

**CONSOLIDATED REPORT ON OPERATIONS**

Highlights at 30/09/2016

**INCOME STATEMENT AND BALANCE SHEET FIGURES**

**MPS GROUP**

INCOME STATEMENT FIGURES (EUR mln)	30/09/16	30/09/15 (*)	Chg.
Net interest income	1.518,7	1.717,5	-11,6%
Net fee and commission income	1.402,4	1.358,3	3,2%
Other Income	496,4	1.022,1	-51,4%
Total Revenues	3.417,5	4.098,0	-16,6%
Net impairment losses (reversals) on loans and financial assets	(2.018,8)	(1.417,7)	42,4%
Net operating income	(530,4)	713,3	n.s.
Net profit (loss) for the period	(848,7)	584,7	n.s.
EARNING PER SHARE (EUR)	30/09/16	30/09/16	Chg.
Basic earnings per share	-0,289	0,438	-0,727
Diluted earnings per share	-0,289	0,438	-0,727
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	30/09/16	31/12/15	Chg.
Total assets	160.129,1	169.012,0	-5,3%
Loans to customers	104.612,4	111.366,4	-6,1%
Direct funding	105.461,4	119.274,6	-11,6%
Indirect funding	98.440,6	106.171,8	-7,3%
of which: assets under management	56.890,5	55.515,7	2,5%
of which: assets under custody	41.550,1	50.656,1	-18,0%
Group net equity	8.745,6	9.596,6	-8,9%
OPERATING STRUCTURE	30/09/16	31/12/15	Chg.
Total head count - end of period	25.641	25.731	-90
Number of branches in Italy	2.043	2.133	-90

(\*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

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**ALTERNATIVE PERFORMANCE MEASURES**

**MPS GROUP**

PROFITABILITY RATIOS (%)	30/09/16	31/12/15	Chg.
Cost/Income ratio	56,4	50,4	6,1
R.O.E.	-12,3	5,1	-17,4
Return on Assets (RoA) ratio	-0,71	0,2	-0,9
KEY CREDIT QUALITY RATIOS (%)	30/09/16	31/12/15	Chg.
Net non performing loans / Loans to Customers	21,5	21,7	-0,2
Cumulated adjustments on non performing loans / Gross non performing loans to customers	50,6	48,5	2,2
Net doubtful loans / Loans to Customers	10,4	8,7	1,7
Cumulated adjustments on doubtful loans / Gross doubtful loans to customers	61,4	63,4	-2,1
Net adjustments to loans / End loans (Provisioning)	2,6	1,8	0,8

**CONSOLIDATED REPORT ON OPERATIONS**

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**REGULATORY MEASURES**

**MPS GROUP**

CAPITAL RATIOS (%)	30/09/16	31/12/15	Chg.
Common Equity Tier 1 (CET1) ratio	11,5	12,0	-0,5
Total Capital ratio	14,3	16,0	-1,7
FINANCIAL LEVERAGE INDEX (5)	30/09/16	31/12/15	Chg.
Leverage ratio - Transitional Phase	4,4	5,2	-0,8
LIQUIDITY RATIO (%)	30/09/16	31/12/15	Chg.
LCR	153,2	222,0	-68,8
NSFR	95,3	100,8	-5,5

