MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

**PRESS RELEASE**

# MONTEPASCHI GROUP

## BoD approves results for the first quarter of 2012: return to profit and over 38,000 new customers

*EUR 54.5 mln in Net Profit (-61.2% YoY)*

*Good performance for revenues now at EUR 1,503.8 mln (+1.4% YoY) driven by trading and growing fees and commissions*

*Efficiency-boosting initiatives continue: Costs at EUR 845 mln (-1.2% YoY)*

*Although lower than in the last part of 2011, the cost of credit still remains high as a result of the difficult economic cycle*

*Capital strengthening continues: Tier 1 at 11.3%*

**Customer base and balance-sheet aggregates:**

- *Approx. 38,600 new customers were acquired in the quarter, with a customer acquisition rate now at 5.4% (+0.4 p.p. on end-2011). The 95.7% customer retention rate is in line with 2011 levels.*
- *Direct funding at EUR 137.3 bln, down 6.1% on December 2011, was affected by the downturn in funding from institutional counterparties, particularly in the form of repurchase agreements (- EUR 7 bln vs December 2011) and wholesale CDs (-EUR 1.1 bln vs December 2011); conversely, funding from consumer and corporate customers remained substantially stable.*
- *Indirect funding at EUR 140.6 bln, up 4.5% on December 2011, benefitted from the revaluation of financial assets.*
- *Lending at EUR 146.6 bln, substantially in line with end-2011 levels (+0.01%), due to the decline in demand for loans as a result of the economic slowdown.*
- *Net impaired loans at EUR 15.2 bln. The quarterly increase in the stock of impaired loans (+ EUR 1.7 bln) is primarily attributable to the past-due loan component (+ EUR 1 bln) which was affected by newly adopted rules lowering the 180-day 'late payment' or 'ongoing overdraft' term to 90 days (with a EUR 724 mln impact on net volumes). The ratio of net non-performing loans to total loans stood at 4.56% (vs. 4.39% as at December 2011).*
- *Coverage of impaired loans came to 39.8%, down by 160 bps as compared to 31/12/2011. Approx. 110 bps of this reduction was accounted for by the afore-mentioned increase in lower-severity past-due loans, excluding which coverage would be confirmed at around 41%.*
- *Gross non-peforming loan inflows at EUR 637 mln, up 4.9% on the last quarter of 2011.*
- *Gross watchlist loan inflows at EUR 731 mln, down 14.6% on the last quarter of 2011.*
- *Tier I at 11.3% vs. 11.1% as at December 2011 thanks to RWA optimisation. Core Tier 1 at 10.5[1]%.*

[1] Inclusive of EUR 1.9 bln in Tremonti Bonds

**Consolidated P&L highlights:**

- *Net interest income at EUR 893.5 mln, substantially in line with Q4 2011 net of non-recurring components and the «shorter month effect» (which had an overall impact of EUR 35 mln).*
- *Net fees and commissions: EUR 434.1 mln, up 6% on Q4 2011, mainly from the placement of insurance products.*
- *Trading at EUR 140.1 mln, a significant increase on the previous quarter (- EUR 81.2 mln), thanks to market recovery and spread reduction.*
- *Operating charges at EUR 845.1 mln, down 1.2% on the same period last year (-3.5% with respect to the quarterly average value of 2011).*
- *Annualised Cost of credit at 118 bps, down from 128 bps in Q4 2011.*

*Siena, 15 May 2012* – The Board of Directors of Banca Monte dei Paschi di Siena Spa has today approved the 2012 first quarter results.

Against the backdrop of a **domestic economic recession**, **financial market tensions and the weight of the sovereign debt crisis gradually eased off in the first three months of 2012.** The ECB refinancing transactions ensured liquidity to the system, which helped stabilise **the money market, although no clear signs of reopening wholesale funding markets** have emerged.

In this still uncertain and extremely complex scenario, the Montepaschi Group proceeded with the objective of **optimising the mix of funding sources**, by stabilising funding from the market and curbing costs. At the same time, **financial assets** (interbank deposits and securities) **were reduced**, while the **loan book showed a substantially stable trend during the quarter**, primarily on the back of low demand for loans from households and businesses and more selective credit policies induced by the worsening economic situation.

The combined effect from management actions and external conditions reverberated positively on earnings, with the Group experiencing a **significant rise in revenues compared to the previous quarter,** on the back of improved financial market conditions which propped up the results achieved in trading and enabled a more profitable development of existing customer relationships. The cost of credit, although lower than in the last part of 2011, still remained high, as a result of the current economic difficulties which constitute a risk factor for the entire banking industry. **Actions aimed at improving operational efficiency continued**, although the new regulatory framework has narrowed the room for cost reduction, particularly in the area of human resources.

## Profit and loss results for Q1 2012

In the first quarter of 2012, the Montepaschi Group's **income from banking and insurance** totalled approx. EUR 1,504 mln, up 18,6% (+ EUR 235.8 mln) on Q42011, on the back of gains from financial assets and a pick up in net fees and commissions. With respect to the same period of last year, the aggregate shows a 1.4% increase. In particular:

- **Net interest income** amounted to approx. EUR 894 mln, down 4% on Q4 2011 but up 1.9% on the same period of 2011. Developments with respect to the previous quarter are primarily to be seen in correlation with non-recurring components (for an amount of approx. EUR 25 mln) affecting the fourth quarter of 2011 and the «short-month effect» (one business day less has an impact of approx. EUR 10 mln). Excluding these effects, net interest income would show a substantially stable trendline. The negative impact from reduced average lending volumes in connection with 2011 end-of-quarter trends and higher costs of bond issues and time deposits was offset by the positive effect from the repricing of on-demand/short-term loans and a shift from market funding to less expensive funding sources.

