MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

PRESS RELEASE

MONTEPASCHI GROUP

BoD approves 1H2012 results:

Net income: -EUR 1,617 bln
due to impairment of goodwill and write down on other financial assets

Core Tier 1 up significantly (+30bps QoQ and +50bps ytd) to 10.8% (8.85% net of T-Bonds) prior to new instruments introduction

Leverage down due to the downsizing of securities and derivatives portfolio

2012-2015 Business Plan and 100-day Plan approved and underway

Over 46,000 net new customers acquired in the six-month period

Customer base and balance-sheet data[1]**:**

- *Over 46,000 new customers were acquired in the six-month period, with a customer acquisition rate now at 5.4% (+0.2 p.p. on 2011 year-end). The 95.8% customer retention rate is in line with 2011 levels.*
- *Direct funding totalled EUR 132.4 bln, down 1.7% on 31/03/12, due to the downturn in consumer and corporate funding (approx. EUR 3 bln), partly offset by repos and other transactions with institutional counterparties (approx. +EUR 1 bln).*
- *Lending (EUR 144.5 bln) substantially unchanged compared to previous quarter, with mortgage loans picking up. Total loans to customers down 6.2% on previous year. Aggregate affected by sluggish economic cycle.*
- *Net impaired loans on the rise as compared to previous quarter. Coverage of impaired loans at 39.2% (-50 bps in 2Q12 vs. 1Q12). NPL coverage substantially unchanged YoY at 55.2%*
- *Gross NPL inflows (ca. EUR 711 mln) up on 1Q2012 (+12%).*
- *Gross watchlist loan inflows (ca. EUR 671 mln) down on 1Q2012 (-7%).*
- *Group securities and derivatives portfolio totalled EUR 36.3 bln, down by ca. EUR 1.7 bln or -4.5% as compared to 31/03/2012. Leverage[2] down 7% on end-2011*
- *Tier 1 of 11.7% (+67 bps on 31/12/11 and +43 bps on 31/03/12) thanks to RWA optimisation initiatives. Core Tier 1 at 10.8%[3].*

Montepaschi Group consolidated P&L results:

[1] Biverbanca was classified among Assets held for sale and discontinued operations as at 30 June 2012. For this reason, the Group's main Profit & Loss and Balance Sheet items have been restated excluding Biverbanca's input to the consolidated accounts, in order to obtain a like-for-like comparison with prior periods.
[2] Leverage: Total Assets/Tangible Equity
[3] Data inclusive of EUR 1.9 bln in Tremonti Bonds

- *Net Interest Income totalled approx. EUR 1,654 mln, substantially in line with previous year levels (-0.3%). 2Q12 contributed EUR 779.6 mln, 10.8% less than Q1, primarily as a combined effect from the drop in market interest rates, strong increase in credit spreads and the substantially unchanged level of volumes traded with customers.*
- *Net fee and commission income: EUR 837 mln, down 8.2% YoY, with fees from AUM up 5.1% YoY, while the aggregate was weighted down by commissions on 'Monti bonds' with respect to previous year. 2Q12 contributed approx. EUR 413 mln, slightly less than previous quarter (-2.8%).*
- *Net income from trading/valuation of financial assets continued to hold steady at approx. EUR 272 mln as at 30/06/2012 (vs. EUR 221 mln in the first half of 2011; +22.8%).*
- *Cost-Income stood at 59.5%, a significant improvement as compared to the 63.8% ratio registered at the end of 2011.*
- *Dividends, similar income and gains/losses on equity investments totalling EUR 39.1 mln (vs. EUR 46.1 mln as at 30/06/2011), with 2Q2012 contributing EUR 28.5 mln, were primarily attributable to gains from investments consolidated at equity with the largest share coming from insurance (AXA-MPS: approx. EUR 35 mln).*
- *Income from banking and insurance amounted to approx. EUR 2,807 mln, a slight decrease on same period last year.*
- *Operating expenses up slightly YoY (+0.7%; ca.+11 mln), with administrative expenses down 4.2%, confirming a Group strategy aimed at further improving operational efficiency.*
- *Cost of credit (annualised) at 116 bps, down from 118 bps in 1Q2012.*

Siena, 28 August 2012 – The Board of Directors of Banca Monte dei Paschi di Siena Spa has today reviewed and approved the 2012 first half results.

The second quarter of 2012 witnessed **a significant deterioration in the macro-economic and financial climate.** Sovereign debt market tensions, which had subsided in the first part of the year, have flared up again since April, triggering a clear reversal of trends in the credit spread of Italian government bonds over German bunds, on average back to well above the 400 bps level. At the same time, stock markets suffered considerable losses (FTSEMIB -10.6%) and greater volatility, while the rate curve continued to fall, especially in its shorter-term segment (average one-month Euribor -24 bps q/q). No clear signs have emerged of interbank and institutional markets opening up, so the ECB has continued to guarantee the necessary liquidity for the banking system and ensure compliance of money market transactions. Data from the real economy confirms **recession for Italy** with average GDP for the year estimated to fall by slightly less than two percentage points according to consensus forecasts.

Against this complex backdrop, volumes traded with customers by the Montepaschi Group registered **a reduction in total funding,** affected negatively not only by the drop in savings by households and shrinking liquidity of businesses but also by the depreciation of financial assets which primarily impacted indirect funding (assets under management and assets under custody). In the same period, **lending volumes followed a substantially stable trend,** reflecting a lower demand for credit, with impaired loans on the rise in a recessive macro-economic climate. With regard to financial assets, the Group's trading book was moderately downsized, partly as a result of disposals and maturities in the AFS and L&R portfolio, with ECB funding remaining stable at March levels.

These developments in balance sheet and context were reflected in the Group's current profit and loss results, with **revenues trending down on the previous quarter primarily on the back of net interest income,** which suffered the 'incompressible' cost of funding. In parallel, **the cost of credit**, though down slightly, remained at high levels and the need was felt to post impairment losses on financial assets held in the Group's investment portfolios. Such a large-scale crisis has further reduced the prospects for development of some of the Group's business segments while notably increasing the rate of return required on capital invested, with negative repercussions on the impairment testing of goodwill allocated to the various Cash Generating Units (CGUs).

