PRESS RELEASE

BoD APPROVES RESULTS AS AT 31 MARCH 2014

Growth in basic income gains momentum and operating cost containment continues

- *"Recurring" net interest income[1] up during the quarter (+4.3% QoQ) notwithstanding the lower number of working days, primarily as a result of management actions to contain cost of funding and the upturn in interest rates as of the end of December; steady performance also with respect to the first quarter of 2013 despite deleveraging (total assets -6.5% YoY) and a higher average volume of securities subscribed by the State (NFIs) [2]*
- *Net fees and commissions grow (+10% QoQ) as a result of higher revenues from asset management (+23.3% QoQ) and growth in payment services (+13% QoQ)*
- *Reductions in operating costs (-3.8% QoQ) mainly due to structural cost containment actions*
- *Annualised cost of credit at 144 bps (vs 211 bps in 2013) with impaired loan inflows down against the Q1 2013 (-19%) and Q4 2013 (-30%). Impaired loan provisioning substantially stable with respect to December and up 120 bps from March 2013*
- *Net loss for the period (EUR -174 mln) affected by significant non-recurring items*

Financial position continues to be strengthened with positive trend in total funding, the Group's re-found ability to access capital markets and launch of the LTRO reimbursement plan

- *Total funding up from December (+0.4% QoQ), driven by upturn in assets under management (+3.4% QoQ) and by the positive trend in Current Accounts (+3.3% QoQ) and Time Deposits (+8.8% QoQ)*
- *21,000 new current accounts opened during the quarter*
- *Two bond issuances aimed at institutional customers during the second quarter of 2014 (an unsecured senior bond and a covered bond, both in the amount of EUR 1 bn)*
- *ECB exposure reduced to EUR 24 bn at the end of April following reimbursement of EUR 4 bn of LTROs*
- *Operating liquidity position improves further: Counterbalancing capacity over EUR 25 bn at the start of May (EUR 21 bn as at 31/03/2014 and EUR 16 bn at 31/12/2013)*
- *Loans to customers: +1.6% QoQ due to increase in repurchase agreements with the "Cassa Compensazione e Garanzia", on which temporary surpluses of liquidity have been allocated;*

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[1] Net of one-off component due to the repayment of State-subscribed securities (NFIs) adjusted to the contractual provisions governing the instruments.

[2] In addition to the negative one-off impact on Q1 2014, it is also necessary to take account of the lower interest expense for the first quarter of 2013 (approx. EUR 34 mln) as a result of lower average volumes of New Financial Instruments (NFIs) issued by the Bank and subscribed by the Ministry of Economy and Finance. The issue of NFIs for a total of EUR 4,071 mln (of which EUR 1.9 bn to fully replace the "Tremonti Bonds" and EUR 0.171 bn, due on 1 July 2013, for advance payment of interest accrued on the Tremonti Bonds up to 31 December 2012) occurred on 28 February 2013.

decline in Retail and Corporate loans begins to level off (respectively -1.5% QoQ and -0.5% QoQ)

- *The disposal of a portfolio of NPLs (approx. EUR 500 mln) is in the process of being finalized. The transaction is expected to be completed within the first half of the year*
- *AFS portfolio optimisation continues, with disposal of government bonds, financial securities and equity investments; HFT portfolio grows following the temporary purchase of government bonds (placed back on the market in early April) linked to MPS Capital Services in its capacity as primary dealer*
- *Phased-in CET 1 ratio at 10.8% (in line with pro forma data as at 31/12/2013); Basel 2 Core Tier 1 ratio published as at 31 December 2013 stood at approx. 10%*