Reclassified Income Statement (Euro mln)				
Montepaschi Group	30/09/16	30/09/15	Change	
		(*)	Abs.	%
Net interest income	1.518,7	1.717,5	(198,8)	-11,6%
Net fee and commission income	1.402,4	1.358,3	44,1	3,2%
<b>Income from banking activities</b>	<b>2.921,1</b>	<b>3.075,8</b>	<b>(154,7)</b>	<b>-5,0%</b>
Dividends, similar income and gains (losses) on equity investments	66,5	95,1	(28,6)	-30,1%
Net profit (loss) from trading	419,7	904,2	(484,5)	-53,6%
Net profit (loss) from hedging	(1,7)	9,8	(11,5)	-117,3%
Other operating income (expenses)	11,9	13,1	(1,2)	-9,1%
<b>Total Revenues</b>	<b>3.417,5</b>	<b>4.098,0</b>	<b>(680,5)</b>	<b>-16,6%</b>
Administrative expenses:	(1.771,9)	(1.810,4)	38,5	-2,1%
a) personnel expenses	(1.239,4)	(1.256,5)	17,1	-1,4%
b) other administrative expenses	(532,5)	(553,9)	21,4	-3,9%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(157,2)	(156,6)	(0,6)	0,4%
<b>Operating expenses</b>	<b>(1.929,1)</b>	<b>(1.967,0)</b>	<b>37,9</b>	<b>-1,9%</b>
<b>Pre-Provision Profit</b>	<b>1.488,4</b>	<b>2.131,0</b>	<b>(642,6)</b>	<b>-30,2%</b>
Net impairment losses (reversals) on:	<b>(2.018,8)</b>	<b>(1.417,7)</b>	<b>(601,1)</b>	<b>42,4%</b>
a) loans	(2.021,6)	(1.413,9)	(607,7)	43,0%
b) financial assets	2,8	(3,8)	6,6	n.s.
<b>Net operating income</b>	<b>(530,4)</b>	<b>713,3</b>	<b>(1.243,7)</b>	<b>n.s.</b>
Net provisions for risks and charges	(3,6)	(5,3)	1,7	-32,1%
Gains (losses) on investments	9,3	126,6	(117,3)	-92,7%
Restructuring costs / One-off costs	-	(2,8)	2,8	n.s.
Risks and charges related to the SRF, DGS and similar schemes	(102,0)	(54,6)	(47,4)	86,8%
DTA Fees	(124,3)	-	(124,3)	n.s.
Gains (losses) on disposal of investments	12,8	1,9	10,9	n.s.
<b>Profit (loss) before tax from continuing operations</b>	<b>(738,2)</b>	<b>779,1</b>	<b>(1.517,3)</b>	<b>n.s.</b>
Tax expense (recovery) on income from continuing operations	(85,4)	(163,5)	78,1	-47,8%
<b>Profit (loss) after tax from continuing operations</b>	<b>(823,6)</b>	<b>615,6</b>	<b>(1.439,2)</b>	<b>n.s.</b>
<b>Net profit (loss) for the period including non-controlling interests</b>	<b>(823,6)</b>	<b>615,6</b>	<b>(1.439,2)</b>	<b>n.s.</b>
Net loss (profit) attributable to non-controlling interests	(1,4)	(1,3)	(0,1)	7,7%
<b>Profit (loss) for the period before PPA , impairment on goodwill and intangibles</b>	<b>(825,0)</b>	<b>614,3</b>	<b>(1.439,3)</b>	<b>n.s.</b>
PPA (Purchase Price Allocation)	(23,7)	(29,6)	5,9	-19,9%
<b>Net profit (loss) for the period</b>	<b>(848,7)</b>	<b>584,7</b>	<b>(1.433,4)</b>	<b>n.s.</b>

(\*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

Quarterly trend in reclassified income statement (Euro mln)