- **Net fees and commissions** totalled approx. EUR 434 mln, up 6% on Q4 2011 mainly as a result of revenues from the placement of insurance products (three times those of the previous month), which more than offset the downturn in fees on lending. As compared to March 2011, net fees and commissions showed an 8.3% decline, primarily due to institutional funding charges (particularly commissions on state-guaranteed 'Monti bonds') as against substantial stability in revenues from consumer and corporate funding and lending.

- **Dividends, similar income and gains/losses on investments** showed a positive balance of EUR 10.6 mln (vs. EUR 9.4 mln in Q42011 and EUR 27.4 mln in Q1 2011), primarily attributable to gains from investments consolidated at equity with the largest share coming from insurance (AXA-MPS: approx. EUR 8.5 mln).

- **Net trading income (loss)/valuation of financial assets** stood at EUR 162 mln, up significantly on Q42011 (- EUR 51 mln). Approx. EUR 140 mln came from trading, which benefitted from market recovery and spread reduction, whereas gains (losses) on disposal / repurchase of loans and financial assets available for sale (EUR 19 mln) were related to the disposal of AFS portfolios.

- **Net hedging income** stood at EUR 3.6 mln, up on the previous quarter (-EUR 31 mln).

**Net loss provisions on impairment of loans** stood at EUR 434 mln, down 7.7% on Q4 2011. The amount was primarily attributable to an increase by roughly EUR 640 mln in the gross stock of non-performing loans (depreciated on average by 61%) and approx. EUR 450 mln in the gross stock of watchlist loans (subject to a depreciation of around 16%, in connection with the high percentage of 'objective watchlist loans' and retail mortgages). Within a provisioning policy affected by the difficulties posed by the current economic cycle, the ratio of annualised loan loss provisions over total loans to customers for the period is expressive of a provisioning rate of 118 bps, higher than the 2011 full-year rate of 89 bps but lower than the 128 bps rate registered in Q4 2011.

As at 31 March 2012, **coverage of impaired loans** stood at 39.8%, down 160 bps as compared to the end of 2011. This reduction is primarily to be seen in correlation with the growth in past-due exposures, which was affected by the alignment, during the quarter, with European standards, lowering the 180-day 'late payment' or 'ongoing overdraft' term to 90 days. Being the lowest in severity, these exposures have lower coverage ratios than the other classes of impaired loans (impact of approx. 110 bps). Net of this component, overall coverage continues to be almost on par with 2011 year-end levels. With a specific regard to NPLs, the coverage ratio climbed to 55.8% (vs. 55.5% as at December 2011), while watchlist loans stood at 21.6% (22.2% as at December 2011).

As for NPL book management[2], recoveries totalled EUR 107 mln (-42% on Q4 2011 and -27% on Q1 2011). This result was affected by the challenging economic and financial environment which, in particular, led to an average depreciation of properties pledged as collateral for loans granted.

Net **loss provisions on impairment of financial assets** stood at EUR 5.6 mln mainly due to the depreciation of equity securities and units in UCITS classified as AFS, subjected to impairment.

Consequently, **income from banking and insurance** totalled approximately EUR 1,064 mln, up significantly on Q4 2011 (+43.7%), although down 11.6% on the same period of last year.

**Operating expenses** totalled approximately EUR 845 mln, down 1.2% on the same period of last year (-3.5% as compared to the quarterly average value in 2011). Tracking of the aggregate confirms Group strategy is aimed at further improving operational efficiency, although against a regulatory framework that is unfavourable in terms of both personnel and other administrative expenses. Within the aggregate:

- **Personnel expenses**, amounting to roughly EUR 531 mln, were down 3.2% on 2011 average levels (-2.3% YoY). Results in this area benefitted from the structural effects of the headcount reduction/redeployment process implemented in the course of last year together with savings on non-structural variables, which more than offset the natural growth of base salaries;

- **Other administrative expenses** amounting to roughly EUR 268 mln, were down 3.6% on 2011 average levels (-0.8% YoY), thanks to targeted cost management actions, additional initiatives to reduce discretional spending and lower costs for certain sales-related items.

- **Net value adjustments to tangible and intangible assets** were made for approx. EUR 46 mln, up 10.9% compared to 31 March 2011.

As a consequence of the positive results obtained in terms of both revenues and operating charges, the **cost-income** ratio stood at 56.2%, an improvement over the first quarter of 2011 (-150 bps).

On the back of these factors, **Net Operating Income** totalled approximately EUR 219 mln, a noticeable improvement on Q4 2011 (when it was around -EUR 233 mln).

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

- **Net provisions to reserves for risks and charges and other operating income (expense)** which includes '*Provisions*' totalling approx. EUR 18.9 mln, down significantly on the previous quarter (-

[2] Assigned groupwide to MPS Gestioni Crediti Banca

86%) primarily on the back of lower appropriations for lawsuits, clawback actions and contractual obligations. The aggregate shows a decline of 26.4% compared to 1Q 2011. '*Other operating charges'*, amounting to EUR 9.6 mln, was down 85% on Q4 2011 and 25% on March 2011, mainly as a result of charges in connection with lawsuit settlement and contingent liabilities;

- **Gains on investments**, totalling approx. EUR 4 mln;

- **Integration costs / One-off charges**, attributable to incentive-based severance under early retirement schemes, for an amount of EUR 1.1 mln;

- **Profit/loss from disposal of investments**, for an amount of approx. EUR 0.3 mln.