Update on capital strengthening plan

- *On 18 April 2014, the Board of Directors resolved to submit a proposal to the Extraordinary Shareholders' Meeting for a capital increase of up to EUR 5 bn, replacing the amount of EUR 3 bn already approved on 28 December 2013*
- *Against a backdrop marked by high uncertainty and low visibility regarding the Comprehensive Assessment process, the Bank has taken the decision to align its capital ratios to best-in-class market standards and adopt a capital buffer to absorb any negative impacts resulting from the Comprehensive Assessment while continuing to meet the commitments undertaken in the Plan*
- *The capital increase of EUR 5 bn has already been backed by a pre-underwriting agreement with the same financial institutions that signed the pre-underwriting agreement in March 2014*
- *On a pro-forma basis, following the EUR 5 bn capital increase and assuming repayment of a nominal EUR 3 bn of New Financial Instruments, the phased-in CET1 ratio at 31 March would stand at 13.3%*

Siena, 12 May 2014 – The Board of Directors of Banca Monte dei Paschi di Siena Spa has today reviewed and approved the 2014 first quarter results.

Group profit and loss results for Q1 2014

As at 31 March 2014, the Group's **net income from banking and insurance** stood at approx. EUR 957 mln, up 30.2% on Q4 2013 (approx. + EUR 222 mln) although down 18.3% on the same period of last year. More specifically:

- **Net interest income** amounted to approx. EUR 446 million, down 21% on the previous quarter and 25.4% on 31 March 2013. The aggregate was affected by the repayment of State-subscribed securities (NFIs) adjusted to the contractual provisions governing the instruments, which bind the repayment amount to the consideration that the Monte dei Paschi di Siena Foundation communicated to have received for the sale of ordinary shares of Banca Monte dei Paschi[3], with a one-off negative impact on Q1 2014 of approx. EUR 143 mln. Excluding this amount, net interest income at 31 March 2014 would stand at approx. EUR 588 mln with an increase of 4.3% (+ EUR 24.3 mln) from Q4 2013. The trend shown here is to be seen in relation to the following key factors:
  - on the upside: management actions to contain the cost of funding, especially for corporate customers, and the recovery in interest rates which began in late December 2013 and which especially benefitted mortgage loans. Consequently, the funding/lending spread increased by 14 bps compared to Q4 2013;
  - on the downside: fall in interest-bearing loans and the "calendar effect" (2 working days less carry a negative weight of around EUR 12 mln).

  Net interest income, net of NFI-related impacts, would reflect a growth of approx. 4.1% YoY (+ EUR 24.3 mln), mainly due to an increase in the average funding/lending spread (approx. +43 bps), only partially offset by the reduction in interest-bearing assets (loans and securities)[4];

- **Net fees and commissions** totalling approx. **EUR 445 mln**, picked up significantly, growing by 10% from Q4 2013 (+ EUR 40 mln approximately) and 3.2% YoY. The aggregate was influenced by the positive performance of the sales & distribution network, which led to a sharp rise in placement fees on wealth management products, payment services and international banking services. Commissions on loans (largely stable on the previous quarter but down from the same period of last year) were propped up by income from the distribution of "consumer finance" products, following the onset of activities in relation to the agreement signed with Compass;

[3] The Prospectus for the New Financial Instruments lays down that repayment will occur at the greater of the following values:
(i) a percentage of the Initial Nominal Value equal to: 100% in the case of redemption by 30 June 2015; subsequently, the percentage is increased by 5 percentage points every two years up to 160% (105% in the case of redemption from 1July 2015 to 30 June 2017; 110% in the case of redemption from 1 July 2017 to 30 June 2019, and so forth); and
(ii) the product of underlying shares and the consideration paid by the bidder in the event of a public tender offer on the Issuer's ordinary shares at any time subsequent to the Date of Subscription;
(iii) the product of underlying shares and the consideration which the Monte dei Paschi di Siena Foundation communicated to have received for the sale of ordinary shares of the Issuer, at any time subsequent to the Date of Subscription, with the following exceptions. Under the present clause, disposals of equity investments amounting to less than 10% of share capital over a 12-month period shall not be considered. Should the Monte dei Paschi di Siena Foundation engage in a number of significant transactions under these provisions, the amount will be calculated on the basis of the weighted average price per share received by the Monte dei Paschi di Siena Foundation.