As a countermeasure, the Group has accelerated the setup schedule of actions included in the 2012-2015 Business Plan for a prompt relaunch of business growth.

Profit and loss results for 1H2012

As at 30 June 2012, **income from banking and insurance** amounted to approx. **EUR 2,807 mln,** a slight decrease on the same period of last year (-EUR 31.2 mln; -1.1%), driven by a decline in 'basic income' (-3.1% on 30/06/2011) which was partly offset by a higher contribution from net profit from trading/valuation of financial assets (+22.8%). **2Q2012 contributed approx. EUR 1,334 mln**, down 9.5% on the previous quarter. In particular:

- **Net interest income** totalled approx. **EUR 1,654 mln**, substantially in line with previous year levels, with 2Q2012 contributing approx. EUR 780 mln, 10.8% less than the previous quarter. The quarterly trendline for the aggregate is to be seen in correlation with the combined drop in market interest rates (average one-month Euribor in 2Q2012 down by 24 bps on 1Q2012 average), strong increase in credit spreads (associated with adverse developments Italy's country risk, driving the credit spread of Italian government bonds over German bunds back to well above the 400 bps level) and the substantially unchanged level of volumes traded with customers, which is particularly reflective of a limited demand for credit. This combination of factors has intensified pressure on the cost of funding, with no signs emerging of possible compression in a scenario of declining rates, while the trend of returns on assets was more closely correlated with the Euribor. Consequently, a spread reduction was observed, whose unfavourable economic impact was compounded by a moderate "volume effect".
- **Net fee and commission income** was in the region of **EUR 837 mln**, down roughly 8.2% on the previous year, primarily in consequence of institutional funding charges (particularly commissions on government-backed 'Monti bonds') as against substantial stability in proceeds from consumer and corporate funding and lending. 2Q2012, contributing approx. EUR 413 mln, saw a slight decline as compared to the previous quarter (-2.8%) mostly on the back of lower proceeds from the placement of AUM products.
- **Dividends, similar income and gains (losses) on investments** totalling **EUR 39.1 mln** (vs. EUR 46.1 mln as at 30/06/2011, with 2Q2012 contributing EUR 28.5 mln), were primarily attributable to gains on investments consolidated at equity with the largest share coming from insurance (AXA-MPS: approx. EUR 35 mln).
- **Net profit (loss) from trading/valuation of financial assets** amounted to approx. **EUR 272 mln** as at 30/06/2012 (vs. EUR 221 mln in the same period of last year), with 2Q2012 contributing EUR 111.1 mln (-30.9% on 1Q2012). Within the aggregate, **Net trading income** was negative (-EUR 15.3 mln), as it was penalised by the re-flare up of sovereign debt market tensions and consequent deterioration in stock market climate, while **Gains (losses) on disposal/repurchase of loans and financial assets/liabilities available for sale** amounted to approx. EUR +14 mln, driven primarily by the sale of capital gain-generating assets classified as AFS. Finally, **Net profit (loss) on financial assets/liabilities designated at fair value** totalled EUR 112.4 mln in 2Q2012, largely benefitting from the market price reduction in an equity instrument tendered in the July public exchange offer.
- **Net hedging income** was **positive** (+**EUR 5.1 mln** vs. –EUR 0.3 mln as at 30/06/2011; +1.9 mln contributed in 2Q2012).

Net impairment losses (reversals) on loans totalled approx. EUR 839 mln (+48.7% on 30/06/2011), with 2Q2012 contributing roughly EUR 409 mln, slightly less than the previous quarter (-5%). The value is mainly traceable to an increase in impaired loans (approx. + EUR 980 mln), including NPLs and past-due loans in particular. Within the Group's unchanged policy of conservative provisioning, the ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a provisioning rate of 116 bps, higher than the 2011 full-year rate of 89 bps but lower than the 118 bps rate registered in 1Q2012.

As at 30 June 2012, **coverage of impaired loans stood at 39.2%**, (-50 bps as compared to 31/03/2012), with coverage of watchlist loans at 21.6% (stable at the levels of 31/03/2012) while NPL coverage declined to 55.2% (-50 bps as compared to 31/03/2012) in connection with greater inflows of collateralised exposures.

Net impairment losses (reversals) on financial assets amounted to **- EUR 115.6 mln** (vs. - EUR 24.5 mln as at 30/06/2011; - EUR 110.1 mln in 2Q2012) mainly on account of write-downs on convertible financial instruments, equity securities and units in UCITS classified as AFS that became impaired.

As a consequence, **income from banking and insurance totalled approx. EUR 1,852 mln** (ca. EUR 2,249 mln as at 30/06/2011; -17.7%), with 2Q2012 contributing approx. EUR 815 mln (-21.4% on the previous quarter).

Operating expenses totalled approximately **EUR 1,669 mln**, up 0.7% on the same period of last year (+1.6% as compared to 1Q2012). A breakdown of the aggregate shows:

- **personnel expenses**, amounting to approx. **EUR 1,060 mln** (+2.1% YoY; +4.1% QoQ).

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- **other administrative expenses** (net of stamp duty and customer expense recovery), totalling approx. **EUR 519 mln**, down 4.2% on the same period of last year on the back of targeted cost management actions, additional initiatives to reduce discretional spending and lower costs for certain production-related items.
- **Net adjustments to tangible and intangible assets** were made for approx. **EUR 91 mln,** up 14.7% as compared to 30 June 2011.

On the back of these factors, **Net Operating Profit** totalled approximately EUR 183 mln, a 69.1% drop as compared to 30 June 2011 (when it amounted to EUR 591 mln).

Cost-income stood at 59.5%, a significant improvement as compared to the 63.8% ratio registered at the end of 2011.