Montepaschi Group	2016			2015		
	3Q	2Q	1Q	3Q (*)	2Q (*)	1Q (*)
Net interest income	483,5	486,9	548,3	556,8	553,9	606,8
Net fee and commission income	461,7	483,8	456,9	431,1	484,2	443,0
<b>Income from banking activities</b>	<b>945,2</b>	<b>970,7</b>	<b>1.005,2</b>	<b>987,9</b>	<b>1.038,1</b>	<b>1.049,8</b>
Dividends, similar income and gains (losses) on investments	23,3	23,9	19,3	28,7	42,1	24,3
Net profit (loss) from trading	102,7	151,3	165,7	458,9	163,6	281,7
Net profit (loss) from hedging	(0,4)	(1,4)	0,1	(6,3)	0,2	15,9
Other operating income (expenses)	2,2	14,7	(5,0)	0,5	11,3	1,3
<b>Total Revenues</b>	<b>1.073,0</b>	<b>1.159,1</b>	<b>1.185,4</b>	<b>1.469,6</b>	<b>1.255,3</b>	<b>1.373,0</b>
Administrative expenses:	(595,1)	(582,1)	(594,7)	(601,7)	(603,7)	(604,9)
a) personnel expenses	(418,4)	(403,4)	(417,6)	(422,7)	(414,5)	(419,4)
b) other administrative expenses	(176,7)	(178,7)	(177,1)	(179,1)	(189,3)	(185,5)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(55,2)	(51,7)	(50,3)	(54,4)	(53,7)	(48,4)
<b>Operating expenses</b>	<b>(650,3)</b>	<b>(633,8)</b>	<b>(645,0)</b>	<b>(656,2)</b>	<b>(657,4)</b>	<b>(653,3)</b>
<b>Pre Provision Profit</b>	<b>422,7</b>	<b>525,4</b>	<b>540,3</b>	<b>813,4</b>	<b>597,9</b>	<b>719,7</b>
Net impairment losses (reversals) on:	<b>(1.301,6)</b>	<b>(368,0)</b>	<b>(349,2)</b>	<b>(435,3)</b>	<b>(528,2)</b>	<b>(454,2)</b>
a) loans	(1.303,3)	(372,4)	(345,9)	(429,9)	(515,8)	(468,2)
b) financial assets	1,7	4,4	(3,3)	(5,4)	(12,4)	14,0
<b>Net operating income</b>	<b>(878,9)</b>	<b>157,4</b>	<b>191,1</b>	<b>378,1</b>	<b>69,7</b>	<b>265,5</b>
Net provisions for risks and charges	(27,5)	29,2	(5,3)	43,3	(18,8)	(29,8)
Gains (losses) on investments	1,6	0,2	7,5	1,5	124,9	0,2
Restructuring costs / One-off costs	-	-	-	(2,2)	(0,3)	(0,2)
Risks and charges related to the SRF, DGS and similar schemes	(31,2)	0,3	(71,1)	(54,6)	-	-
DTA Fees	(15,5)	(108,8)	-	-	-	-
Gains (losses) on disposal of investments	12,8	-	-	0,9	0,6	0,4
<b>Profit (loss) before tax from continuing operations</b>	<b>(938,7)</b>	<b>78,3</b>	<b>122,2</b>	<b>367,0</b>	<b>176,0</b>	<b>236,1</b>
Tax expense (recovery) on income from continuing operations	(203,9)	139,2	(20,7)	(102,5)	18,1	(79,1)
<b>Profit (loss) after tax from continuing operations</b>	<b>(1.142,6)</b>	<b>217,5</b>	<b>101,5</b>	<b>264,5</b>	<b>194,2</b>	<b>157,0</b>
<b>Net profit (loss) for the period including non-controlling interests</b>	<b>(1.142,6)</b>	<b>217,5</b>	<b>101,5</b>	<b>264,5</b>	<b>194,2</b>	<b>157,0</b>
Net loss (profit) attributable to non-controlling interests	(0,6)	(0,3)	(0,5)	(0,5)	(0,3)	(0,5)
<b>Profit (loss) for the period before PPA , impairment on goodwill and intangibles</b>	<b>(1.143,2)</b>	<b>217,2</b>	<b>101,0</b>	<b>264,0</b>	<b>193,9</b>	<b>156,5</b>
PPA (Purchase Price Allocation)	(7,5)	(8,3)	(7,9)	(8,2)	(8,7)	(12,8)
<b>Net profit (loss) for the period</b>	<b>(1.150,7)</b>	<b>208,9</b>	<b>93,1</b>	<b>255,8</b>	<b>185,2</b>	<b>143,7</b>

(\*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."



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Reclassified balance sheet (EUR mln)

	30/09/16	31/12/15	Chg	
			abs.	%
<b>ASSETS</b>				
Cash and cash equivalents	941,4	1.188,8	(247,4)	-20,8%
Receivables :				
a) Loans to customers	104.612,4	111.366,4	(6.754,0)	-6,1%
b) Loans to banks	7.669,4	8.242,1	(572,7)	-6,9%
Marketable assets	35.748,3	35.208,6	539,7	1,5%
Financial assets held to maturity	-	-	-	-
Equity investments	910,7	908,4	2,3	0,3%
Property, plant and equipment / Intangible assets	3.016,9	3.141,8	(124,9)	-4,0%
<i>of which:</i>				
a) goodwill	7,90	7,90	-	
Other assets	7.230,0	8.955,9	(1.725,9)	-19,3%
<b>Total assets</b>	<b>160.129,1</b>	<b>169.012,0</b>	<b>(8.882,9)</b>	<b>-5,3%</b>
<b>LIABILITIES</b>				
Payables				
a) Deposits from customers and securities issued	105.461,4	119.274,6	(13.813,2)	-11,6%
b) Deposits from banks	25.282,4	17.493,1	7.789,3	44,5%
Financial liabilities held for trading	13.802,7	15.921,7	(2.119,0)	-13,3%
Provisions for specific use				
a) Provisions for staff severance indemnities	251,3	246,2	5,1	2,1%
b) Pensions and other post retirement benefit obligations	51,2	49,4	1,8	3,6%
c) Other provisions	1.018,8	1.067,5	(48,7)	-4,6%
Other liabilities	5.489,2	5.336,6	152,6	2,9%
Group net equity	8.745,6	9.596,6	(851,0)	-8,9%
a) Valuation reserves	(24,7)	(21,8)	(2,9)	13,3%
c) Equity instruments carried at equity	-	-	-	
d) Reserves	617,2	222,1	395,1	n.s.
e) Share premium	-	6,3	(6,3)	
f) Share capital	9.001,8	9.001,8	-	
g) Treasury shares (-)	-	-	-	
h) Net profit (loss) for the year	(848,7)	388,2	(1.236,9)	n.s.
Non-controlling interests	26,5	26,3	0,2	0,8%
<b>Total Liabilities and Shareholders' Equity</b>	<b>160.129,1</b>	<b>169.012,0</b>	<b>(8.882,9)</b>	<b>-5,3%</b>