[4] In addition to the negative one-off impact on Q1 2014, it is also necessary to take account of the lower interest expense for the first quarter of 2013 (approx. EUR 34 mln) as a result of lower average volumes of New Financial Instruments (NFIs) issued by the Bank and subscribed by the Ministry of Economy and Finance. The issue of NFIs for a total of EUR 4,071 mln (of which EUR 1.9 bn to fully replace the "Tremonti Bonds" and EUR 0.171 bn, due on 1 July 2013, for advance payment of interest accrued on the Tremonti Bonds up to 31 December 2012) occurred on 28 February 2013.

- **Dividends, similar income (losses) on investments**: at approx. EUR 25.7 mln (EUR 32.9 mln in Q4 2013), almost entirely attributable to the contribution of AXA-MPS (consolidated at net equity);

- **Net profit/loss from trading/valuation/repurchase of financial assets/liabilities** as at 31 March 2014 totalled EUR 45.1 mln, up significantly from the previous quarter (approx. + EUR 317 mln) which had been affected by the accounting of certain non-recurring items. More specifically:
  - **Net profit from trading** showed a positive balance of EUR 43.8 mln (EUR -111.4 mln in Q4 2013) largely owing to the structuring of investment products and financial risk hedging for Group customers by MPS Capital Services – Banca per le Imprese;
  - **Disposal / repurchase of loans, available-for-sale financial assets and liabilities**, totalling approximately EUR 47 mln (EUR -119 mln in Q4 2013), mainly attributable to the capital gains resulting from the planned optimisation activities on the AFS securities portfolio.
  - **Net profit (loss) on financial assets and liabilities designated at fair value** shows a negative balance of EUR 45.7 mln (approx. EUR -41 mln in Q4 2013), mainly accounted for by the higher value of a number of bonds issued with Retail and Institutional customers, thanks to the considerable improvement in Banca MPS's creditworthiness (Banca MPS's CDS on 5-year subordinated bonds dropped by 190 bps during the quarter and the senior CDS by 113 bps).

- **Net income from hedging**: negative balance of EUR 4.6 mln (positive balance of EUR 5 mln in Q4 2013)

Net impairment losses (reversals) on loans stood at approx. EUR 477 mln, down EUR 733 mln against the previous quarter and slightly below the value registered at 31/03/2013 (-1.6% YoY). In the first quarter of 2014, the aggregate was primarily impacted by a decrease in gross impaired loan inflows as compared to the fourth quarter. The ratio of loan loss provisions over total customer loans is expressive of a provisioning rate of 144 bps, as compared to 211 bps in 2013.

Net impairment losses (reversals) on financial assets showed a negative balance of EUR 15.2 mln (vs. EUR -43.1 mln in Q4 2013; and EUR -10.3 mln in Q1 2013) mainly due to the depreciation of equity investments classified in the AFS portfolio.

As a consequence, **income from banking and insurance** totalled approx. EUR 466 mln, picking up from the fourth quarter of 2013, which showed a negative balance of roughly EUR 518 mln, but sliding 31.3% against the first quarter of 2013.

Operating expenses totalled approx. EUR 661 mln, down 3.8% on the previous quarter and 9.4% as compared to 31 March 2013. More specifically:

- **Personnel expenses**, totalling approx. EUR 429 mln, grew 3.6% on the previous quarter but were down 5.2% on Q1 2013 due to headcount reduction and the positive effects from agreements with the Trade Unions signed at the end of 2012 which, overall, allowed for the higher costs arising from the latest renewal of the National Collective Labour Agreement to be absorbed also;
- **Other administrative expenses** (net of customer expense recovery), totalling approx. EUR 183 mln, were down 19.4% QoQ and 22.9% YoY, partly the result of structural cutbacks in spending, particularly on rental expenses, advertising, sponsorships and events, business trips and facility management and office supplies. Seasonal factors also had a positive impact on the result.
- **Net value adjustments to tangible and intangible assets** were in the region of EUR 49 mln, up 7.1% from Q4 2013 and 23.8% as compared to the same period of the previous year. The aggregate was mainly influenced by the higher depreciation of real estate owing to the consolidation of Perimetro at the end of 2013.