A contribution to net profit for the period came primarily from:

- **Net provisions for risks and charges and other operating expenses (income),** totalling approx. -EUR 128 mln (vs. ca. - EUR 108 mln as at 30/06/2011). The account incorporates approx. EUR 61 mln in provisions to the fund for risks and charges, of which roughly EUR 43 mln in 2Q2012 primarily arising from legal disputes/claw-back actions and appropriations for contractual charges. Other Operating expenses (income) totalled - EUR 66.6 mln, up on the previous quarter (approx. +57 mln), mainly on the back of contingent liabilities. The half-year period saw the completion of check and follow-up actions on mismatches between operational management results and administrative-accounting data concerning HR administrative management; accounting realignment led to the recognition of contingent liabilities for an amount of EUR 39.7 mln, net of use of funds for risks and charges for an amount of EUR 51.4 mln (EUR 91.1 mln gross of this component).

- **Integration costs/one-off charges**, amounting to approx. EUR 21 mln in connection with early retirement outflows and amounts set aside for personnel actions set out in the Business Plan.

- **Operating income before tax stood at approx. EUR 33 mln** as at 30 June 2012 (vs. EUR 476.3 mln as at 30/06/2011; -EUR 151.3 mln contributed to in 2Q2012).

Profit (loss) for the year was also affected by the following items:

- **Tax expense (income) on profit** from continuing operations was negative by approximately EUR 54 mln (ca. -EUR 180 mln as at 30 June 2011). As at 30 June 2012, the aggregate was positively affected by the recognition of approx. EUR 114 mln in tax credit arising from corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses for fiscal years prior to 2012.

- **Profit (loss) after tax from discontinued operations** totalled EUR 10.7 mln and essentially included gains arising from Biverbanca.

- **Non-controlling interests in profit (loss)** for the period totalled -EUR 4.4 mln (-EUR 2.7 mln in 2Q2012).

Consolidated net profit before Purchase Price Allocation (PPA) and impairment of goodwill, intangibles and AM Holding, posts a loss of EUR 15.2 mln (vs. EUR 311 mln of profit as at 30/06/2011).

As announced on 27/06/2012, , in the wake of a material deterioration in macroeconomic conditions which worsened significantly in the last few months as did forecasts for the banking sector in the 2012–2015 period and subsequent to the approval of the Group's 2012–2015 Business Plan on 26 June 2012, goodwill recognised in the financial statements was tested for impairment during the preparation of the 1H2012 report. The test revealed the need to recognise a total impairment loss of consolidated goodwill for an amount of EUR 1,528 mln, of which approx. EUR 1,436 mln allocated to the Consumer Banking CGU of BMPS and approx. EUR 92 mln to the Consumer Banking CGU of BAV.

In view of the Business Plan projects, it was also deemed appropriate to recognise an impairment loss on the full value of **Banca Antonveneta's trademark for a net amount of EUR 15.2 mln**. In addition to these impairment losses, **the investment held in AM Holding (EUR 14.3 mln) was written down, as were software-related intangibles due to obsolescence (net EUR 17 mln)**.

Considering the net effects of PPA (around EUR 28 mln) and impairment losses discussed above (totalling EUR 1,574 mln), the **net loss for the first half of 2012 amounts to approx. EUR 1,617 mln** (vs. a profit of EUR 261.4 mln in 1H 2011)

With respect to the Montepaschi Group's Segment Reporting obligations pursuant to IFRS 8, highlights for Consumer and Corporate banking under the Sales and Distribution division include the following:

Consumer Banking

- Net Operating Income: EUR 58.6 mln, -45.6% YoY
- "Interest-bearing'' loans to customers: ca. EUR 61 bln, -5.2% YoY.

Corporate Banking

- Net Operating Income: approx. EUR 237 mln, +3.5% YoY
- "Interest-bearing'' loans to customers: EUR 66.4 bln, -6.9% YoY.

The results of the Group's main companies, which have already been included in segment reporting (Consumer Banking, Corporate Banking and the Corporate Centre) pursuant to the requirements of IFRS 8 are reported below.

Banca Antonveneta

- Net operating income: EUR 81.5 mln, +12.2% YoY
- Net profit (loss) for the period (before PPA and impairment of goodwill and intangibles): EUR 52.5 mln, up on the previous year. Considering the net effects of PPA and impairment, loss for the first half of the year amounts to –EUR 64.9 mln
- Direct Funding (consumer and corporate): +1% YoY; Loans to customers: substantially stable YoY

Consum.it

- Net Operating Income: EUR 9.5 mln, -68.4% YoY
- Net profit (loss) for the period: EUR 5 mln, -76.2% YoY

MPS Leasing & Factoring

- Net Operating Income: EUR 3.8 mln, -81.2% YoY
- Net profit (loss) for the period: - EUR 0.3 mln YoY

MPS Capital Services Banca per le Imprese:

- Net Operating Income: EUR 163.5 mln, +24.1% YoY
- Net profit (loss) for the period: ca. EUR 90 mln, +30.9% YoY

1H2012 balance-sheet aggregates

As at 30 June 2012, the Group's overall funding volumes totalled approx. EUR 261 bln, down 4.1% on the end of March 2012. In particular:

Direct funding, totalling approximately **EUR 132 bln,** was down 1.7% on 31/03/2012 with the Group's market share remaining at slightly above 7%. The slowdown in the aggregate as compared to the previous quarter was affected by the downturn in consumer and corporate funding particularly in consequence of Large Corporate and Institutional clients' deposit outflows attributable, among other things, to PA treasury centralisation. Against a macro-economic environment marked by a fall in savings, a downturn was also registered in funding from consumers (both current accounts and bonds). The trendline in consumer/corporate funding was partly offset by the growth in repos with institutional counterparties.

