PRESS RELEASE

BOARD APPROVES RESULTS OF THE FIRST HALF AS AT JUNE 30, 2016

- **Net profit of EUR 302 million**
- **Pre-provision profit at EUR 1,066 million, with a net interest income impacted by the decline in interest rates and decreased volumes of interest-bearing loans, net fees and commissions up and ongoing contraction of costs**
- **Significative reduction of loan loss provisions at EUR 718 million, benefiting from the slowdown of non-performing loan inflows**
- **Gross non-performing exposures down by EUR 1.5 billion since the beginning of 2016; in the second quarter, gross non-performing exposures reduced by EUR 1.9 billion, as a result of credit management dynamics that confirm the positive trend of previous quarters, of the partial write-off of interests on arrears and of the disposal of the Consum.it NPE portfolio**
- **Net non-performing loans reduced by EUR 0.6 billion since the beginning of the year**
- **Direct funding down since the beginning of the year, but recovery of the commercial component in the second quarter (EUR +1.2 billion), chiefly current accounts**
- **Unencumbered counterbalancing capacity at EUR 20.9 billion at 30 June 2016**
- **Transitional Common Equity Tier 1 at 12.1%**

Siena, 29 July 2016 – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. reviewed and approved the results as at 30 June 2016.

Main consolidated Income Statement results:

- Net interest income at EUR 1,035 million, down 10.8% Y/Y, largely as an effect of falling interest rates and the drop in average interest-bearing loans, only partially compensated by the reimbursement of New Financial Instruments (NFIs) and by the reduced cost of funding.
- Net fees and commissions at EUR 941 million, up 1.5% Y/Y, with the downturn in wealth management fees more than offset by the growth in traditional banking fees and an improvement in other net fees.

- Other revenues[1] amounted to EUR 359 million vs EUR 528 million in the first half of 2015, which included positive effects of the restatement of the so-called "Alexandria" transaction for c. EUR +213 million.

- Operating costs equal to EUR 1,279 million, down by 2.4% Y/Y. Personnel expenses amount to about EUR 821 million, down by 1.5% Y/Y, mainly due to one-off components related to the Union agreement signed on 24 December 2015 and booked in the second quarter. Other administrative expenses, amounting to about EUR 356 million, are down by 5.1% Y/Y, thanks to continuing structural cost containment initiatives.

- Loan loss provisions at EUR 718 million, down by 27% Y/Y for the slowdown of non-performing loan inflows and default cure maintained at high levels. The increase in loan loss provisions registered in the second quarter (+7.7% Q/Q) is to be attributed to higher provisions on the non-performing portfolio. Average non-performing exposure coverage, at 48%, is impacted by the partial write-off of interests on arrears (EUR 1.4 billion) and by the disposal of the Consum.it NPE portfolio (EUR 0.3 billion); in particular, without the partial write-off of interests on arrears, average coverage of non-performing exposures would stand at 49.6%, compared to 49% at 31 March 2016.

- Non-operating items negative by EUR 148 million, including the entire 2016 annual contribution to the SRF (booked in the first quarter) and DTA fees[2] for EUR 109 million, of which EUR 73 million related to the whole of 2015 and EUR 36 million regarding the first semester of 2016 (booked in the second quarter).

- Net profit of EUR 302 million, benefiting from a tax income of EUR 134 million arising from the tax treatment of certain income components connected with the so-called Alexandria transaction[3], booked in the second quarter.

Main consolidated Balance Sheet Results:

- Loans to customers at EUR 107.5 billion, down by EUR 3.8 billion from December 2015 and by about EUR 6 billion vs. 31 March 2016. The quarterly trend is impacted by the decrease (by over EUR 4 billion) in repos with institutional counterparties, by the EUR 0.5 billion fall in net non-performing exposures and by the contraction of commercial lending, also affected by end-of-semester maturities.

- Direct funding at EUR 112 billion, down by over EUR 7 billion with respect to both December 2015 and March 2016. The dip registered during the second quarter is affected by the EUR 8.7

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[1] Net result from trading-valuation-repurchase of financial assets/liabilities, dividends, similar income and gains (losses) on investments, net profit (loss) from hedging.

[2] On June 30, 2016 Legislative Decree n°59/2016 approved by the Council of Ministers on April 29, which contains, among other things, provisions relating to deferred tax assets, was converted into law (n°119). Under the new Act, in order to retain the right to make use of the legislation on the convertibility of so-called relevant DTAs into tax credits (Art. 2, paragraphs 55 et seq. of Legislative Decree no. 225/2010) and therefore benefit from the possibility of fully including these DTAs in the determination of regulatory capital, an irrevocable option must be expressly exercised, which calls for the payment of an annual fee until 2029, equal to 1.5% of the difference between deferred tax assets and taxes paid. Following the exercise of this option, the Group booked the entire fee for 2015 and the pro-rata share of the amount estimated for 2016 at June 30, 2016.

[3] Proceeds resulting from the positive outcome of a request for advance ruling which was submitted by Banca Monte dei Paschi di Siena to Italian tax authorities, and which sought clarification about the proper tax treatment of certain income items related to the so-called Alexandria transaction.

billion decline in repos and deposits with institutional counterparties, whereas commercial funding grows by approximately EUR 1.2 billion, principally from current accounts.

- Indirect funding amounts to EUR 98 billion, down by EUR 8.5 billion compared to December 2015 and by EUR 7 billion from March 2016; the drop is entirely attributable to assets under custody, impacted, in the second quarter, by a merger which affected the portfolio of an important customer (EUR -6.4 billion) with no impact on P&L, and by the negative market effect on equity stocks recorded from the beginning of the year. Asset management remains stable compared to December 2015, while it ncreases slightly icompared to March 2016, with positive net inflows from the beginning of the year offset by the negative market effect.

- Unencumbered counterbalancing capacity of c. EUR 20.9 billion at the end of June (12.7% of total assets) vs. EUR 18.5 billion at 31 March 2016.

