassification principles

With a view to ensuring adequate disclosure to the public on the criteria adopted for representing the economic and financial impacts of the transaction known as 'Alexandria', the 2015 comparison values published in the Interim Report on Operations as at 31 March 2015 have been restated in line with the approach already adopted for the 2015 Financial Statements. For further details, 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 Note to the 2015 Consolidated Financial Statements.

This intervention concerned the following reclassified items:

- Income Statement:
  - Net interest income;
  - Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities;
  - Net profit from hedging;
  - Tax expense (recovery) on income from continuing operations;
  - Profit (loss) for the period
- Balance Sheet:
  - Financial assets held for trading;
  - Other assets;
  - Deposits from customers and securities;
  - Other liabilities;
  - Group equity (revaluation reserves, reserves, net profit (loss) for the period).

On the basis of the above, the reclassification interventions carried out as at 31 March 2016 are described below:

Income Statement

a) The reclassified income statement 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 held in the Group's securities and derivatives portfolio (approx. € 0.6 million).

b) The reclassified income statement item "Dividends, similar income and gains (losses) on investments" incorporates item 70 "Dividends and similar income" and a portion of item 240 "Gains (losses) on investments" (around € 19 million, 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 held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate.

c) The income statement item "**Other operating income/expenses**" excludes the stamp duty and customer expense recoveries restated under "**Other administrative expenses**".

d) The reclassified income statement item **"Other administrative expenses"** includes the portion of stamp duty and client expense recovery (approx. € 96 million) posted under item 220 "Other operating expenses/income". The item has also been cleared of the expensed arising from the transposition of EU directives DGSD for deposit guarantee schemes and BRRD for bank crises resolution (about € 71 million), reclassified under "Risks and charges associated with SRF, DGS and similar schemes".

e) The reclassified income statement item "**Net impairment losses (reversals) on financial assets and other transactions**" includes items 130b "Financial assets available for sale", 130c "Financial assets held to maturity" and 130d "Other financial transactions".

f) The income statement item "**Risks and charges associated with SRF, DGS and similar schemes**" includes charges (amounting to approx. € 71 million) separated from "Other Administrative Expenses" arising from the transposition of EU directives DGSD for deposit guarantee schemes and BRRD for bank crises resolution.

g) The item "Gains (losses) on investments" was cleared of components reclassified as "Dividends and similar income and gains (losses) on investments".

h) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular **"Interest income"** for € 4.9 million and **Depreciation/amortisation** for € 6.9 million, net of a theoretical tax burden of € 4 million which integrates the item).

Balance Sheet

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

j) **"Other assets"** on the assets side of the reclassified balance sheet incorporates item 80 "Hedging derivatives", item 90 "Change in value of macro-hedged financial assets", item 140 "Tax assets", item 150 "Non-current assets and groups of assets available for sale and discontinued operations" and item 160 "Other assets".

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

l) **"Other liabilities"** on the liabilities side of the reclassified balance sheet incorporates item 60 "Hedging derivatives", item 70 "Change in value of macro-hedged financial liabilities", item 80 "Tax liabilities", item 90 "Liabilities associated with non-current assets available for sale and discontinued operations" and item 100 "Other liabilities".

Pro-forma statements for the representation of the operation called "Alexandria" in "open balances", in continuity with previous statements

Foreword

As clearly demonstrated in the section entitled "Restatement of previous period accounts and changes in estimates 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, took steps to reflect in the 2015 Financial Statement, adapting it to that of a CDS, the accounting representation of the operation called "Alexandria", carrying out the retrospective restatement of previous financial statements according to the rules of IAS 8 ("closed balance" approach).

As a consequence, this interim report as at 31 March 2016 presents comparative data processed according to the "closed balance" approach; in particular:

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

With a view to ensuring adequate disclosure to the public on representation criteria, below are provided appropriate pro forma statements designed to give evidence, in continuity with previous reports, of the financial impacts of the operation called 'Alexandria' deriving from the use of comparative data processed according to the setting "open balances" approach.

The pro-forma statements are presented using the balance sheet at 31 March 2016 and at 30 June 2015 and the income statements and statements of comprehensive income at 31 March 2016 and 31 March 2015.

Pro-forma data were determined:

- for the balance sheet at 31 December 2015, by making appropriate pro-forma adjustment to the historical values of the 2015 financial statements (prepared according to "closed balance" approach) to represent the operation called" Alexandria" according to the "open balances" approach;
- for the income statement and the statement of comprehensive income at 31 March 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 31 March 2015, based on the "open balances" approach;
- no pro-forma adjustment was made to balance sheets, income statements and statements of comprehensive income at 31 March 2016, as they are no longer affected by the "Alexandria" operation, closed in September 2015.

Pro-forma consolidated balance sheet

(in € thousand)

	Assets	31 03 2016	31 12 2015	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma
10	Cash and cash equivalents	913,374	1,188,761	-	1,188,761
20	Financial assets held for trading	22,502,186	18,017,359	-	18,017,359
40	Financial assets available for sale	17,497,732	17,191,196	-	17,191,196
60	Loans to banks	6,856,130	8,242,056	-	8,242,056
70	Loans to customers	113,544,317	111,366,383	-	111,366,383
80	Hedging derivatives	586,692	556,425	-	556,425
90	Change in value of macro-hedged financial assets (+/-)	165,192	139,582	-	139,582
100	Equity investments	934,321	908,365	-	908,365
120	Property, plant and equipment	2,729,422	2,741,723	-	2,741,723
130	Intangible assets	383,044	400,103	-	400,103
	of which: goodwill	*7,900*	*7,900*	-	*7,900*
140	Tax assets	5,119,580	5,542,518	76,162	5,618,680
150	Non-current assets and groups of assets held for sale and discontinued operations	23,293	29,267	-	29,267
160	Other assets	2,390,244	2,688,239	-	2,688,239
	Total Assets	173,645,527	169,011,977	76,162	169,088,139