On the back of these factors, the **Net Operating Result** showed a negative balance of approximately EUR 195 mln (vs. EUR -1,204 mln in the fourth quarter of 2013 and EUR -51.7 mln in the first quarter of 2013).

The cost/income ratio stood at 69% (vs. 71% as at 31/12/2013).

A contribution to **Net profit for the period** also came from:

- **Net provisions for risks and charges and other operating expenses/income** at 31/03/2014 showed a negative balance of EUR 53.2 mln at (against approx. EUR -223 mln in Q4 2013 and EUR +8.5 mln in Q1 2013. The aggregate included:
  - EUR -54.5 mln in provisions to the fund for risks and charges, almost entirely due to lawsuits and claw-back actions;
  - Other operating expenses/income (net of recovery expenses reclassified to Other Administrative expenses) showed a positive balance of EUR 1.3 mln. The latter was positively impacted by revenues from the "fast-track facility fees" (approx. EUR +15 mln) but affected by charges in connection with lawsuit settlements and writedowns on improvements of third-party goods;

- **Gains (losses) on investments** showed a net positive balance of approx. EUR 42 mln attributable to the capital gain from the disposal of Sorin (EUR +19 mln) and an adjustment of 50% to the sale price of the insurance business to AXA;

- **Restructuring costs/One-off charges,** amounting to approx. EUR -1 mln, associated with revised early-retirement incentives already put in place following the Trade Union agreement of 19 December 2012.

- **Gains (losses) on disposal of investments** showed a positive balance of EUR 4.7 mln attributable to the capital gain from the disposal of administrative and back office activities to the company Fruendo.

Taxes on profit (loss) for the period from continuing operations amounted to approximately EUR +38 mln (EUR -37 mln in the first quarter of 2013).

The consolidated net result for the period - before Purchase Price Allocation (PPA) - posted a loss of EUR 164.7 mln (EUR -93 mln as at 31/03/2013). Considering the effects of PPA also, the **Group's loss for the period** totalled EUR 174.1 mln (approx EUR 101 mln as at 31/03/13).

Group balance sheet aggregates for Q1 2014

As at 31 March 2014, **total funding** volumes for the Group amounted to approx. EUR 234 bn, slightly higher than the result at the end of December 2013, primarily thanks to the upturn in both assets under management, offset by a mild dip in direct funding which, in turn, was affected by the institutional components. Compared to 31 March 2013, however, total funding registered a fall of 4.8% due to both direct funding and assets under custody, which were mainly affected by movements in shares under custody by some of the Group's key clients and other institutional customers. More specifically:

Direct funding for the Group, totalling approx. EUR 129 bn, dropped 0.8% from the end of last year, with a market share[5] of 5.89% (at January 2014, most recent data available), holding steady on December 2013 levels. As at 31 March 2014 the aggregate benefitted from an upward trend for Current Accounts (+3.3% QoQ) and Time Deposits (+8.8% QoQ), thanks to the product “Conto Italiano di Deposito” which was the main beneficiary of outflows from Bonds (-4.7% QoQ). A downturn was also recorded in sale & repurchase agreements, almost entirely representing a form of guaranteed funding on the institutional market. Other

[5] The market share is calculated on deposits (excluding those associated with securitisations), repurchase agreements (excluding central counterparties) and bonds (net of buybacks) placed with resident consumer clients as first-instance borrowers.

forms of Direct Funding, which include the recognition of approx. EUR 4 bn in New Financial Instruments (NFIs) issued in favour of the Ministry of Economy and Finance[6], was up 6.7% from December 2013, thanks to funding with Key Clients.
Compared with the same period of last year, Direct Funding fell 4.8% due to Repurchase Agreements (-16.6% YoY) and, above all, Bonds (-21% YoY). The latter was affected by the suspension of retail issues, for a substantial portion of the year, following the request for several supplements to the base prospectuses and registration document as a result of highly-publicised legal events concerning the Group and the loss of access to international funding. Today, the environment and climate surrounding the Group have improved significantly. In this regard, 2014 has seen the successful launch of two bond issuances for institutional customers for a total amount of EUR 2 bn, which will be accounted for in the next quarter's balance sheet (an unsecured senior bond and a covered bond, both in the amount of EUR 1 bn). Both transactions generated a demand which significantly exceeded supply (almost four times as much) and attracted a highly diversified investor base, reflective of the Group's re-found ability to access capital markets and recognition of the MPS brand.