Indirect funding, totalling approx. **EUR 129 bln**, was down 6.4% on 31/03/2012 (-7.8% on 30/06/2011), as it was affected by the downturn in both assets under management and assets under custody. **Assets under management** closed the quarter with volumes exceeding EUR 44 bln, down 3.1% as compared to 31/03/2012 on the back of net divestments in the segment (for an amount of approx. EUR 700 mln in the quarter) and negative market effects. A further breakdown of volumes – according to a Mifid-based approach structurally aimed at selecting the most suitable investment solutions for customers (products, investment lines, Group and Third-party Asset Management Companies) – shows that life insurance policies, Funds and Sicavs are the prevailing segments. In the insurance segment for customers, technical reserves, amounting to approx. EUR 23 bln, were about EUR 1 bln lower than as at 31/03/2012, with premiums collected in the quarter exceeding EUR 0.9 bln, driven by Unit Linked products (EUR 678 mln; -EUR 257 mln as compared to the previous quarter) and traditional policies (EUR 127 mln; + EUR 23 mln QoQ). Mutual investment funds and open-end collective investment schemes (Sicavs), amounting to EUR 15.4 bln, were down by EUR 1.1 bln on 31/03/2012 with quarterly net funding at approx. -EUR 272 mln, in a market environment where mutual funds continue their non-stop outflow. Finally, wealth management totalled EUR 6.2 bln, down by EUR 0.4 bln on 31/03/2012, with net funding trending negatively (- EUR 149 mln; -EUR 0.2 bln QoQ).

Volumes of **assets under custody**, amounting to EUR 84.5 bln, were down 8.1% on 31/03/2012, primarily on account of movements in deposits from Large Corporate and other institutional customers and negative market effects.

Group **Loans to customers** amounted to EUR 144.5 bln, substantially in line with 1Q2012 levels, although down by EUR 9.5 bln on the previous year (-6.2%). This result is to be seen in correlation with both the decline in demand for loans as a result of the sluggish economic cycle, which has particularly penalised current accounts and short-term lending, and more selective credit policies adopted by the Group. The Group's market share of total loans was confirmed to be at around 7.3%. A breakdown of the aggregate reveals that mortgage loans are the prevalent form of lending (EUR 85.2 bln), with new contracts for 2Q2012 totalling approx. EUR 810 mln (ca. EUR 100 mln more than in 1Q2012).

As for **special-purpose loans** in 2Q2012, EUR 311 mln worth of new loans (-12.3% on 1Q2012) were disbursed and EUR 207 mln in leasing contracts (-26.8% on 1Q2012) were negotiated by MPS Capital Services. In the consumer lending segment, disbursements over the period totalled EUR 620 mln, in line with the previous quarter (+0.5% q/q). In the second quarter, factoring had a turnover of EUR 1.9 bln, down 18.3% on the previous quarter.

As at the end of June 2012, the Group's net exposure to **impaired loans** totalled approx. EUR 16 bln, with the ratio of impaired loans over total Customer Loans now at 11.09%
During the second quarter, volumes for this aggregate increased by EUR 979 mln. In particular, NPLs were up 373 mln and past due exposures increased by 307 mln.
With regard to the quality of **performing loans**, as at 30/06/2012 the ***average probability of default*** **stood at 2.14%,** down 2 bps on 31/03/2012, reflecting flows of performing loans transitioning to non-performing **(2.23% as at 31/12/2011**).

The reclassified Group's securities and derivatives **portfolio**, amounted to EUR 36.3 bln, down by approx. EUR 1.7 bln on 31/03/2012. In the second quarter, the aggregate was affected by both AFS and L&R disposals and the reduction in value of fair-valued securities due to growing spreads (impacting primarily the Group's portfolio of government securities classified as AFS) and worsening market conditions. The HFT component has grown by approx. EUR 700 mln, reflective of the business of MPS Capital Services.

As at 30 June 2012, the **Tier I ratio** was 11.7**%**[4] (11.1% as at the end of 2011). The increase in the half-year period is primarily justified by a reduction in RWAs reflecting the trendline in credit risk and Basel 1 floor requirement removal.

Major events in the first quarter of 2012

- New Board of Directors elected.
- General Manager Fabrizio Viola appointed Chief Executive Officer.
- Parent Company's organisational setup redesigned.
- Management team reinforced by inclusion of new executives
- Binding offer from 'Cassa di Risparmio di Asti SpA' accepted for purchase of 60.42% shareholding in 'Cassa di Risparmio di Biella e Vercelli SpA' (Biverbanca).
- In agreement with the Italian Supervisory Authority and Ministry of Economy and Finance, Banca Monte dei Paschi di Siena has identified recourse to “State aid measures” as an appropriate tool to meet the capital requirement set by the European Banking Authority (EBA). Within this framework, Law decree no. 87 was published on 27 June 2012, empowering the Ministry of Economy and Finance –on specific request from Banca MPS– to subscribe until 31 December 2012 to up to EUR 2 billion in new financial instruments [issued by MPS] qualifying as regulatory capital (Core Tier 1) in addition to new financial instruments for a further amount of EUR 1.9 bln aimed at full ‘Tremonti Bond’ replacement. Subscription of these instruments is subject to approval by the relevant authorities.

[4] Data inclusive of only EUR 1.9 bln in Tremonti Bonds

Events after the 1H2012 Reporting Period:

Listed below are the most significant events occurring after end of reporting period as at 30 June 2012:

Corporate actions

On 27 July 2012, Banca Monte dei Paschi di Siena gave notice of termination of the shareholders' agreement concerning Banca Popolare di Spoleto (BPS) to the cooperative company, Spoleto-Credito e Servizi Società Cooperativa (SCS). The shareholders' agreement was entered into by and between the shareholders of SCS and Banca Monte dei Paschi di Siena on 30 March 2010 in relation to 22,972,924 ordinary shares of BPS, accounting for 77.22% of total share capital, listed on the Italian Telematic Stock Market, of which 7,736,251 shares corresponding to 26.005% held by Banca Monte dei Paschi di Siena.