Reclassified Balance Sheet - Quarterly Trend (EUR mln)

	30/09/16	30/06/16	31/03/16	31/12/15	30/09/15 (*)	30/06/15 (*)	31/03/15 (*)
<b>ASSETS</b>							
Cash and cash equivalents	941,4	794,6	913,4	1.188,8	812,2	822,0	682,3
Receivables :							
a) Loans to customers	104.612,4	107.547,8	113.544,3	111.366,4	112.513,2	117.436,3	123.139,0
b) Loans to banks	7.669,4	7.953,1	6.856,1	8.242,1	6.432,2	8.327,2	7.855,7
Financial assets held for trading	35.748,3	36.022,6	39.999,9	35.208,6	36.296,5	32.989,5	37.633,5
Financial assets held to maturity	-	-	-	-	-	-	-
Equity investments	910,7	948,0	934,3	908,4	959,6	907,7	947,0
Property, plant and equipment / Intangible assets	3.016,9	3.059,8	3.112,4	3.141,8	3.090,1	3.122,4	3.139,0
<i>of which:</i>							
a) <i>goodwill</i>	7,9	7,9	7,9	7,9	7,9	7,9	7,9
Other assets	7.230,0	8.059,6	8.285,2	8.955,9	10.022,4	10.596,4	10.453,1
<b>Total assets</b>	<b>160.129,1</b>	<b>164.385,5</b>	<b>173.645,6</b>	<b>169.012,0</b>	<b>170.126,2</b>	<b>174.201,5</b>	<b>183.849,6</b>
<b>LIABILITIES</b>							
Payables							
a) Deposits from customers and securities issued	105.461,4	112.045,2	119.507,9	119.274,6	122.717,4	122.890,5	128.160,9
b) Deposits from banks	25.282,4	19.465,8	17.524,7	17.493,1	17.804,9	18.830,9	22.519,3
Financial liabilities held for trading	13.802,7	15.854,7	20.051,0	15.921,7	11.475,8	14.533,8	18.268,5
Provisions for specific use							
a) Provisions for staff severance indemnities	251,3	249,9	247,7	246,2	245,2	246,4	268,2
b) Pensions and other post retirement benefit obligations	51,2	52,3	51,4	49,4	50,5	50,3	52,1
c) Other provisions	1.018,8	1.012,5	1.050,0	1.067,5	1.086,9	1.106,1	1.103,7
Other liabilities	5.489,2	5.750,4	5.511,9	5.336,6	6.989,6	7.285,0	7.291,0
Group net equity	8.745,6	9.928,7	9.675,3	9.596,6	9.730,4	9.234,2	6.161,8
a) Valuation reserves	(24,7)	7,7	(36,5)	(21,8)	(84,7)	(323,6)	(13,9)
c) Equity instruments carried at equity	-	-	-	-	-	-	3,0
d) Reserves	617,2	617,2	610,5	222,1	222,3	466,1	(6.457,6)
e) Share premium	-	-	6,3	6,3	6,3	4,0	2,3
f) Share capital	9.001,8	9.001,8	9.001,8	9.001,8	9.001,8	8.758,7	12.484,2
g) Treasury shares (-)	-	-	-	-	-	-	-
h) Net profit (loss) for the year	(848,7)	302,0	93,2	388,2	584,7	329,0	143,8
Non-controlling interests	26,5	26,0	25,7	26,3	25,5	24,3	24,1
<b>Total Liabilities and Shareholders' Equity</b>	<b>160.129,1</b>	<b>164.385,5</b>	<b>173.645,6</b>	<b>169.012,0</b>	<b>170.126,2</b>	<b>174.201,5</b>	<b>183.849,6</b>

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