As a consequence, **Profit (loss) before tax from continuing operations** stood at EUR 193.7 mln (vs EUR -453.2 mln in Q4 2011 and EUR 310.3 as at 31 March 2011).

**Tax expense (income) on profit (loss) from continuing operations** came to approximately -EUR 122 mln (approx. –EUR 145 mln in the first quarter of 2011);

**Minorities** totalled -EUR 1.7 mln ( -EUR 1.9 mln in Q1 2011).

**Net profit for the period** before Purchase Price Allocation (PPA) came to EUR 70.4 mln (EUR 166.1 mln as at 31 March 2011). Considering the net effects of PPA (-EUR 15.9 mln), net profit for the period came to EUR 54.5 mln (vs. 140.3 mln in the same period of 2011).

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

**Consumer Banking**

- Net operating income: -EUR 3.6 mln (vs EUR 36.9 mln in Q1 2011)

- 'Active'[3] loans and advances to customers: -4.6% YoY

**Corporate Banking**

- Net operating income: EUR 184.5 mln (vs EUR 167.8 mln in Q1 2011)

- 'Active' loans and advances to customers: -4.5% 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**

[3] Loans exclusive of net NPLs

- Net operating income: EUR 47.7 mln
- Net profit (loss) for the period: EUR 22.1 mln
- Direct Funding: -6.5% YoY; Loans and advances to customers: +1.7% YoY

**Biverbanca**

- Net Operating Income: EUR 10.4 mln
- Net profit (loss) for the period: EUR 5.9 mln
- Direct funding: -0.7% YoY; Loans and advances to customers: -3% YoY

**Consum.it**

- Net Operating Income:  - EUR 18.8 mln
- Net profit (loss) for the period: - EUR 15.3 mln

**MPS Leasing & Factoring**

- Net Operating Income: EUR 1.2 mln
- Net profit (loss) for the period: - EUR 1.3 mln

**MPS Capital Services Banca per le Imprese:**

- Net Operating Income: EUR 114.2 mln
- Net profit (loss) for the period: EUR 60.7 mln

**Balance-sheet aggregates for Q1 2012**

As at 31 March 2012, the Group's **overall funding volumes** totalled approx. EUR 278 bln, down 1.1% on the end of 2011 and 9.5% on March 2011. In particular:

**Direct funding** stood at EUR 137 bln, down 6.1% on December 2011 and 13.8% on March 2011. The quarterly trendline of this aggregate can primarily be traced back to changes in institutional funding, particularly repurchase agreements (- EUR 7 bln on 31/12/2011) and wholesale CDs ( - EUR 1.1 bln on 31/03/2011), as a result of initiatives put in place with a view to optimising the Group's liquidity profile in parallel with reductions in loans and advances to banks. Funding from consumer and corporate customers remained substantially unchanged.

**Indirect funding**, totalling approx. EUR 141 bln, registered an increase of 4.5% on 31/12/2011 (-4.9% on 31/03/2011). **Assets under management** closed the year with volumes in the region of EUR 47 bln, up 1% on 31/12/2011, benefitting from the revaluation of financial assets due to improved market responsiveness, as against moderately negative net funding (nearly -EUR 517 mln). 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 segment. In the insurance segment, technical reserves, amounting to approx. EUR 24 bln, were substantially in line with levels as at 31/12/2011, with premiums collected in the quarter exceeding EUR 1 bln, driven by Unit Linked products (EUR 948 mln, over three times the amount of the previous quarter) and traditional policies (EUR 104 mln). Mutual investment funds and and open-end collective investment schemes (Sicavs), amounting to EUR 16.4 bln, were up 2.2% on 31/12/2011 with quarterly net funding at approx. -EUR 218 mln. Finally, wealth management totalled EUR 6.6 bln, up 4.28% on the end of the previous year, benefitting from moderately positive funding volumes (EUR 62 mln) after the negative trend recorded in 2011. **Assets under custody,** amounting to approx. EUR 93.7 bln, were up 6.3% as compared to 31/12/2011 on the back of a positive market effect.

Group **loans and advances to customers** amounted to approx. EUR 147 bln, in line with levels as at 31/12/2011, although down 4.6% on the same period of the previous year. 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. A breakdown of the aggregate reveals that mortgage loans are the prevalent form of lending (nearly EUR 87 bln).

As for **'special purpose' loans,** which are disbursed by the Group through dedicated product companies, new flows in Q1 2012 totalled EUR 1.1 bln (down 23% on Q4 2011 and -34% on the previous year). In the consumer lending segment, disbursements over the period totalled EUR 618 mln, down on both the previous quarter (-8.5%) and the previous year (-9.7%) as a consequence of the challenging economic cycle. In the corporate lending segment, factoring turnover stood at EUR 2.3 bln, up 5.5% on the last quarter of 2011, confirming the uptrend registered in the final part of last year, although down 2.5% on the previous year.

The Group's **securities** and derivatives **portfolio** (EUR 38.9 bln) was up 2.0% (+ EUR 748 mln) as compared to the end of 2011. Against a quarterly growth in securities classified in the AFS accounting category (+ EUR 2.1 bln) driven by a pick up in stock prices, a reduction was shown in the HFT component (- EUR 834 mln reflective of the MPS Capital Services performance) and in the L&R portfolio (- EUR 522 mln, primarily attributable to the natural maturity of securities).