Upon formalization of the termination date, the Parent Company provided SCS with:

- the definitive proposal for the disposal of BMPS' shareholding in BPS;
- the definitive proposal for the disposal of BMPS' shareholding in SCS;

under the conditions and terms provided for by the shareholders' agreement and subject to obtaining all necessary authorisations, where applicable.

As a result of termination, SCS has the obligation to purchase or identify a purchaser for (in the case of the investment in SCS), the above-mentioned shareholdings within six months from the date of termination.

Core capital

With a view to improving and strengthening the quality of its core capital through the creation of Core Tier 1 Capital and managing its liabilities more efficiently, on 27 June 2012 Banca Monte dei Paschi di Siena announced an invitation to the holders of nine series of subordinated securities (Tier 1, Upper Tier 2 and Lower Tier 2) to submit offers to exchange their securities for new Euro-denominated fixed-rate senior notes due 2015, to be issued under BMPS Debt Issuance Programme for an amount of EUR 50,000,000,000. Upon expiry of the invitation on 5 July, EUR 1,007,495,510 worth of securities, in par value or liquidation preference, were validly offered for exchange and accepted by Banca Monte dei Paschi di Siena, corresponding to 30.74% of the overall par value/liquidation preference amount of EUR 3,277,809,765 in outstanding securities.

On 10 July 2012 (i.e. the date of settlement for outstanding securities accepted for exchange by Banca Monte dei Paschi di Siena), a nominal value total of EUR 790,497,000 in new notes had been issued by the Parent Company and delivered to holders of existing securities. Following transaction finalisation, the Group posted a gross capital gain of approx. EUR 227 mln.

Ratings

Following the downgrade of Italy's GDP forecasts for 2012 and 2013 early in August, international ratings agency Standard & Poor's has lowered Banca Monte dei Paschi di Siena's ratings. Specifically, the agency revised down its assessment of MPS' Stand Alone Credit Profile (SACP) to 'bb+' from 'bbb' and its long and short-term ratings to 'BBB-'/'A-3' from 'BBB'/'A-2'. The outlook is negative.

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

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Pursuant to para. 2, article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer, Mr. Daniele Bigi, declares that the accounting information contained in this press release corresponds to the underlying documentary evidence and accounting records.

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Reclassified accounts

MPS GROUP P&L AND BALANCE-SHEET RECLASSIFICATION PRINCIPLES

The following accounting statements illustrate balance-sheet and profit-and-loss accounts reclassified on the basis of operating criteria. For the reclassified income statement, figures for comparison were restated to take account of the allocation of Biverbanca's contribution to the Profit (loss) from groups of assets held for sale and discontinued operations as of June 2012. With regard to the Group's reclassified Balance Sheet, it is noted that, as at 30/06/2012, the assets and liabilities of Biverbanca, a company classified as held for sale, are posted to “Other assets/liabilities”. Balance sheet data for periods prior to 30/06/2012 are those published in the Interim Report as at 31/03/2012.

Following are the reclassifications made to the consolidated profit and loss as at 30 June 2012:

a) **“Net income from trading/valuation of financial assets"** in the reclassified income statement, includes the sub-items under Item 80 "Net profit (loss) from trading", Item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and Item 110 "Net profit (loss) on financial assets and liabilities designated at fair value". The item incorporates dividends earned on securities held in the Group's securities and derivatives portfolio (approx. EUR 55.2 mln).

b) **“Dividends, similar income and gains (losses) on investments”** in the reclassified income statement incorporates item 70 “Dividends and similar income” and a portion of item 240 “Gains (losses) on investments” (EUR 36.3 mln, corresponding to the share of profit and loss for the period that is 'guaranteed' by the share of profit from investments in associates (AXA and Intermonte Sim), valued at equity. Dividends earned on securities held in the securities and derivatives portfolio, as outlined under item a) above, have also been eliminated from the aggregate;

c) **“Net impairment losses (reversals) on loans”** in the reclassified income statement was determined by excluding loss provisions taken in connection with securities classified in the loan book (approx. EUR 9.3 mln) which were allocated to “Net impairment losses (reversals) on financial assets”. Furthermore, the aggregate excludes charges relating to financial plans (EUR 1.6 mln), which are more properly classified under “Net provisions for risks and charges and other operating expenses (income)”.

d) “**Net impairment losses (reversals) on financial assets**” includes the sub-items under Account 130b “Financial assets available for sale”, 130c “Financial assets held to maturity” and 130d ”Other financial transactions” as well as the loss provision taken in connection with securities classified in the loan book (approx. EUR 9.3 mln) referred to under the item above;

e) The income statement item “**Personnel expenses**” was reduced by EUR 21.1 mln due to early-retirement outflows, with the amount reclassified under “Integration costs/ One-off charges”;

f) **“Other administrative expenses”** in the reclassified income statement was deducted of the portion of recovered stamp duty and client expenses (EUR 145.5 mln) posted in the balance sheet under item 220 “Other operating expenses (income)”.

g) The item **“Net provisions for risks and charges and other operating expenses (income)”** in the reclassified income statement, which incorporates item 190 “Net provisions for risks and charges” and 220 “Other operating expenses (income)”, includes value adjustments to financial plans described under item c) and stamp duty and client expense recovery as described under item f) above.

h) “**Integration costs/one-off charges**” in the reclassified income statement includes EUR 21.1 mln in “One-off charges" associated with early retirement outflows. This value was reclassified out of Personnel expenses (see item e).

i) **“Gains (losses) on investments”** was cleared of components reclassified as “Dividends and similar income" (see item b);

j) The effects of *Purchase Price Allocation* (PPA) were reclassified out of other items (in particular “**Interest income**” for approx. EUR 23.5 mln and **depreciation/amortisation** for approx. EUR 17.5 mln, net of a theoretical tax burden of approx. - EUR 13.3 mln which integrates the item).

k) “**Impairment of Goodwill, impairment of intangibles and writedown on stake in AM Holding**” in the reclassified income statement incorporates: groupwide impairment of goodwill (item 260

"Impairment of Goodwill" for an amount of approx. EUR 1,528 mln), impairment of intangibles in connection with the Banca Antonveneta trademark (approx. EUR 22.5 mln, gross, included in item 210 "Net value adjustments to intangible assets"; net value: EUR 15.2 mln), impairment of software-related intangibles (approx. EUR 25.1 mln gross, included in "Net value adjustments to intangible assets"; net value: EUR 17 mln), and write-down on AM Holding (roughly EUR 14 mln posted to item 240 "Gains/losses on equity investments"). The fiscal effect of the reduction in value of intangibles connected with the Banca Antonveneta trademark (approx. EUR 7.3 mln) and software-related intangibles (EUR 8.2 mln), amounting to EUR 15.5 mln in total, was reclassified into "Taxes on income for the period from continuing operations".