Indirect funding for the Group as at 31/03/2014, totalling approx. EUR 105 bn, registered an increase of 1.8% on 31/12/2013 (-4.7% on 31/03/2013). More specifically:

- **Asset management** closed the quarter with volumes totalling EUR 46.7 bn, up 3.4% on 31/12/2013 and 6.5% on 31/03/2013. A breakdown of the aggregate shows:
  - **an insurance component** of EUR 22 bn (+1.5% on 31/12/2013; +1.3% on 31/03/2013), having benefitted from insurance premiums collected in the first quarter of 2014 for an amount of approximately EUR 1.7 bn, driven by Unit Linked products. The Group's market share in Bancassurance came to 7.14% (at December 2013, most recent data available);
  - **Mutual investment funds and open-end collective schemes (Sicav)** , amounting to EUR 18.5 bn, were up 6.6% on 31/12/2013 (+16.8% on 31/03/2013), thanks to net flows of around EUR 1 bn during the quarter, largely concentrated in guaranteed capital products. The Group's market share stood at 3.73% (at December 2013, most recent data available as).
  - **Individual portfolio management**, totalling approximately EUR 6 bn, were up 1.2% from the end of last year (-1.8% YoY), with a Group market share of 3.90% (at December 2013, most recent data available).

- **Assets under custody**, amounting to EUR 58.6 bn, registered a slight increase on the end of last year (+0.6%) and a fall of 12.1% on 31/03/2013. The latter, owing principally to movements in shares under custody by some of the Group's Key Clients and other institutional customers with P&L impact, however, not being significant.

Loans to customers amounted to approx. EUR 133 bn as at 31 March 2014, up 1.6% from the previous quarter though down 5.6% on 31/03/2013. During the first quarter of 2014, the aggregate was impacted by the sharp rise in repurchase agreements with the “Cassa di Compensazione e Garanzia”, which almost doubled with respect to the end of December 2013, on which temporary surpluses of liquidity have been allocated. If we excluded these transactions, loans to customers would register a decline, albeit less intensive than previous periods, as a consequence of the ongoing recessionary cycle and a selective credit-granting policy.

[6] On 28 February 2013, Banca Monte dei Paschi di Siena S.p.A. completed the issuance of new financial instruments provided for by articles 23-sexies of Law Decree no. 95 of 6 July 2012, n. 95, converted, with amendments, into Law no. 135 of 7 August 2012, as subsequently amended (the “New Financial Instruments”). In particular, the Ministry of Economy and Finance subscribed the New Financial Instruments issued by the Bank for a total of EUR 4,071 bn, of which EUR 1.9 bn allocated to full replacement of the Tremonti Bonds already issued by the Bank in 2009 (and included, as of the end of December 2012, in “Other forms of direct funding”) and EUR 0.171 bn, due on 1 July 2013, for advance payment of interest accrued on Tremonti bonds up to 31 March 2013, in consideration of the Bank’s negative results as at 31 March 2013. From a Capital Adequacy standpoint, although included in Direct Funding, the NFIs qualify as Core Tier 1, by reason of their subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumptions.

As at January 2014 (most recent data available), the Group's market share of total loans, calculated net of repurchase agreements with institutional counterparties, stood at 7.23%, substantially stable on 2013-end levels.