**Tier I** stood at 11.3%, up on both December and March 2011 (when it was 9.1%). Tier 1 was positively affected by a reduction in risk-weighted assets, particularly in the loan book, whereas the overall capital base benefitted from the combined effect of net profit for the period and deductions on the surplus of expected losses over total impairment provisions. **Core Tier 1** came to 10.5%[4].

[4] Inclusive of EUR 1.9 bln in Tremonti Bonds

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

**Major events in the first quarter of 2012**

As previously reported, an exercise was conducted by the EBA in the second half of 2011 on the capital requirements of major European banks (71 lenders were involved), which revealed that Banca Monte dei Paschi di Siena's need for capital strengthening amounted to EUR 3,267 mln as at 30 September 2011.

For this purpose, Banca Monte dei Paschi di Siena has approved an action plan aimed at strengthening its capital requirements on the basis of:

- **Capital management initiatives**, through capital increase without consideration for the purpose of allocating part of the "Share Premium Reserve" to equity for a sum equal to the premium on the ordinary BMPS shares underlying the "2008 F.R.E.S.H." notes; conversion by the shareholder, MPS Foundation, of the "2003 F.R.E.S.H." notes into ordinary shares and conversion of savings shares into ordinary shares;

- **Optimisation of RWAs**, including a review of the internal models in use and their roll-out to other Group entities;

- **Disposal of assets.**

It is noted that most of the plan actions concerning the first two areas of intervention have already been completed. This has brought about benefits filling slightly more than half of the identified shortfall.

With regard to the third item in the action plan, activities are underway to assess any expressions of interest and non-binding offers received or to be received, as well as to define the final phase in the negotiating process. These activities are expected to be completed by the first half of June, the Bank not being in a position to foresee their outcome yet.

Should the plan not be completed under the terms and by the deadlines appropriate for inclusion in capital under the EBA exercise and should the capital shortfall persist, Banca MPS will consider alternative (and, if viable, temporary) capital strengthening actions.

The outcome of the action plan and the initiatives to be implemented will be extensively illustrated in the Business Plan currently under review, which will be finalised by the end of June.

**Events after the balance sheet date**

The Parent Company's Annual Report as at 31 December 2011 was approved on 27 April 2012, during the ordinary session of the Shareholders' Meeting of Banca Monte dei Paschi di Siena. A net loss of EUR 4,644,377,577 was posted, with consolidated net losses amounting to EUR 4,685,274,102. Shareholders resolved to entirely cover the annual loss of EUR 4,644,377,577 and eliminate negative reserves pursuant to art. 7, paragraphs 3 and 7 of Legislative Decree no. 38/2005, arising from the first-time adoption of the International Accounting Standards (IAS), respectively for an amount of EUR 533,607,980 and EUR 446,708,738 by drawing:

- EUR 26,966 from Retained Earnings;
- EUR 1,191,871 from the Employee profit-sharing Reserve;
- EUR 1,806,408,371 from the Extraordinary Reserve;

- EUR 18,941,877 from the Reserve pursuant to art. 7, paragraph 4 of Legislative Decree no. 38/2005;
- EUR 318,638,918 from the Special Reserve pursuant to art. 23 of Legislative Decree no. 153/99;
- EUR 12,218,866 from the Reserve pursuant to art. 13 of Legislative Decree no. 124/93;
- EUR 3,110,509,187 from the Share Premium Reserve, which is consequently down to EUR 255,099,523;
- EUR 356,758,239 from the Statutory Reserve, which is consequently down to EUR 1,423,018,260.

In its ordinary session, after having determined that the Board of Banca Monte dei Paschi should be composed of 12 Directors and 2 Deputy Chairmen, the Shareholders' Meeting resolved to appoint the following as Directors for fiscal years 2012, 2013 and 2014: Alessandro Profumo, Fabrizio Viola, Paola Demartini, Angelo Dringoli, Tania Groppi, Marco Turchi, Turiddo Campaini, Alberto Giovanni Aleotti, Michele Briamonte, Lorenzo Gorgoni, Pietro Giovanni Corsa, Frédéric Marie de Courtois d'Arcollières. Alessandro Profumo was elected Chairman, while Marco Turchi and Turiddo Campaini were elected Deputy Chairmen of the Board of Directors.

For the same fiscal years, the following were elected as standing members of the Board of Statutory Auditors: Paolo Salvadori (Chairman), Paola Serpi and Claudio Gasperini Signorini; elected as alternate auditors were Stefano Andreadis and Gianni Tarozzi.

The remuneration of Directors, Chairman of the Board of Directors and Auditors was also decided upon and approval was given to the Remuneration Report as required by art. 123-ter of the Consolidated Law on Finance.

In the extraordinary session of the meeting, shareholders approved the two proposed mergers by absorption of Agrisviluppo S.p.A. and Ulisse 2 S.p.A. by and into Banca Monte dei Paschi di Siena.

On 3 May 2012, the new Board of Directors of Banca Monte dei Paschi di Siena resolved to appoint the General Manager Mr. Fabrizio Viola to also serve as the Chief Executive Officer of Banca Monte dei Paschi di Siena Spa. In the same session, the Executive Committee was also formed, consisting of Alessandro Profumo, Fabrizio Viola, Marco Turchi, Turiddo Campaini, Alberto Giovanni Aleotti, Lorenzo Gorgoni.