Listed below are the major reclassifications made to the consolidated **Balance Sheet:**

l) **"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* ";

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

n) **"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"*;

o) "**Other liabilities**" on the liabilities side of the reclassified balance-sheet incorporates item 60 "Hedging derivatives", item 70 "Changes in value of macro-hedged financial liabilities", item 80 "Tax liabilities", item 90 "Liabilities included in disposal groups held for sale and discontinued operations" and item 100 "Other liabilities".

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 30/06/12

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
INCOME STATEMENT FIGURES (in EUR mln)	**30/06/12**	**30/06/11 (*)**	**% chg**
Income from banking activities	2,490.6	2,570.6	-3.1%
Income from financial and insurance activities	2,806.5	2,837.8	-1.1%
Net operating income	182.5	590.6	-69.1%
Parent company's net profit (loss) for the period	-1,617.1	261.4	n.s.
BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**30/06/12**	**31/12/11 (*)**	**% chg**
Direct funding	132,399	143,643	-7.8%
Indirect funding	128,738	131,458	-2.1%
of which: assets under management	*44,286*	*45,270*	-2.2%
of which: assets under custody	*84,452*	*86,188*	-2.0%
Loans to customer	144,461	144,331	0.1%
Group net equity	9,630	10,765	-10.5%
KEY CREDIT QUALITY RATIOS (%)	**30/06/12**	**(*) 31/12/11**	**Abs. chg**
Net doubtful loans/Loans to Customers	4.84	4.41	0,43
Net substandard loans/Loans to Customers	3.46	3.05	0,40
PROFITABILITY RATIOS (%)	**30/06/12**	**dati storici 31/12/11**	**Abs. chg**
Cost/Income ratio	59.5	63.8	-4,29
R.O.E. (on average equity) (1)	-31.72	-33.56	n.s.
R.O.E. (on end-of-period equity)(2)	-30.05	-27.58	n.s.
Net loan loss provisions / End-of-period loans	1.16	0.89	0,27
CAPITAL RATIOS (%)	**30/06/12**	**dati storici 31/12/11**	**Abs. chg**
Solvency ratio	16.6	15.7	0,90
Tier 1 ratio	11.7	11.1	0,67
INFORMATION ON BMPS STOCK	**30/06/2012**	**31/12/11**	
Number of ordinary shares outstanding	11,681,539,706	10,980,795,908	
Number of preference shares outstanding		681,879,458	
Number of savings shares outstanding		18,864,340	
Price per ordinary share:	from **31/12/11** to **30/06/12**	from **31/12/10** to **31/12/11**	**% chg**
average	0.28	0.56	-50.0%
low	0.18	0.24	-25.0%
high	0.42	0.86	-51.2%
OPERATING STRUCTURE	**30/06/2012 (*)**	**31/12/2011 (*)**	**Abs. chg**
Total head count - end of period	30,422	30,424	-2
Number of branches in Italy	2,744	2,793	-49
Financial advisory branches	143	143	
Number of branches & representative offices abroad	41	41	
• CUSTOMER SATISFACTION	**30/06/12**	**30/06/2011 (*)**	**chg**
Customer Perception Index (%)	78.6	80.6	-2,00
Retention (%)	97.8	97.8	0,00
Reclami ricevuti (Nr.)	5,070	5,263	-4%
• ENGAGEMENT DIPENDENTI	**30/06/12**	**30/06/2011 (*)**	**chg**
Employee Perception Index (%)	68.9	69.2	-0,30
Turnover (%)	0,21	0.24	-0,03
Formazione procapite (ore)	18.0	25.1	-28%

(*) Figures were cleared of data relating to Biverbanca, which was classified among assets held for sale and discontinued operations at the end of June 2012.

(1) R.O.E. on average net equity: net income for the period / average between net equity at the end of the previous year (inclusive of net income and valuation reserves) and net equity for the current year.

(2) R.O.E. on end-of-period equity: net equity for the period / net equity at the end of the previous year (inclusive of valuation reserves) purged of shareholder's payout.