- Gross non-performing exposures at c. EUR 45 billion, a decrease of EUR 1.5 billion compared to December 2015 and of EUR 1.9 billion compared to 31 March 2016. The second quarter decline is impacted both by extraordinary transactions (partial write-off of interests on arrears for EUR 1.4 billion and disposal of former Consum.it non-performing loans for EUR 0.3 billion), and by positive dynamics related to non-performing exposure management. The stock of net non-performing exposures is down by about EUR 0.6 billion from year end, the effect of provisioning and positive lending trends.

- Transitional Common Equity Tier 1 at 12.1% (11.7% in March 2016), benefiting from the results for the period and from the decrease in risk-weighted assets.

Group profit and loss results for 1H16

For the first half of 2016, the Group's **Total Revenues** stand at c. **EUR 2,345 million,** a 10.8% Y/Y decrease, focused on net interest income and trading income. The latter had been positively affected in 2015 by the restatement of the so-called "Alexandria" transaction (impact of about EUR +213 million at 30 June 2015). Compared to 31 March 2016, in 2Q16 Total Revenues are slightly reduced, mainly due to the slowdown of the net interest income, partially offset by a growth in net fees and commissions.

Net interest income for the first half of 2016 is approximately **EUR 1,035 million**, down 10.8% Y/Y as a result of the negative trend of interest-bearing assets (decreased average volumes and related yields), which was partially offset by lower negative interest expenses resulting from the reduced cost of funding and from the reimbursement of New Financial Instruments (NFIs). The contribution of the second quarter of 2016 is c. EUR 487 million, down 11.2% Q/Q, mainly ascribable to decreased average volumes of interest-bearing assets and to declining yields (also impacted by the effect of market parameter adjustments).

Net fees and commissions, totalling approximately **EUR 941 million**, up 1.5% Y/Y, benefit from the improvement on a yearly basis of non-commercial components, among which savings on the cost of the State guarantee on "Monti Bonds" (about EUR 10 million). Commercial fees and commissions are essentially stable, with growing service fees and weakening placement fees, the latter influenced by sluggish financial markets. The second quarter of 2016, having registered c. EUR 484 million, is up by 5.9% Q/Q, mostly thanks to the upturn in placement activities and to the continuing growth of banking services. On the other hand, proceeds from credit facilities and foreign operations register a contraction.

Dividends, similar income and profit (loss) on investments amount to approximately **EUR 43 million** (against EUR 66.3 million booked in the first half of 2015) and are mainly attributable to the contribution of AXA-MPS (consolidated at net equity), down from the previous year (c. EUR -24 million) and to dividends from the stake in Bank of Italy (stable Y/Y).

Net profit/loss from trading/valuation/repurchase of financial assets/liabilities in the first half of 2016 is approximately **EUR 317 million**, down compared to the same period last year, which benefited from the positive effects of the restatement of the so-called "Alexandria" transaction (c. EUR +213 million at 30 June 2015). An analysis of the main components shows:

- positive **trading results** for about **EUR 120 million**, down from the first half of 2015, which had benefited from the restatement of the so-called "Alexandria" transaction, although the 2Q16 contribution is essentially stable with respect to the previous quarter.

- positive **FVO results** for about **EUR 68 million**, due to the lower worth of liabilities at fair value. Compared to the same period of the previous year, the change is equal to about EUR +87 million. In 2Q16 these liabilities were revalued, with a negative impact of about EUR 14 million;

- positive **disposal/repurchase** proceeds for about **EUR 129 million**, just below the levels of the first half of 2015. The trend is positively affected by the contribution of the second quarter 2016 for about EUR 108 million (EUR +87 million Q/Q), which particularly benefited from the capital gain (EUR 38 million) from the sale of the AFS securities portfolio, from the sale of the stake in VISA Europe (EUR 24 million), from the repurchase of financial liabilities (EUR 42 million) and from the disposal of loans (EUR 4 million, including the positive marginal effect of the bulk disposal without recourse of a portfolio of unsecured non-performing loan portfolio originated by the former subsidiary Consum.it).

The following items contribute to the formation of revenues:

- **net income from hedging** for **EUR -1.3 million** (positive for approximately EUR 16 million in the first semester of 2015).

- **other operating expenses/income** are positive by approximately **EUR 10 million** (about EUR 13 million in the first semester of 2015) with a positive contribution of around EUR 15 million in the second quarter 2016, almost entirely due to the transaction in progress with CartaSi regarding the VISA Europe operation.

In the first semester of 2016 **operating expenses** are approximately **EUR 1,279 million**, down vs. the same period of 2015 for all items. The second quarter 2016 contributes for around EUR 634 million, with a cut of 1.7% Q/Q, mainly due to savings in personnel expenses.

Administrative expenses stand at c. **EUR 1,177 million** (-2.6% Y/Y), of which about EUR 582 million related to the second quarter of 2016, down by more than 2 percentage points compared to the previous quarter. Within the aggregate:

- **personnel expenses**, at about **EUR 821 million**, are down by about EUR 12.8 million Y/Y (-1.5%), mainly due to one-off beneficial effects in the second quarter 2016 (with a decrease of more than EUR 14 million compared to the first quarter 2016, -3.4% Q/Q) related to the Union agreement signed on 24 December 2015;

- **other administrative expenses** at the end of the semester amount to c. **EUR 356 million**, down by 5.1% from the same period last year, mainly thanks to structural cutbacks in spending which affected, in particular, the real estate/security management division. The expenses in the second quarter of 2016 amount to c. EUR 179 million, essentially confirming the amount spent during the preceding quarter (+0.9% Q/Q)

Net value adjustments to tangible and intangible assets are c. **EUR 102 million**, stable compared to the same period of last year (-0.1%), with a Y/Y decrease of adjustments to tangible assets and an equal increase of adjustments to intangible assets. The 2Q16 contribution is higher than the previous quarter (+3%) mainly due to increased value adjustments related to the development of IT platforms.