**Outlook on operations**

The macro-economic environment in which the Group operates continues to be particularly challenging, with strong elements of uncertainty regarding possible future prospects, even in the short term. Domestic economy, weighted down by the drop in domestic demand and anti-cyclical effects from public finance stabilisation reforms, has slipped into recession. Trends in sovereign debt spreads and the evolving national and European political framework do not provide, at the moment, any clear signs of a short-term improvement in the economic cycle.

Against this backdrop, the Montepaschi Group intends to undertake all viable operational solutions aimed at further expanding the business and fostering a recovery in corporate profitability. To this end, the Group's business plan is being revised with a view to updating the strategic guidelines on the basis of the new scenario.

With regard to the indications contained in Document no. 2 of 6 February 2009, issued jointly by the Bank of Italy, Consob and Isvap as later amended, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated interim report on the assumption of business continuity since the uncertain climate arising from the current economic scenario affords no doubt as to the company's ability to continue operating as a going concern.

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

## For further information contact:


| **Media Relations** | **Strategic Planning, Research & Investor Relations** |
|---|---|
| Tel. +39 0577.296634 | Tel: +39 0577.296477 |
| *ufficio.stampa@banca.mps.it* | *investor.relations@banca.mps.it* |


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.

## Reclassified accounts

### MPS GROUP RECLASSIFICATION PRINCIPLES

The following accounting statements illustrate balance-sheet and profit-and-loss accounts reclassified on the basis of operating criteria. The figures for 2011 comparison are those published in the consolidated Annual Report as at 31 December 2011.

Following are the reclassifications made to the consolidated **Profit and Loss account** as at 31 March 2012:

a) **"Net trading income (loss)/valuation of financial assets"** in the reclassified income statement, includes Item 80 "Net trading income (loss)", 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 account incorporates values relating to dividends earned on securities held in the banking book (approx. EUR 2.9 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" (approx. EUR 10.5 mln, corresponding to the contribution to profit and loss for the period that is 'guaranteed' by the portion of profit arising from investments in associates, valued at equity). Dividends earned on securities held in the banking book, as outlined under item a) above, have also been eliminated from the aggregate;

c) **"Net loss provisions on impairment of loans"** in the reclassified income statement was determined by excluding charges relating to financial plans (EUR 0.4 mln), which are more properly classified under "Net provisions for risks and charges and other operating income/expenses".

d) "**Net loss provisions on impairment of financial assets**" includes item 130b "Financial assets available for sale", 130c "Financial assets held to maturity" and 130d "Other financial transactions";

e) the income statement item "**Personal expenses**" was reduced by EUR 1.1 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 72.3 mln) posted in the balance sheet under item 220 "Other operating income/expenses".

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

h) "**Integration costs/one-off charges**" in the reclassified income statement includes EUR 1.1 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 accounts (in particular "**Interest income**" for approx. EUR 13.5 mln and **depreciation/amortisation** for approx. EUR 10.1 mln, net of a theoretical tax burden of approx. - EUR 7.6 mln which integrates the account).

Following are the major reclassifications made to the consolidated **Balance Sheet:**

a) **“*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* ";

b) **“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*";

c) **“Deposits from customers and 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"*;

d) “**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 item 100 “Other liabilities”.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

# CONSOLIDATED REPORT ON OPERATIONS

## Highlights at 31/03/2012

### ■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

| MPS GROUP | | | |
|---|---|---|---|
| • INCOME STATEMENT FIGURES (in EUR mln) | **31/03/2012** | **31/03/2011** | **% chg** |
| Income from banking activities | 1,327.7 | 1,350.4 | -1.7% |
| Income from financial and insurance activities | 1,503.8 | 1,482.6 | 1.4% |
| Net operating income | 219.1 | 348.7 | -37.2% |
| Net profit (loss) for the period | 54.5 | 140.3 | -61.2% |
| • BALANCE SHEET FIGURES AND INDICATORS (in EUR mln) | **31/03/2012** | **31/12/2011** | **% chg** |
| Direct funding | 137,325 | 146,324 | -6.1% |
| Indirect funding | 140,578 | 134,550 | 4.5% |
| *of which: assets under management* | *46,868* | *46,426* | 1.0% |
| *of which: assets under custody* | *93,710* | *88,124* | 6.3% |
| Customer loans | 146,627 | 146,608 | 0.0% |
| Group net equity | 12,277 | 10,765 | 14.0% |
| • KEY LOAN QUALITY RATIOS (%) | **31/03/2012** | **31/12/2011** | |
| Net non-performing loans/Customer loans | 4.56 | 4.39 | |
| Net watchlist loans/Customer loans | 3.31 | 3.04 | |
| • PROFITABILITY RATIOS (%) | **31/03/2012** | **31/12/2011** | |
| Cost/Income ratio | 56.2 | 63.6 | |
| R.O.E. (on average equity) (1) | 1.89 | -33.56 | |
| R.O.E. (on end-of-period equity)(2) | 2.02 | -27.58 | |
| Net adjustments to loans / End-of-period investments | 1.18 | 0.89 | |
| • CAPITAL RATIOS (%) | **31/03/2012** | **31/12/2011** | |
| Solvency ratio | 15.9 | 15.7 | |
| Tier 1 ratio | 11.3 | 11.1 | |
| • INFORMATION ON BMPS STOCK | **27/04/2012(3)** | **31/12/2011** | |
| 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 **31/03/12** | from **31/12/10** to **31/12/11** | |
| average | 0.33 | 0.56 | |
| low | 0.20 | 0.24 | |
| high | 0.42 | 0.86 | |
| • OPERATING STRUCTURE | **31/03/2012** | **31/12/2011** | **Abs. chg** |
| Total head count - end of period | 31,156 | 31,170 | -14 |
| Number of branches in Italy | 2,909 | 2,915 | -6 |
| Financial advisory branches | 143 | 143 | |
| Number of branches & representative offices abroad | 42 | 41 | 1 |

(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.