(in € thousand)

	Liabilities and Shareholders'Equity	31 03 2016	31 12 2015	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma
10	Deposits from banks	17,524,685	17,493,110	-	17,493,110
20	Deposits from customers	89,529,331	87,806,329	-	87,806,329
30	Debt securities issued	28,316,706	29,394,436	-	29,394,436
40	Financial assets held for trading	20,051,030	15,921,727	-	15,921,727
50	Financial assets designated at fair value	1,661,881	2,073,915	-	2,073,915
60	Hedging derivatives	1,232,177	1,205,267	-	1,205,267
80	Tax liabilities	122,398	91,456	(43,079)	48,377
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
100	Other liabilities	4,157,301	4,039,948	-	4,039,948
110	Provision for employee severance pay	247,681	246,170	-	246,170
120	Provisions for risks and charges	1,101,396	1,116,913	-	1,116,913
140	Valuation reserves	(36,519)	(21,817)	-	(21,817)
160	Equity instruments	-	-	-	-
170	Reserves	610,511	222,086	619,234	841,320
180	Share premium	6,325	6,325	-	6,325
190	Share Capital	9,001,757	9,001,757	-	9,001,757
210	Non-controlling interests (+/-)	25,710	26,259	-	26,259
220	Profit (loss) (+/-)	93,157	388,096	(499,993)	(111,897)
	Total liabilities and Shareholders' Equity	173,645,527	169,011,977	76,162	169,088,139

Pro-forma consolidated income statement

(in € thousand)

	Items	31 03 2016	31 03 2015	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 03 2015 pro-forma
10	Interest income and similar revenues	902,453	1,085,640	36,931	1,122,571
20	Interest expense and similar charges	(359,127)	(491,094)	(31,799)	(522,893)
30	Net interest income	543,326	594,546	5,132	599,678
40	Fee and commission income	534,434	533,459		533,459
50	Fee and commission expense	(77,530)	(90,485)		(90,485)
60	Net fee and commission income	456,904	442,974	-	442,974
70	Dividends and similar income	638	3,410		3,410
80	Net profit (loss) from trading	61,516	173,369	(109,941)	63,428
90	Net profit (loss) from hedging	144	15,915	(1,066)	14,849
100	Gains/losses on disposal/repurchase	20,871	122,236		122,236
110	Net profit (loss) from financial assets and liabilities designated at fair value	82,761	(17,280)		(17,280)
120	Net interest and other banking income	1,166,160	1,335,170	(105,875)	1,229,295
130	Net impairment losses (reversals)	(349,233)	(454,242)		(454,242)
140	Net income from banking activities	816,927	880,928	(105,875)	775,053
180	Administrative expenses	(761,013)	(695,618)		(695,618)
190	Net provisions for risks and charges	(5,350)	(29,803)		(29,803)
200	Net adjustments to (recoveries on) property, plant and equipment	(26,307)	(29,884)		(29,884)
210	Net adjustments to (recoveries on) intangible assets	(30,832)	(25,387)		(25,387)
220	Other operating expenses/income	90,281	91,860		91,860
230	Operating expenses	(733,221)	(688,832)	-	(688,832)
240	Gains (losses) on investments	26,758	24,513		24,513
260	Impairment on goodwill	-	-		-
270	Gains (losses) on disposal of investments	(30)	384		384
280	Profit (loss) before tax from continuing operations	110,434	216,993	(105,875)	111,118
290	Tax expense (recovey) on income from continuing operations	(16,816)	(72,793)	34,780	(38,013)
300	Profit (loss) after tax from continuing operations	93,618	144,200	(71,095)	73,105
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-		-
320	Profit (loss)	93,618	144,200	(71,095)	73,105
330	Profit (loss) for the period attributable to non-controlling interests	461	475		475
340	Parent company's net profit (loss)	93,157	143,725	(71,095)	72,630

Pro-forma consolidated statement of comprehensive income

(in € thousand)

	Voci	31 03 2016	31 03 2015	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 03 2015 pro-forma
10	Profit (loss)	93,618	144,200	(71,095)	73,105
	Other comprehensive income after tax not recycled to profit and loss	(662)	(15)	-	(15)
40	Actuarial gains (losses) on defined benefit plans	(672)	(8)		(8)
60	Share of valuation reserves of equity-accounted investments	10	(7)		(7)
	Other comprehensive income after tax recycled to profit and loss	(14,035)	248,200	184,321	432,521
80	Exchange differences	(3,796)	7,727		7,727
90	Cash flow hedges	12,588	2,383		2,383
100	Financial assets available for sale	(31,081)	211,677	184,321	395,998
110	Non-current assets held for sale	-	154		154
120	Share of valuation reserves of equity-accounted investments	8,254	26,259		26,259
130	Total other comprehensive income after tax	(14,697)	248,185	184,321	432,506
140	Total comprehensive income (item10+130)	78,921	392,385	113,226	505,611
150	Consolidated comprehensive income attributable to non-controlling interests	466	475		475
160	Consolidated comprehensive income attributable to Parent Company	78,455	391,910	113,226	505,136

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Financial Intermediation, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this Interim Report as at 31 March 2016 corresponds to the underlying documentary evidence and accounting records.

Siena, 5 May 2016

Arturo Betunio
Financial Reporting
Officer