Taking these factors into account, the Group's **Pre-Provision Profit** is approximately **EUR 1,066 million** (about EUR 1,318 million in the first semester 2015).

In the first semester of 2016 the Group reported **Net impairment losses on loans, financial assets and other operations** for c. **EUR 717 million**, down 27% compared to the same period of the previous year owing to the slowdown of bad loan inflows. In the second quarter of 2016 net impairment losses on loans are around EUR 368 million, up from the previous quarter (+5.3%); this trend is positively affected by the further slowdown of the inflow from performing to default and by an increase in NPE coverage (net of the write-off of interests on arrears).

At semester end, the ratio of annualized loan loss provisions over total customer loans reflects a **cost of risk of 134 bps**, compared to 179 bps at the end of 2015 (122 bps at 1Q 2016).

As a consequence, the Group's **net operating result** in the first half of 2016 is about **EUR 349 million**, up 4% compared to the first semester of 2015, which, however, also included the positive effects of the restatement of the so-called "Alexandria" transaction.

Net profit for the period is also affected by:

- **Net provisions for risks and charges** of **EUR 24 million**, affected mainly by the release of some funds allocated for risks that did not occur or occurred to a lesser extent than previously expected (particularly in the tax and legal areas). This movement resulted in an aggregate improvement both on an annual basis and compared to the first quarter of 2016.
- **Gains on investments** for c. **EUR 8 million** (about 125 million had been gained in the first half of 2015) mainly coming from capital gains on the sale of Fabrica Immobiliare SGR in the first quarter of 2016.
- **Risks and charges related to SRF, DGS and similar schemes** came to c. **EUR -71 million**, the entire annual contribution of the Group to the SRF calculated by the Consolidated Resolution Committee for the year 2016, already booked on the first quarter of the year;
- **DTA fee** equal to approximately **EUR -109 million**. The amount, determined according to the criteria of the Law Decree no. 59/2016, converted into Law no. 119 on June 30, 2016, represents the fees on DTAs (Deferred Tax Assets) convertible into tax credit due for 2015

(about EUR 73 million) and for 2016 (estimated at around EUR 72 million per year and booked on a pro-rata basis until 30 June 2016 for about EUR 36 million).

Due to the events mentioned above, in the first semester of 2016 the **Group's Profit (loss) from continuing operations before tax** amounts to approximately **EUR 201 million** (about EUR 78 million the contribution of the 2Q16, -36% Q/Q),) essentially stable compared to the first half of 2015 adjusted for the positive impact of the restatement of the so-called "Alexandria" transaction (c. EUR 202 million).

Taxes on profit (loss) for the period from continuing operations amount to approximately **EUR 119 million**, vs. a negative value of about EUR 61 million for the same period of 2015. This includes proceeds of about EUR 133.9 million resulting from the positive outcome of a request for an advance ruling submitted by Banca Monte dei Paschi di Siena to the Italian tax authorities, which sought clarification about the proper tax treatment applicable to certain (overall negative) income components related to the so-called "Alexandria" transaction, restated in the FY2015 financial statement.

Considering the net effects of PPA (c. EUR -16 million) and including net profit to non-controlling interests (EUR 0.8 million), the **Group's consolidated result** relative to the first half of 2016 amounts to **EUR 302 million** (of which EUR 209 million in the second quarter of 2016), against a profit of about EUR 329 million reported for the first half of 2015 (of which about EUR 135 million relative to the restatement of the so-called "Alexandria" transaction and about EUR 120 million relative to the capital gain on the sale to Poste Italiane of the stake held in Anima Holding SpA).

Group balance sheet aggregates for 1H16

As at 30 June 2016 **total funding** volumes for the Group amount to approximately **EUR 210 billion** (-7% vs. 31 December 2015), with a decrease focused in the second quarter of 2016 (EUR -15 billion) and characterized by a positive trend of the commercial/core component, a drop in funding from institutional counterparties (repos down EUR -7.5 billion Q/Q) and in assets under custody, impacted by a merger which affected the portfolio of an important customer with no impact on P&L.

Direct funding, totalling approximately **EUR 112 billion** at the end of the first semester of 2016 (EUR -7 billion vs. 2015 year end) registered, in the second quarter of 2016, an over EUR 7 billion decrease in repos with market counterparts, and a slight increase in commercial funding inflows, mainly current accounts. Repos trend is simultaneously affected by different phenomena, among which the decrease of lending repos, the increase of funding from banks (approximately EUR 1.5 billion TLTRO2 vs TLTRO) and liquidity reallocation generated by the drop in customer loans.
The Group's market share in direct funding[4] is 4.53% (as at April 2016), with a decrease of 26 bps from the 2015 year-end.

Indirect funding at the end of the first semester of 2016 came to approximately **EUR 98 billion**, down by EUR 8.5 billion from 2015 year end and by EUR 7 billion from 31 March 2016. The drop is concentrated in assets under custody, predominantly impacted by a merger which affected the

[4] Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) with customers resident in Italy, and bonds net of repurchases placed with Italian customers as first borrower.

portfolio of an important customer (EUR -6.4 billion) with no impact on P&L, and by a further negative influence from the stock market, comprehensively booked since the beginning of the year.

Wealth management, c. **EUR 56 billion**, is almost stable compared to the end of 2015 and slightly improved from 31 March 2016 with positive net inflows offset by the negative market effect from the start of 2016.