(3) Updated as at the date of the Shareholders' meeting called for approval of the 2011 Annual Report and renewal of the terms of office.
As set out in the Articles of Association, the transfer of 681,879,458 preference shares completed by the MPS Foundation in 2012 determined their automatic conversion at par into ordinary shares.
On 1 February 2012, the Extraordinary Shareholders' Meeting also resolved to convert all of the 18,864,340 savings shares into ordinary shares.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

■ **RECLASSIFIED INCOME STATEMENT (in EUR mln)**

| MPS Group | 31/03/2012 | 31/03/2011 (*) | Change Ins. | Change % |
|---|---|---|---|---|
| Net interest income | 893.5 | 876.8 | 16.8 | 1.9% |
| Net commissions | 434.1 | 473.7 | -39.5 | -8.3% |
| **Income from banking activities** | **1,327.7** | **1,350.4** | **-22.8** | **-1.7%** |
| Dividends, similar income and gains (losses) on equity investments | 10.6 | 27.4 | -16.7 | -61.2% |
| Net profit (loss) from trading/valuation of financial assets | 161.9 | 103.9 | 58.0 | 55.8% |
| Net profit (loss) from hedging | 3.6 | 0.9 | 2.8 | n.m |
| **Income from financial and insurance activities** | **1,503.8** | **1,482.6** | **21.3** | **1.4%** |
| Net adjustments for impairment of: | **-439.6** | **-278.7** | **-160.9** | **57.8%** |
| a) loans | -434.0 | -274.6 | -159.4 | 58.1% |
| b) financial assets | -5.6 | -4.1 | -1.5 | 37.6% |
| **Net income from financial and insurance activities** | **1,064.2** | **1,203.9** | **-139.7** | **-11.6%** |
| Administrative expenses: | -799.1 | -813.7 | 14.7 | -1.8% |
| a) personnel expenses | -531.1 | -543.5 | 12.5 | -2.3% |
| b) other administrative expenses | -268.0 | -270.2 | 2.2 | -0.8% |
| Net adjustments to tangible and intangible fixed assets | -46.0 | -41.5 | -4.5 | 10.9% |
| **Operating expenses** | **-845.1** | **-855.2** | **10.1** | **-1.2%** |
| **Net operating income** | **219.1** | **348.7** | **-129.6** | **-37.2%** |
| Net provisions for risks and charges and other operating income/expenses | -28.5 | -38.6 | 10.1 | -26.1% |
| Profit (loss) on equity investments | 4.0 | 0.1 | 3.9 | n.m |
| Integration costs / one-off charges | -1.1 | | -1.1 | n.m |
| Gains (losses) from disposal of investments | 0.3 | 0.1 | 0.1 | 128.9% |
| **Profit (loss) before tax from continuing operations** | **193.7** | **310.3** | **-116.5** | **-37.6%** |
| Taxes on income from continuing operations | -121.6 | -145.0 | 23.4 | -16.1% |
| **Profit (loss) after tax from continuing operations** | **72.2** | **165.3** | **-93.1** | **-56.3%** |
| Profit (loss) after tax from disposal groups held for sale | | 2.8 | -2.8 | -100.0% |
| **Net profit (loss) for the period including minority interests** | **72.2** | **168.1** | **-95.9** | **-57.1%** |
| Net profit (loss) attributable to minority interests | -1.7 | -1.9 | 0.2 | -11.2% |
| **Profit (loss) for the period before PPA** | **70.4** | **166.1** | **-95.7** | **-57.6%** |
| PPA (Purchase Price Allocation) | -15.9 | -25.8 | 9.9 | -38.2% |
| **Net profit (loss) for the period** | **54.5** | **140.3** | **-85.8** | **-61.2%** |

(*) Figures restated, where necessary, following clarifications provided by Bank of Italy regarding recognition of securities lending with collateral other than cash fully owned by the lender.