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MPS Group	30/06/12	30/06/11 (*)	Change Ins.	Change %
Net interest income	1,653.7	1,658.5	-4.8	-0.3%
Net fee and commission income	836.9	912.1	-75.2	-8.2%
Income from banking activities	**2,490.6**	**2,570.6**	**-80.0**	**-3.1%**
Dividends, similar income and gains (losses) on investments	39.1	46.1	-7.0	-15.2%
Net profit (loss) from trading	271.8	221.4	50.4	22.8%
Net profit (loss) from hedging	5.1	-0.3	5.4	n.s.
Income from financial and insurance activities	**2,806.5**	**2,837.8**	**-31.2**	**-1.1%**
Net impairment losses (reversals) on:	**-954.6**	**-588.7**	**-366.0**	**62.2%**
a) loans	-839.0	-564.2	-274.8	48.7%
b) financial assets	-115.6	-24.5	-91.2	n.s.
Net income from financial and insurance activities	**1,851.9**	**2,249.1**	**-397.2**	**-17.7%**
Administrative expenses:	-1,578.3	-1,579.1	0.8	0.0%
a) personnel expenses	-1,059.7	-1,037.5	-22.2	2.1%
b) other administrative expenses	-518.6	-541.5	23.0	-4.2%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-91.1	-79.4	-11.7	14.7%
Operating expenses	**-1,669.4**	**-1,658.5**	**-10.9**	**0.7%**
Net operating income	**182.5**	**590.6**	**-408.1**	**-69.1%**
Net provisions for risks and charges and other operating expenses/income	-128.0	-107.8	-20.2	18.8%
Gains (losses) on investments	-1.8	-7.0	5.2	-74.0%
Integration costs / one-off charges	-21.1		-21.1	n.s.
Gains (losses) on disposal of investments	0.8	0.4	0.4	93.4%
Profit (loss) before tax from continuing operations	**32.5**	**476.3**	**-443.8**	**-93.2%**
Tax expense (recovery) on income from continuing operations	-53.9	-180.2	126.3	-70.1%
Profit (loss) after tax from continuing operations	**-21.5**	**296.0**	**-317.5**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	10.7	17.7	-7.0	-39.6%
Net profit (loss) for the period including non-controlling interests	**-10.8**	**313.7**	**-324.5**	**-103.4%**
Net profit (loss) attributable to non-controlling interests	-4.4	-2.7	-1.7	63.4%
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM	**-15.2**	**311.0**	**-326.2**	**-104.9%**
PPA (Purchase Price Allocation)	-27.6	-49.7	22.0	-44.3%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-1,574.3		-1,574.3	n.s.
Parent company's net profit (loss) for the period	**-1,617.1**	**261.4**	**-1,878.5**	**n.s.**

(*) Figures have been restated for the purpose of a like-for-like comparison, excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012. It is noted that the corresponding information contained in the Interim report as at 31/03/12 did include Biverbanca, owing to the lack of prerequisites necessary for classification of the subsidiary among assets held for sale and discontinued operations.

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QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

MPS Group	2012 (*)		2011 (*)			
	2nd quarter	1st quarter	4th quarter	3rd quarter	2nd quarter	1st quarter
Net interest income	779.6	874.1	910.4	853.5	801.0	857.5
Net fee and commission income	412.6	424.3	400.3	450.0	448.8	463.3
Income from banking activities	**1,192.2**	**1,298.4**	**1,310.8**	**1,303.5**	**1,249.8**	**1,320.8**
Dividends, similar income and gains (losses) on investments	28.5	10.6	9.4	15.4	18.7	27.4
Net profit (loss) from trading	111.1	160.8	-51.5	-4.1	117.8	103.6
Net profit (loss) from hedging	1.9	3.2	-30.9	-0.9	-1.1	0.8
Income from financial and insurance activities	**1,333.6**	**1,473.0**	**1,237.7**	**1,313.9**	**1,385.3**	**1,452.5**
Net impairment losses (reversals) on:	**-518.8**	**-435.8**	**-521.4**	**-340.7**	**-311.8**	**-276.9**
a) loans	-408.7	-430.3	-464.3	-268.9	-291.7	-272.5
b) financial assets	-110.1	-5.5	-57.1	-71.8	-20.1	-4.4
Net income from financial and insurance activities	**814.8**	**1,037.1**	**716.3**	**973.2**	**1,073.5**	**1,175.6**
Administrative expenses:	-795.5	-782.8	-885.1	-779.9	-781.9	-797.2
a) personnel expenses	-540.5	-519.2	-596.7	-513.8	-506.6	-530.9
b) other administrative expenses	-255.0	-263.5	-288.4	-266.2	-275.3	-266.2
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-45.7	-45.4	-73.3	-40.2	-38.6	-40.9
Operating expenses	**-841.2**	**-828.2**	**-958.4**	**-820.1**	**-820.5**	**-838.0**
Net operating income	**-26.4**	**208.9**	**-242.1**	**153.0**	**253.0**	**337.5**
Net provisions for risks and charges and other operating expenses/income	-99.6	-28.3	-200.1	-65.6	-70.1	-37.7
Gains (losses) on investments	-5.8	4.0	-9.5	-7.8	-7.1	0.1
Integration costs / one-off charges	-20.0	-1.1	-10.1	-15.7		
Gains (losses) on disposal of investments	0.6	0.3	0.3	33.9	0.3	0.1
Profit (loss) before tax from continuing operations	**-151.3**	**183.8**	**-461.4**	**97.8**	**176.2**	**300.1**
Tax expense (recovery) on income from continuing operations	63.3	-117.2	-10.9	-41.8	-38.9	-141.3
Profit (loss) after tax from continuing operations	**-88.0**	**66.5**	**-472.3**	**56.0**	**137.3**	**158.8**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	6.6	4.0	-235.5	6.0	11.0	6.7
Net profit (loss) for the period including non-controlling interests	**-81.3**	**70.6**	**-707.9**	**61.9**	**148.3**	**165.4**
Net profit (loss) attributable to non-controlling interests	-2.7	-1.7	7.2	-1.0	-0.8	-1.9
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**-84.0**	**68.8**	**-700.7**	**60.9**	**147.5**	**163.5**
PPA (Purchase Price Allocation)	-13.3	-14.4	-14.2	-18.8	-26.5	-23.2
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-1,574.3		-4,273.9			
Parent company's net profit (loss) for the period	**-1,671.6**	**54.5**	**-4,988.8**	**42.2**	**121.1**	**140.3**

(*) Figures have been restated for the purpose of a like-for-like comparison, excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012. It is noted that the corresponding information contained in the Interim report as at 31/03/12 did include Biverbanca, owing to the lack of prerequisites necessary for classification of the subsidiary among assets held for sale and discontinued operations.