As at 30 June 2016 Group **customer loans** amount to approximately **EUR 108 billion**, down by circa EUR 3.8 billion compared to 31 December 2015 and by EUR 6 billion vs 31 March 2016.
The trend recorded in 2Q16, which absorbs the bulk of the aggregate's decline, it is to be linked to the decrease in repos with market counterparties for over EUR 4 billion, whereas the contraction of the commercial share (approximately EUR -1.7 billion) is affected by semester-end maturities. As part of the commercial loan downturn, net non-performing loans continue their downward trend, decreasing by about EUR 504 million in the quarter. The Group's market share[5] stands at 6.95% (latest update April 2016), up 10 bps compared to the end of 2015.The aggregate is sustained in the semester by new medium-long term lending for over EUR 4.1 billion, increased from the same period of last year (c. +3.8%) and concerning both households and companies.

As at 30 June 2016 the Group's **net non-performing loan exposure** is approximately **EUR 23.6 billion**, down by EUR 0.6 billion since the beginning of the year (EUR -0.5 billion Q/Q). Within the aggregate, in 2Q16 the incidence of net bad loans increases, while that of unlikely to pay loans and past-due and overdue exposures decreases slightly.

Group **gross non-performing loan exposure** at 30 June 2016 equals **EUR 45.3 billion**, a quarterly decrease of EUR 1.9 billion, affected by the partial write-off of interests in arrears on bad loans for c. EUR 1.4 billion and by the disposal without recourse of former subsidiary Consum.it non-performing loans for c. EUR 0.3 billion, whereas a further quarterly decrease of c. EUR 0.2 billion descends from positive non-performing loan management actions. These actions include reducing inflows from performing to default, maintaining a high level of non-performing loan cure and increasing bad loan recovery net of disposals.

As at 30 June 2016 **coverage of non-performing exposures** is 48.0%, down by 104 bps compared to the first quarter of 2016. This trend was totally influenced by the above-mentioned partial write-off of interests in arrears (totally covered by provisions), which also affect the bad loan coverage, without which total coverage would be up by about 60 bps. With regard to the reduced coverage of past-due exposures, the trend is affected by the exit of highly provisioned tickets.

At end of June 2016, the Group's **financial assets** amount to approximately **EUR 36 billion**, a EUR 4 billion quarterly downturn, entirely attributable to financial assets held for trading by MPS Capital Services. Within this aggregate, the combined decrease of securities and repos simultaneously also influenced financial liabilities held for trading, which decreased in the second quarter of 2016 by more than EUR 4 billion (repos).

The Group's **net interbank position** at 2016 half-year end stands at approximately **EUR 11.5 billion** in funding, with an increase of c. EUR 1 billion vs. 31 March 2016, ascribed to the full repayment of TLTRO (c. EUR -8.5 billion) and the concurrent use of TLTRO2 for around EUR 10 billion.

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[5] Loans to resident customers, including bad loans and net of repurchase agreements with central counterparties.

The liquidity position as at 30 June 2016 shows an **unencumbered counterbalancing capacity** of about **EUR 20.9 billion**, up by about EUR 2.5 billion compared to the end of March 2016.

The **Group's shareholders' equity and non-controlling interests** as at 30 June 2016 amount to approximately **EUR 10 billion**, an improvement of about EUR 332 million from 2015 year end and of EUR 254 million from 31 March 2016. Quarterly trend is due to the net profit generated during the quarter and to the revaluation of reserves.

Compared to 31 March 2016, CET1 increases (c. EUR +154 million) as a consequence of the net income increase in the second quarter (c. EUR +209 million Q/Q) partially offset by Basel 3 deductions (mainly from tax losses) and by prudential filters.
Tier1 increases by about EUR 154 million.
Tier2 decreases (about EUR 89 million), largely impacted by the regulatory amortization of subordinated bonds provided for by Basel 3.
Total Capital increases overall by EUR 70 million.
Risk-weighted assets are down (c. EUR 1,129 million), mainly as an effect of reduced credit risk (driven by a shrinkage of the Airb portfolio, partially offset by an increase in the standard portfolio), of operative risk and of market risk.

In light of the above, capital ratios on a transitional basis at 30 June 2016 are therefore increased compared to 31 March 2016, remaining above the minimum threshold required by the Supervisory Authority under SREP.

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

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Pursuant to paragraph 2, article 154-bis of the Consolidated Finance Act, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this press release corresponds to the document results, books and accounting records.

Reclassified accounts

Income statement and balance sheet reclassification principles

With respect to the approach used in the 2015 Financial Report and confirmed in the Interim Financial Report as at 31 March 2016, the reclassified income statement was modified, with the introduction of the new item “Impairment on goodwill”. This item shows the fee on DTAs (Deferred Tax Assets) which are convertible into tax credits, as per art. 11 of Law Decree no. 59 of 3 May 2016 converted into Law no. 119 of 30 June 2016. The offsetting entry is Income Statement item 180b, “Other administrative expenses”.

Furthermore, with a view to ensure an adequate disclosure regarding the criteria of representation of the economic and financial impact related to the Alexandria transaction, in the reclassified income statement and balance sheet the comparative figures for 2015 have been restated (and therefore differ from those published in the interim report as of June 30, 2015). More details will be available in section "Adjustment of prior year amounts and changes in estimates in accordance with IAS 8 (Accounting Policies, Changes in accounting Estimates and Errors)" in the Notes to the consolidated financial statements 2015.