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

**QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)**

| | 2012 | 2011 (*) | | | |
|---|---|---|---|---|---|
| **MPS Group** | **1st quarter** | **4th quarter** | **3rd quarter** | **2nd quarter** | **1st quarter** |
| Net interest income | 893.5 | 930.9 | 874.7 | 817.8 | 876.8 |
| Net commissions | 434.1 | 409.7 | 457.4 | 460.2 | 473.7 |
| **Income from banking activities** | **1,327.7** | **1,340.6** | **1,332.2** | **1,278.0** | **1,350.4** |
| Dividends, similar income and gains (losses) on equity investments | 10.6 | 9.4 | 15.4 | 20.1 | 27.4 |
| Net result from realisation/valuation of financial assets | 161.9 | -51.0 | -5.6 | 118.5 | 103.9 |
| Net profit (loss) from hedging | 3.6 | -30.9 | -0.8 | -1.1 | 0.9 |
| **Income from financial and insurance activities** | **1,503.8** | **1,268.1** | **1,341.1** | **1,415.4** | **1,482.6** |
| Net adjustments for impairment of: | **-439.6** | **-527.4** | **-342.9** | **-314.9** | **-278.7** |
| a) loans | -434.0 | -470.3 | -271.2 | -294.8 | -274.6 |
| b) financial assets | -5.6 | -57.1 | -71.8 | -20.1 | -4.1 |
| **Net income from financial and insurance activities** | **1,064.2** | **740.6** | **998.2** | **1,100.5** | **1,203.9** |
| Administrative expenses: | -799.1 | -899.6 | -795.3 | -798.4 | -813.7 |
| a) personnel expenses | -531.1 | -607.1 | -526.1 | -518.1 | -543.5 |
| b) other administrative expenses | -268.0 | -292.4 | -269.2 | -280.3 | -270.2 |
| Net adjustments to tangible and intangible fixed assets | -46.0 | -73.9 | -40.8 | -39.2 | -41.5 |
| **Operating expenses** | **-845.1** | **-973.5** | **-836.2** | **-837.6** | **-855.2** |
| **Net operating income** | **219.1** | **-232.8** | **162.0** | **262.9** | **348.7** |
| Net provisions for risks and charges and other operating income/expenses | -28.5 | -200.7 | -66.1 | -69.7 | -38.6 |
| Profit (loss) on equity investments | 4.0 | -9.5 | -7.8 | -7.1 | 0.1 |
| Integration costs / one-off charges | -1.1 | -10.1 | -15.7 | | |
| Goodwill impairment | | -0.4 | | | |
| Gains (losses) from disposal of investments | 0.3 | 0.3 | 33.9 | 0.3 | 0.1 |
| **Profit (loss) before tax from continuing operations** | **193.7** | **-453.2** | **106.3** | **186.4** | **310.3** |
| Taxes on income from current operations | -121.6 | -15.8 | -45.1 | -42.4 | -145.0 |
| **Profit (loss) after tax from continuing operations** | **72.2** | **-469.0** | **61.2** | **144.0** | **165.3** |
| Profit (loss) after tax from disposal groups held for sale | | 3.9 | 2.9 | 8.1 | 2.8 |
| **Net profit (loss) for the period including minority interests** | **72.2** | **-465.1** | **64.1** | **152.0** | **168.1** |
| Net profit (loss) attributable to minority interests | -1.7 | 7.2 | -1.0 | -0.8 | -1.9 |
| **Profit (loss) for the period before PPA , impairment of goodwill, intangibles and writedown of investment in AM Holding** | **70.4** | **-457.9** | **63.1** | **151.3** | **166.1** |
| PPA (Purchase Price Allocation) | -15.9 | -16.9 | -20.9 | -30.2 | -25.8 |
| Impairment of goodwill, intangibles and writedown of investment in AM Holding | | -4,514.0 | | | |
| **Net profit (loss) for the period** | **54.5** | **-4,988.8** | **42.2** | **121.1** | **140.3** |

(*) Figures restated, where necessary, following clarifications provided by Bank of Italy regarding recognition of securities lending with collateral other than cash fully owned by the lender. Since the impact of these lending transactions was of low significance until October 2011, adjustments to the quarters were made by a linear estimate of the 2010 effect.

## RECLASSIFIED BALANCE SHEET (in EUR mln)

| ASSETS | 31/03/2012 | 31/12/2011 | 31/03/2011 (*) | Chg. 31/03/12 vs 31/12/11 abs. | Chg. 31/03/12 vs 31/12/11 % | Chg. 31/03/12 vs 31/03/11 abs. | Chg. 31/03/12 vs 31/03/11 % |
|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | 676 | 878 | 850 | -202 | -23.0% | -174 | -20.5% |
| Receivables : | | | | | | | |
| a) Loans and advances to customers | 146,627 | 146,608 | 153,633 | 19 | 0.0% | -7,005 | -4.6% |
| b) Loans and advances to banks | 14,877 | 20,695 | 10,420 | -5,819 | -28.1% | 4,457 | 42.8% |
| Financial assets held for trading | 52,341 | 55,482 | 45,307 | -3,141 | -5.7% | 7,034 | 15.5% |
| Financial assets held to maturity | 0 | 0 | 0 | | | 0 | -22.8% |
| Equity investments | 940 | 895 | 926 | 45 | 5.1% | 15 | 1.6% |
| Tangible and intangible fixed assets | 4,369 | 4,365 | 8,943 | 3 | 0.1% | -4,575 | -51.2% |
| *of which:* | | | | | | | |
| *a) goodwill* | *2,216* | *2,216* | *6,474* | | | *-4,257* | -65.8% |
| Other assets | 10,847 | 11,779 | 9,385 | -932 | -7.9% | 1,461 | 15.6% |
| **Total assets** | **230,676** | **240,702** | **229,464** | **-10,025** | **-4.2%** | **1,213** | **0.5%** |