■ **RECLASSIFIED BALANCE SHEET (in EUR mln)**

ASSETS	30/06/12	31/12/11 (*)	30/06/11 (*)	Chg. Q/Q abs.	Chg. Q/Q %	Chg. YoY abs.	Chg. YoY %
Cash and cash equivalents	678	878	979	-200	-22.8%	-301	-30.8%
Receivables :							
a) Loans to customers	144,461	146,608	156,394	-2,147	-1.5%	-11,933	-7.6%
b) Loans to banks	17,130	20,695	10,793	-3,566	-17.2%	6,336	58.7%
Financial assets held for trading	51,565	55,482	54,295	-3,917	-7.1%	-2,729	-5.0%
Financial assets held to maturity	0	0	0	0	0.0%	0	-15.4%
Equity investments	931	895	916	37	4.1%	15	1.7%
Property, plant and equipment / Intangible assets	2,685	4,365	8,936	-1,680	-38.5%	-6,251	-70.0%
of which:							
a) goodwill	*670*	*2,216*	*6,474*	*-1,547*	-69.8%	*-5,804*	-89.7%
Other assets	14,659	11,779	9,220	2,881	24.5%	5,439	59.0%
Total assets	**232,109**	**240,702**	**241,533**	**-8,593**	**-3.6%**	**-9,424**	**-3.9%**

LIABILITIES	30/06/12	31/12/11 (*)	30/06/11 (*)	Chg. Q/Q abs.	Chg. Q/Q %	Chg. YoY abs.	Chg. YoY %
Payables							
a) Deposits from customers and securities issued	132,399	146,324	165,612	-13,925	-9.5%	-33,213	-20.1%
b) Deposits from banks	46,673	46,793	23,219	-120	-0.3%	23,454	101.0%
Financial liabilities held for trading	29,962	26,329	25,507	3,633	13.8%	4,455	17.5%
Provisions for specific use							
a) Provisions for staff severance indemnities	248	266	287	-18	-6.7%	-39	-13.6%
b) Pensions and other post retirement benefit obligations	40	193	199	-153	-79.2%	-159	-79.9%
c) Other provisions	991	1,056	898	-65	-6.1%	93	10.3%
Other liabilities	11,943	8,760	8,567	3,184	36.3%	3,376	39.4%
Group net equity	9,630	10,765	16,979	-1,135	-10.5%	-7,349	-43.3%
a) Valuation reserves	-3,315	-3,854	-193	539	-14.0%	-3,122	n.s.
c) Equity instruments	1,903	1,903	1,933			-30	-1.6%
d) Reserves	4,944	6,577	6,558	-1,633	-24.8%	-1,614	-24.6%
e) Share premium	255	4,118	3,938	-3,863	-93.8%	-3,683	-93.5%
f) Share capital	7,485	6,732	4,502	752	11.2%	2,982	66.2%
g) Treasury shares (-)	-25	-26	-21	2	-6.8%	-4	17.0%
h) Net profit (loss) for the year	-1,617	-4,685	261	3,068	-65.5%	-1,879	n.s.
Non-controlling interests	223	217	265	5	2.5%	-42	-15.9%
Total Liabilities and Shareholders' Equity	**232,109**	**240,702**	**241,533**	**-8,593**	**-3.6%**	**-9,424**	**-3.9%**

(*)Reported figures are those published in the Interim Report as at 31/03/12 and include line-for-line Biverbanca figures, owing to the lack of prerequisites necessary for classification of the subsidiary among assets held for sale and discontinued operations.

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■ **RECLASSIFIED BALANCE SHEET- Quarterly Trend (in EUR mln)**

ASSETS	30/06/12	31/03/12 (*)	31/12/11 (*)	30/09/11 (*)	30/06/11 (*)	31/03/11 (*)
Cash and cash equivalents	678	676	878	760	979	850
Receivables :						
a) Loans to customers	144,461	146,627	146,608	155,061	156,394	153,633
b) Loans to banks	17,130	14,877	20,695	16,294	10,793	10,420
Financial assets held for trading	51,565	52,341	55,482	59,464	54,295	45,307
Financial assets held to maturity	0	0	0	0	0	0
Equity investments	931	940	895	873	916	926
Property, plant and equipment / Intangible assets	2,685	4,369	4,365	8,949	8,936	8,943
of which:						
a) goodwill	*670*	*2,216*	*2,216*	*6,474*	*6,474*	*6,474*
Other assets	14,659	10,847	11,779	10,410	9,220	9,385
Total assets	**232,109**	**230,676**	**240,702**	**251,811**	**241,533**	**229,464**

LIABILITIES	30/06/12	31/03/12 (*)	31/12/11 (*)	30/09/11 (*)	30/06/11 (*)	31/03/11 (*)
Payables						
a) Deposits from customers and securities issued	132,399	137,325	146,324	160,237	165,612	159,330
b) Deposits from banks	46,673	44,848	46,793	32,553	23,219	22,360
Financial liabilities held for trading	29,962	26,235	26,329	30,854	25,507	20,515
Provisions for specific use						
a) Provisions for staff severance indemnities	248	265	266	268	287	288
b) Pensions and other post retirement benefit obligations	40	193	193	196	199	202
c) Other provisions	991	1,040	1,056	942	898	888
Other liabilities	11,943	8,260	8,760	9,994	8,567	8,110
Group net equity	9,630	12,277	10,765	16,527	16,979	17,497
a) Valuation reserves	-3,315	-2,399	-3,854	-2,809	-193	53
c) Equity instruments	1,903	1,903	1,903	1,933	1,933	1,949
d) Reserves	4,944	1,893	6,577	6,558	6,558	6,887
e) Share premium	255	3,366	4,118	3,917	3,938	3,989
f) Share capital	7,485	7,485	6,732	6,654	4,502	4,502
g) Treasury shares (-)	-25	-25	-26	-30	-21	-23
h) Net profit (loss) for the year	-1,617	54	-4,685	304	261	140
Non-controlling interests	223	234	217	240	265	273
Total Liabilities and Shareholders' Equity	**232,109**	**230,676**	**240,702**	**251,811**	**241,533**	**229,464**

(*)Reported figures are those published in the Interim Report as at 31/03/12 and include line-for-line Biverbanca figures, owing to the lack of prerequisites necessary for classification of the subsidiary among assets held for sale and discontinued operations.