Reclassified Income Statement

a) 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) on financial assets and liabilities designated at fair value". This item incorporates dividends earned on securities other than investments (approximately EUR 2.5 million)

b) Item of the reclassified income statement “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” (approximately EUR 34 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 (other than investments) held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate.

c) Income statement item “Other operating income (expense)” incorporates balance sheet item 220 “Other operating expenses/income”, excluding stamp duty and customer expense recoveries, restated under “Other administrative expenses”.

d) Item "Other administrative expenses" includes balance sheet item 180b "Other administrative expenses" minus the following cost components:

    i. charges, about EUR 71 million, arising from BRRD for the resolution of banking crises, reclassified under "Risks and charges related to SRF, DGS and similar schemes ".

    ii. fees on DTAs which are convertible into tax credits, for approximately EUR 109 million (booked in “Impairment on goodwill” item)

   The item incorporates stamp duty and client expense recoveries (EUR 194 million) accounted in the balance sheet under item 220 "Other operating expenses / income".

e) Item "Net impairment losses on financial assets and other operations" includes the balance sheet items 130b "Financial assets available for sale" and 130d "Other financial transactions"

f) Item "Risks and charges related to the SRF, DGS and similar schemes" includes the charges arising from EU directives DGSD for deposit guarantee and BRRD for the resolution of banking crises, accounted in the balance sheet item 180b “Other administrative expenses”.

g) Item “DTA fees” contains costs relating to the fees on DTAs which are convertible into tax credits, provided for by art. 11 of Law Decree no. 59 of 3 may 2016 converted into law no. 119 of 30 June 2016, booked in item 180b “Other Administrative Expenses”.

h) Item "Profit (loss) from equity investments" incorporates the balance sheet item 240 “Gains (losses) on investments” reduced by the contribution to the income statement corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity and accounted in the reclassified item "Dividends and similar income and gains (losses) on investments."

i) The negative effects of Purchase Price Allocation (PPA) were reclassified to the specific item after separating them from the financial items concerned (in particular "net interest income" of approximately EUR 10.4 million and depreciation/amortization of approximately EUR 13.8 million, net of a theoretical tax burden of approximately EUR -8 million which is included in the related item).

<u>Reclassified Balance Sheet</u>

j) Item “Tradable Financial assets” includes item 20 "Financial assets held for trading" and item 40 "Financial assets available for sale".

k) Item "Other assets” incorporates item 80 "Hedging derivatives", item 90 "Change in value of macro-hedged financial assets", item 140 "Tax assets", item 150 "Non-current assets and groups of assets held for sale and discontinued operations" and item 160 "Other assets";

l) Item "Due to customers and debt securities issued” on the liabilities side includes item 20 "Deposits from customers", item 30 "Debt securities issued" and item 50 "Financial liabilities designated at fair value";

m) Item “Other liabilities” on the liabilities side incorporates item 60 “Hedging derivatives”, item 70 “Change in value of macro-hedged financial liabilities", item 80 “Tax liabilities”, item 90 “Liabilities associated with non-current assets held for sale and discontinued operations” and item 100 “Other liabilities”.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/06/2016

INCOME STATEMENT AND BALANCE SHEET FIGURES

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	30/06/16		30/06/15 (*)	Chg.
Net interest income	1,035.2	-	1,160.7	-10.8%
Net fee and commission income	940.7	-	927.1	1.5%
Other operating income	368.6	-	540.4	-31.8%
Total Revenues	2,344.5	-	2,628.3	-10.8%
Net impairment losses (reversals) on loans and financial assets	(717.2)	-	(982.4)	-27.0%
Net operating income	348.5	-	335.2	4.0%
Net profit (loss) for the period	302.0	-	328.9	-8.2%
EARNING PER SHARE (EUR)	**30/06/16**		**30/06/15 (*)**	**Chg.**
Basic earnings per share	0.103		0.627	-0.524
Diluted earnings per share	0.103		0.591	-0.488
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**30/06/16**		**31/12/15**	**Chg.**
Total assets	164,385.5		169,012.0	-2.7%
Loans to customers	107,547.8		111,366.4	-3.4%
Direct funding	112,045.2		119,274.6	-6.1%
Indirect funding	97,708.6		106,171.8	-8.0%
of which: assets under management	55,517.3		55,515.7	0.0%
of which: assets under custody	42,191.4		50,656.1	-16.7%
Group net equity	9,928.7		9,596.5	3.5%
OPERATING STRUCTURE	**42,551.0**		**42,369.0**	**Chg.**
Total head count - end of period	25,697		25,731	-34
Number of branches in Italy	2,048		2,133	-85

(*) Figures as at 30 June 2015 have been restated as a consequence of the variations described in the "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" paragraph of the 2015 Annual Report

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/06/2016

KEY INDICATORS

MPS GROUP

PROFITABILITY RATIOS (%)	30/06/16	31/12/15	Chg.
Cost/Income ratio	54.5	50.4	4.1
R.O.E.	6.2	5.1	1.1
Return on Assets (RoA) ratio	0.37	0.23	0.14
KEY CREDIT QUALITY RATIOS (%)	**30/06/16**	**31/12/15**	**Chg.**
Net non performing loans / Loans to Customers	21.9	21.7	0.2
Cumulated adjustments on non performing loans / Gross non performing loa	48.0	48.5	-0.45
Net doubtful loans / Loans to Customers	9.8	8.7	1.1
Cumulated adjustments on doubtful loans / Gross doubtful loans to custome	61.2	63.4	-2.23
Net adjustments to loans / End loans (Provisioning)	1.3	1.8	-0.5

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 30/06/2016

KEY INDICATORS

MPS GROUP

CAPITAL RATIOS (%)	30/06/16	31/12/15	Chg.
Common Equity Tier 1 (CET1) ratio	12.1	12.0	0.1
Total Capital ratio	15.6	16.0	-0.4
FINANCIAL LEVERAGE INDEX (5)	**30/06/16**	**31/12/15**	**Chg.**
Leverage ratio - Transitional Phase	5.3	5.2	0.1
LIQUIDITY RATIO (%)	**30/06/16**	**31/12/15**	**Chg.**
LCR	170.8	222.0	-51.2
NSFR	98.3	100.8	-2.6