| LIABILITIES | 31/03/2012 | 31/12/2011 | 31/03/2011 (*) | Chg. 31/03/12 vs 31/12/11 abs. | Chg. 31/03/12 vs 31/12/11 % | Chg. 31/03/12 vs 31/03/11 abs. | Chg. 31/03/12 vs 31/03/11 % |
|---|---|---|---|---|---|---|---|
| Payables | | | | | | | |
| a) Due to customers and securities | 137,325 | 146,324 | 159,330 | -8,999 | -6.1% | -22,005 | -13.8% |
| b) Deposits from banks | 44,848 | 46,793 | 22,360 | -1,945 | -4.2% | 22,488 | 100.6% |
| Financial liabilities held for trading | 26,235 | 26,329 | 20,515 | -94 | -0.4% | 5,721 | 27.9% |
| Provisions for specific use | | | | | | | |
| a) Provisions for staff severance indemnities | 265 | 266 | 288 | -1 | -0.5% | -24 | -8.3% |
| b) Pensions and other post retirement benefit obligations | 193 | 193 | 202 | 0 | 0.0% | -10 | -4.8% |
| c) Other provisions | 1,040 | 1,056 | 888 | -15 | -1.4% | 152 | 17.2% |
| Other liabilities | 8,260 | 8,760 | 8,110 | -500 | -5.7% | 149 | 1.8% |
| Group net equity | 12,277 | 10,765 | 17,497 | 1,512 | 14.0% | -5,221 | -29.8% |
| a) Valuation reserves | -2,399 | -3,854 | 53 | 1,455 | -37.8% | -2,452 | n.m. |
| c) Equity instruments | 1,903 | 1,903 | 1,949 | | | -46 | -2.4% |
| d) Reserves (**) | 1,893 | 6,577 | 6,887 | -4,684 | -71.2% | -4,994 | -72.5% |
| e) Share premium | 3,366 | 4,118 | 3,989 | -752 | -18.3% | -624 | -15.6% |
| f) Share capital | 7,485 | 6,732 | 4,502 | 752 | 11.2% | 2,982 | 66.2% |
| g) Treasury shares (-) | -25 | -26 | -23 | 2 | -6.7% | -1 | 5.8% |
| h) Net profit (loss) for the year | 54 | -4,685 | 140 | 4,740 | -101.2% | -86 | -61.2% |
| Minority interests | 234 | 217 | 273 | 17 | 7.8% | -38 | -14.1% |
| **Total Liabilities and Shareholders' Equity** | **230,676** | **240,702** | **229,464** | **-10,025** | **-4.2%** | **1,213** | **0.5%** |

(*) Figures restated, where necessary, following clarifications provided by Bank of Italy regarding recognition of securities lending with collateral other than cash fully owned by the lender.

(**) The item "Reserves" as at 31/03/2012 was conventionally reduced by the total loss for 2011. The loss was allocated in April upon approval of the accounts.

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

| **ASSETS** | **31/03/2012** | **31/12/2011** | **30/09/2011 (*)** | **30/06/2011 (*)** | **31/03/2011 (*)** |
|---|---|---|---|---|---|
| Cash and cash equivalents | 676 | 878 | 760 | 979 | 850 |
| Receivables: | | | | | |
| a) Loans and advances to customers | 146,627 | 146,608 | 155,061 | 156,394 | 153,633 |
| b) Loans and advances to banks | 14,877 | 20,695 | 16,294 | 10,793 | 10,420 |
| Financial assets held for trading | 52,341 | 55,482 | 59,464 | 54,295 | 45,307 |
| Financial assets held to maturity | 0 | 0 | 0 | 0 | 0 |
| Equity investments | 940 | 895 | 873 | 916 | 926 |
| Tangible and intangible fixed assets | 4,369 | 4,365 | 8,949 | 8,936 | 8,943 |
| *of which:* | | | | | |
| *a) goodwill* | *2,216* | *2,216* | *6,474* | *6,474* | *6,474* |
| Other assets | 10,847 | 11,779 | 10,410 | 9,220 | 9,385 |
| **Total assets** | **230,676** | **240,702** | **251,811** | **241,533** | **229,464** |

| **LIABILITIES** | **31/03/2012** | **31/12/2011** | **30/09/2011 (*)** | **30/06/2011 (*)** | **31/03/2011 (*)** |
|---|---|---|---|---|---|
| Payables | | | | | |
| a) Customer accounts and securities | 137,325 | 146,324 | 160,237 | 165,612 | 159,330 |
| b) Deposits from banks | 44,848 | 46,793 | 32,553 | 23,219 | 22,360 |
| Financial liabilities held for trading | 26,235 | 26,329 | 30,854 | 25,507 | 20,515 |
| Provisions for specific use | | | | | |
| a) Provisions for staff severance indemnities | 265 | 266 | 268 | 287 | 288 |
| b) Pensions and other post retirement benefit obligations | 193 | 193 | 196 | 199 | 202 |
| c) Other provisions | 1,040 | 1,056 | 942 | 898 | 888 |
| Other liabilities | 8,260 | 8,760 | 9,994 | 8,567 | 8,110 |
| Group Companies | 12,277 | 10,765 | 16,527 | 16,979 | 17,497 |
| a) Valuation reserves | -2,399 | -3,854 | -2,809 | -193 | 53 |
| c) Equity instruments | 1,903 | 1,903 | 1,933 | 1,933 | 1,949 |
| d) Reserves (**) | 1,893 | 6,577 | 6,558 | 6,558 | 6,887 |
| e) Share premium | 3,366 | 4,118 | 3,917 | 3,938 | 3,989 |
| f) Share capital | 7,485 | 6,732 | 6,654 | 4,502 | 4,502 |
| g) Treasury shares (-) | -25 | -26 | -30 | -21 | -23 |
| h) Net profit (loss) for the year | 54 | -4,685 | 304 | 261 | 140 |
| Minority interests | 234 | 217 | 240 | 265 | 273 |
| **Total Liabilities and Shareholders' Equity** | **230,676** | **240,702** | **251,811** | **241,533** | **229,464** |

(*) Figures restated, where necessary, following clarifications provided by Bank of Italy regarding recognition of securities lending with collateral other than cash fully owned by the

(**) The item "Reserves" as at 31/03/2012 was conventionally reduced by the total loss for 2011. The loss was allocated in April upon approval of the accounts.