Reclassified Income Statement (Euro mln)				
Montepaschi Group	30/06/16	30/06/15 (*)	Change Abs.	%
Net interest income	1,035.2	1,160.7	(125.5)	-10.8%
Net fee and commission income	940.7	927.1	13.6	1.5%
Income from banking activities	**1,975.9**	**2,087.9**	**(112.0)**	**-5.4%**
Dividends, similar income and gains (losses) on equity investments	43.2	66.3	(23.2)	-34.9%
Net profit (loss) from trading	317.0	445.2	(128.2)	-28.8%
Net profit (loss) from hedging	(1.3)	16.1	(17.4)	-108.1%
Other operating income (expenses)	9.7	12.7	(3.0)	-23.7%
Total Revenues	**2,344.5**	**2,628.3**	**(283.8)**	**-10.8%**
Administrative expenses:	(1,176.8)	(1,208.6)	31.8	-2.6%
a) personnel expenses	(821.0)	(833.8)	12.8	-1.5%
b) other administrative expenses	(355.8)	(374.8)	19.0	-5.1%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(102.0)	(102.1)	0.1	-0.1%
Operating expenses	**(1,278.8)**	**(1,310.7)**	**32.0**	**-2.4%**
Pre-Provision Profit	**1,065.7**	**1,317.5**	**(251.8)**	**-19.1%**
Net impairment losses (reversals) on:	**(717.2)**	**(982.4)**	**265.2**	**-27.0%**
a) loans	(718.3)	(984.0)	265.7	-27.0%
b) financial assets	1.1	1.7	(0.6)	-33.8%
Net operating income	**348.5**	**335.2**	**13.3**	**4.0%**
Net provisions for risks and charges	23.9	(48.6)	72.5	-149.2%
Gains (losses) on investments	7.7	125.1	(117.4)	-93.8%
Restructuring costs / One-off costs	-	(0.6)	0.6	n.s.
Risks and charges related to the SRF, DGS and similar schemes	(70.8)	-	(70.8)	n.s.
DTA Fees	(108.8)	-	(108.8)	n.s.
Gains (losses) on disposal of investments	-	1.0	(1.0)	-100.0%
Profit (loss) before tax from continuing operations	**200.5**	**412.2**	**(211.7)**	**-51.4%**
Tax expense (recovery) on income from continuing operations	118.5	(61.0)	179.5	n.s.
Profit (loss) after tax from continuing operations	**319.0**	**351.2**	**(32.1)**	**-9.2%**
Net profit (loss) for the period including non-controlling interests	**319.0**	**351.2**	**(32.1)**	**-9.2%**
Net loss (profit) attributable to non-controlling interests	(0.8)	(0.8)	(0.0)	2.3%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**318.2**	**350.4**	**(32.2)**	**-9.2%**
PPA (Purchase Price Allocation)	(16.2)	(21.4)	5.2	-24.4%
Net profit (loss) for the period	**302.0**	**328.9**	**(26.9)**	**-8.2%**

(*) Figures as at 30 June 2015 have been restated as a consequence of the variations described in the "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" paragraph of the 2015 Annual Report

Quarterly trend in reclassified incomen statement (Euro mln)						
	2016		**2015**			
Montepaschi Group	**2Q**	**1Q**	**4Q**	**3Q**	**2Q**	**1Q**
				(*)	**(*)**	**(*)**
Net interest income	486.9	548.3	541.1	556.8	554.0	606.7
Net fee and commission income	483.8	456.9	451.6	431.2	484.2	443.0
Income from banking activities	**970.7**	**1,005.2**	**992.6**	**988.0**	**1,038.2**	**1,049.7**
Dividends, similar income and gains (losses) on equity investments	23.8	19.3	4.8	28.7	42.0	24.3
Net profit (loss) from trading	151.3	165.7	133.6	459.0	163.5	281.7
Net profit (loss) from hedging	(1.4)	0.1	4.3	(6.3)	0.2	15.9
Other operating income (expenses)	14.6	(4.9)	(17.8)	0.4	11.3	1.4
Total Revenues	**1,159.0**	**1,185.5**	**1,117.6**	**1,469.7**	**1,255.2**	**1,373.0**
Administrative expenses:	(582.0)	(594.7)	(602.2)	(601.8)	(603.7)	(604.9)
a) personnel expenses	(403.4)	(417.6)	(396.2)	(422.7)	(414.4)	(419.4)
b) other administrative expenses	(178.7)	(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	(51.8)	(50.2)	(59.4)	(54.4)	(53.7)	(48.4)
Operating expenses	**(633.8)**	**(645.0)**	**(661.6)**	**(656.3)**	**(657.4)**	**(653.3)**
Pre-Provision Profit	**525.2**	**540.5**	**456.0**	**813.4**	**597.8**	**719.7**
Net impairment losses (reversals) on:	**(368.0)**	**(349.2)**	**(575.4)**	**(435.3)**	**(528.1)**	**(454.2)**
a) loans	(372.4)	(345.9)	(577.2)	(429.8)	(515.8)	(468.2)
b) financial assets	4.4	(3.3)	1.8	(5.5)	(12.3)	14.0
Net operating income	**157.2**	**191.3**	**(119.4)**	**378.1**	**69.7**	**265.5**
Net provisions for risks and charges	29.2	(5.3)	(58.7)	43.2	(18.8)	(29.8)
Gains (losses) on investments	0.2	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	0.3	(71.1)	(140.9)	(54.6)	-	-
DTA Fees	(108.8)	-	-	-	-	-
Gains (losses) on disposal of investments	0.0	(0.0)	1.0	0.9	0.6	0.4
Profit (loss) before tax from continuing operations	**78.2**	**122.3**	**(339.8)**	**366.9**	**176.1**	**236.1**
Tax expense (recovery) on income from continuing operations	139.2	(20.7)	152.0	(102.5)	18.1	(79.1)
Profit (loss) after tax from continuing operations	**217.5**	**101.6**	**(187.7)**	**264.4**	**194.2**	**157.0**
Net profit (loss) for the period including non-controlling interests	**217.5**	**101.6**	**(187.7)**	**264.4**	**194.2**	**157.0**
Net loss (profit) attributable to non-controlling interests	(0.3)	(0.5)	(0.5)	(0.5)	(0.3)	(0.5)
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**217.1**	**101.1**	**(188.2)**	**263.9**	**193.9**	**156.5**
PPA (Purchase Price Allocation)	(8.3)	(7.9)	(8.4)	(8.2)	(8.7)	(12.8)
Net profit (loss) for the period	**208.8**	**93.2**	**(196.6)**	**255.7**	**185.2**	**143.7**

(*) Figures for the first three quarters of 2015 have been restated as a consequence of the variations described in the "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" paragraph of the 2015 Annual Report

Reclassified balance sheet (EUR mln)				
ASSETS	**30/06/16**	**31/12/15**	**Chg abs.**	**Chg %**
Cash and cash equivalents	794.6	1,188.8	(394.2)	-33.2%
Receivables :				
a) Loans to customers	107,547.8	111,366.4	(3,818.6)	-3.4%
b) Loans to banks	7,953.1	8,242.1	(289.0)	-3.5%
Marketable assets	36,022.6	35,208.6	814.0	2.3%
Financial assets held to maturity	-	-	-	
Equity investments	948.0	908.4	39.6	4.4%
Property, plant and equipment / Intangible assets	3,059.8	3,141.8	(82.0)	-2.6%
of which:				
a) goodwill	*7.9*	*7.9*	-	
Other assets	8,059.6	8,955.9	(896.3)	-10.0%
Total assets	**164,385.5**	**169,012.0**	**(4,626.5)**	**-2.7%**

LIABILITIES	**30/06/16**	**31/12/15**	**Chg abs.**	**Chg %**
Payables				
a) Deposits from customers and securities issued	112,045.2	119,274.6	(7,229.4)	-6.1%
b) Deposits from banks	19,465.8	17,493.1	1,972.7	11.3%
Financial liabilities held for trading	15,854.7	15,921.7	(67.0)	-0.4%
Provisions for specific use				
a) Provisions for staff severance indemnities	249.9	246.2	3.7	1.5%
b) Pensions and other post retirement benefit ol	52.3	49.4	2.9	5.9%
c) Other provisions	1,012.5	1,067.5	(55.0)	-5.2%
Other liabilities	5,750.4	5,336.7	413.7	7.8%
Group net equity	9,928.7	9,596.5	332.2	3.5%
a) Valuation reserves	7.7	(21.8)	29.5	n.s.
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	302.0	388.1	(86.1)	-22.2%
Non-controlling interests	26.0	26.3	(0.3)	-1.1%
Total Liabilities and Shareholders' Equity	**164,385.5**	**169,012.0**	**(4,626.5)**	**-2.7%**

Reclassified Balance Sheet - Quarterly Trend (EUR mln)						
ASSETS	30/06/16	31/03/16	31/12/15	30/09/15 (*)	30/06/15 (*)	31/03/15 (*)
Cash and cash equivalents	794.6	913.4	1,188.8	812.2	822.0	682.3
Receivables :						
a) Loans to customers	107,547.8	113,544.3	111,366.4	112,513.2	117,436.3	123,139.0
b) Loans to banks	7,953.1	6,856.1	8,242.1	6,432.2	8,327.2	7,855.7
Marketable assets	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	948.0	934.3	908.4	959.6	907.7	947.0
Property, plant and equipment / Intangible assets	3,059.8	3,112.4	3,141.8	3,090.1	3,122.4	3,139.0
of which:						
a) goodwill	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*	*7.9*
Other assets	8,059.6	8,285.2	8,955.9	10,022.4	10,596.3	10,453.0
Total assets	**164,385.5**	**173,645.6**	**169,012.0**	**170,126.2**	**174,201.4**	**183,849.5**

LIABILITIES	30/06/16	31/03/16	31/12/15	30/09/15 (*)	30/06/15 (*)	31/03/15 (*)
Payables						
a) Deposits from customers and securities issued	112,045.2	119,507.9	119,274.6	122,717.4	122,890.5	128,160.9
b) Deposits from banks	19,465.8	17,524.7	17,493.1	17,804.9	18,830.9	22,519.3
Financial liabilities held for trading	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	249.9	247.7	246.2	245.2	246.4	268.2
b) Pensions and other post retirement benefit oblig:	52.3	51.4	49.4	50.5	50.3	52.1
c) Other provisions	1,012.5	1,050.0	1,067.5	1,086.9	1,106.1	1,103.7
Other liabilities	5,750.4	5,511.9	5,336.7	6,989.7	7,285.1	7,291.0
Group net equity	9,928.7	9,675.3	9,596.5	9,730.4	9,234.1	6,161.7
a) Valuation reserves	7.7	(36.5)	(21.8)	(84.7)	(323.6)	(13.9)
c) Equity instruments carried at equity	-	-	-	-	-	3.0
d) Reserves	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	8,758.7	12,484.2
g) Treasury shares (-)	-	-	-	-	-	-
h) Net profit (loss) for the year	302.0	93.2	388.1	584.7	328.9	143.7
Non-controlling interests	26.0	25.7	26.3	25.5	24.3	24.1
Total Liabilities and Shareholders' Equity	**164,385.5**	**173,645.6**	**169,012.0**	**170,126.2**	**174,201.4**	**183,849.5**

(*) Figures for the first three quarters of 2015 have been restated as a consequence of the variations described in the "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" paragraph of the 2015 Annual Report

Pro-forma statements for the accounting treatment of “Alexandria” deal as long term repo, in continuity with previous reports

Pro-forma consolidated balance sheet

	Assets	30 06 2016	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 Pro-forma
10	Cash and cash equivalents	794.6	1,188.8	-	1,188.8
20	Financial assets held for trading	18,596.2	18,017.4	-	18,017.4
40	Financial assets available for sale	17,426.4	17,191.2	-	17,191.2
60	Loans to banks	7,953.1	8,242.1	-	8,242.1
70	Loans to customers	107,547.8	111,366.4	-	111,366.4
80	Hedging deviratives	576.6	556.4	-	556.4
90	Change in value of macro-hedged financial assets (+/-)	204.3	139.6	-	139.6
100	Equity investments	948.0	908.4	-	908.4
120	Property, plant and equipment	2,686.9	2,741.7	-	2,741.7
130	Intangible assets	372.9	400.1	-	400.1
	of wich: goodwill	*7.9*	*7.9*	-	*7.9*
140	Tax assets	4,801.8	5,542.5	76.2	5,618.7
150	Non-current assets and groups of assets held for sale and discontinued operations	30.4	29.3	-	29.3
160	Other assets	2,446.5	2,688.1	-	2,688.1
	Total Assets	164,385.5	169,012.0	76.2	169,088.2

	Liabilities and Shareholders' Equity	30 06 2016	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 Pro-forma
10	Deposits from banks	19,465.8	17,493.1	-	17,493.1
20	Deposits from customers	83,118.6	87,806.3	-	87,806.3
30	Debt securities issued	27,273.2	29,394.4	-	29,394.4
40	Financial liabilities held for trading	15,854.7	15,921.7	-	15,921.7
50	Financial liabilities designated at fair value	1,653.4	2,073.9	-	2,073.9
60	Hedging derivatives	1,136.0	1,205.3	-	1,205.3
80	Tax liabilities	95.6	91.5	(43.1)	48.4
100	Other liabilities	4,518.8	4,039.9	-	4,039.9
110	Provision for employee severance pay	249.9	246.2	-	246.2
120	Provisions for risks and charges	1,064.8	1,116.9	-	1,116.9
140	Valuation reserves	7.7	(21.8)	-	(21.8)
170	Reserves	617.2	222.1	619.2	841.3
180	Share premium	-	6.3	-	6.3
190	Share Capital	9,001.8	9,001.8	-	9,001.8
210	Non-controlling interests (+/-)	26.0	26.3	-	26.3
220	Profit (loss) (+/-)	302.0	388.1	(499.9)	(111.8)
	Total liabilities and Shareholders' Equity	164,385.5	169,012.0	76.2	169,088.2

Pro-forma consolidated income statement

	Items	30 06 2016	30 06 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	30 06 2015 Pro-forma
10	Interest income and similar revenues	1,748.4	2,117.6	73.3	2,190.9
20	Interest expense and similar charges	(723.6)	(975.1)	(62.3)	(1,037.4)
30	Net interest income	1,024.8	1,142.5	11.0	1,153.5
40	Fee and commission income	1,091.3	1,104.1	-	1,104.1
50	Fee and commission expense	(150.6)	(176.9)	-	(176.9)
60	Net fee and commission income	940.7	927.2	-	927.2
70	Dividends and similar income	11.9	14.2	-	14.2
80	Net profit (loss) from trading	117.5	325.3	(214.4)	110.9
90	Net profit (loss) from hedging	(1.3)	16.1	1.9	18.0
100	Gains/losses on disposal/repurchase	128.6	132.7	-	132.7
110	Net profit (loss) from financial assets and liabilities designated at fair value	68.4	(18.1)	-	(18.1)
120	Net interest and other banking income	2,290.6	2,539.9	(201.5)	2,338.4
130	Net impairment losses (reversals)	(717.2)	(982.4)	-	(982.4)
140	Net income from banking activities	1,573.4	1,557.5	(201.5)	1,356.0
180	Adiministrative expenses	(1,550.6)	(1,389.5)	-	(1,389.5)
190	Net provisions for risks and charges	23.9	(48.6)	-	(48.6)
200	Net adjustments to (recoveries on) property, plant and equipment	(53.0)	(60.8)	-	(60.8)
210	Net adjustments to (recoveries on) intangible assets	(62.8)	(55.1)	-	(55.1)
220	Other operating expenses/income	203.9	193.0	-	193.0
230	Operating expenses	(1,438.6)	(1,361.0)	-	(1,361.0)
240	Gains (losses) on investments	41.5	182.7	-	182.7
270	Gains (losses) on disposal of investments	-	1.0	-	1.0
280	Profit (loss) before tax from continuing operations	176.3	380.2	(201.5)	178.7
290	Tax expense (recovery) on income from continuing operations	126.5	(50.4)	66.2	15.8
300	Profit (loss) after tax from continuing operations	302.8	329.8	(135.3)	194.5
320	Profit (loss)	302.8	329.8	(135.3)	194.5
330	Profit (loss) for the period attributable to non - controlling interests	0.8	0.8	-	0.8
340	Parent company's net profit (loss)	302.0	329.0	(135.3)	193.7

Pro-forma consolidated statement of comprehensive income

	Items	30 06 2016	30 06 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	30 06 2015 Pro-forma
10	Profi (loss)	302.8	329.8	(135.3)	194.5
	Other comprehensive income after tax not recycled to profit and loss	(4.2)	15.6	-	15.6
40	Actuarial gains (losses) on defined benefit plans	(4.0)	15.6	-	15.6
60	Share of valuation reserves of equity-accounted investments	(0.2)	-	-	-
	Other comprehensive income after tax recycled to profit and loss	33.7	(31.4)	78.3	46.9
80	Exchange differences	(2.3)	5.2	-	5.2
90	Cash flow hedges	26.6	14.7	-	14.7
100	Financial assetes available for sale	(31.4)	(76.7)	78.3	1.6
110	Non-current assets held for sale	(19.6)	0.3	-	0.3
120	Share of valuation reserves of equity-accounted investments	60.4	25.1	-	25.1
130	Total other comprehensive icome after tax	29.5	(15.8)	78.3	62.5
140	Total comprehensive income (Item 10+130)	332.3	314.0	(57.0)	257.0
150	Consolidated comprehensive income attributable to non-controlling interests	0.8	0.8	-	0.8
160	Consolidated comprehensive income attributable to Parent Company	331.5	313.2	(57.0)	256.2