As for **special-purpose loans** during the quarter:

- EUR 68 mln in new loans were granted by MPS Capital Services, down 59% on Q4 2013 and 43.5% year-on-year.
- Inflows from Leasing contracts totalled approx. EUR 118 mln (-27.9% on Q4 2013 and -12.3% on Q1 2013) while Factoring turnover came to approx. EUR 1 bn (-5.1% on Q4 2013 and -30.1% on Q1 2013);
- In consumer lending, disbursements totalled approx. EUR 240 mln, (-28.8% QoQ; -56.5% YoY) owing largely to the partnership signed with Compass in February 2014, in implemetation of the 2013-2017 Business Plan guidelines. The partnership meets the Group's aim to support the offer of credit to households, even during this challenging economic cycle, and continue to enhance its sales & distribution network through the placement of qualified third-party products, while rapidly developing business segments with high distribution value.

As at March 2014, the Group's net exposure to **impaired loans** totalled approx. EUR 22 bn, up by around EUR 0.9 bn on the end of last year. An increase of 5.1% was registered for NPLs and of 2.3% for watchlists as compared to 31/12/2013. Restructured loans also grew (+9.5% QoQ) as did past due exposures (+5% QoQ), reflecting an economic cycle which continues to struggle, even if improving.

As at 31 March 2014, **coverage of impaired loans stood at 41.6%,** (-20 bps on 31/12/2013) with NPL coverage amounting to 58.5% (slightly lower 2013-end, -30 bps) while coverage on watchlists stood at 20.7% (slightly higher than 2013-end, +30 bps).

The Group's **securities and derivatives portfolio**, amounting to approx.EUR 36.3 bn, was largely stable on volumes at 31/12/2013 but was down by approx. EUR 1.7 bn as compared to 31/03/2013 (-4.4% YoY). The increase in the HFT portfolio with respect to December 2013 (+ EUR 1.6 bn) is attributable to the subscription of Ordinary Treasury Bills by the subsidiary MPS Capital Service in March, most of which were re-sold with date of settlement in early April. AFS portfolio optimisation activities continued with the sale of government bonds, financial securities and equity investments, accounting for gains of approx. EUR 47 mln. As for bonds recognized under L&R, the slight decrease is primarily in connection with some positions coming to natural maturity.

As at 31/03/2014, the Group's **net equity** and non-controlling interests came to EUR 6.3 bn, up EUR 104 mln (+1.7%) on the the end of 2013. The result was mainly affected by an impact on the valuation reserve (+ EUR 268 milioni di euro) owing to the higher value of the AFS portfolio as a result of a tighter Italian spread and loss for the quarter.

Pursuant to CRR/CRD IV, a new regulatory framework (Basel 3) for the measurement of regulatory capital and capital requirements entered into force as of 1 January 2014. On the basis of these new rules, Common Equity Tier 1 ratio (CET1 ratio) stood at 10.8% (in line with pro forma data at 31/12/2013) and Total Capital at 14.9% (compared to 15.1% pro forma at 31/12/2013). Key changes in the first quarter of 2014 compared to pro forma figures in December 2013 include:

i) a EUR 331 mln reduction in Regulatory Capital owing to:
   - lower CET1 (- EUR 141 mln) as a result of the loss registered for the period, the increase in prudential filters and higher deductions, partly compensated for by the disposal of treasury shares and a portion of securities held in the UCITs portfolio;
   - lower Tier 2 (- EUR 190 mln) as a result of the regulatory amortisation of subordinated debt.

ii) a decrease in RWAs by approx. EUR -1.3 bn, mainly the result of a reduced absorption of credit, market and operational risks.

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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. Arturo Betunioi, declares that the accounting information contained in this press release corresponds to the underlying documentary evidence and accounting records.

This communication and the information contained herein does not contain or constitute an offer of securities for sale, or solicitation of an offer to purchase securities, in the United States, Australia, Canada or Japan or any other jurisdiction where such an offer or solicitation would require the approval of local authorities or otherwise be unlawful (the "Other Countries"). Neither this document nor any part of it nor the fact of its distribution may form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto. The securities referred to herein have not been registered and will not be registered in the United States under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or pursuant to the corresponding regulations in force in the Other Countries. The securities may not be offered or sold in the United States unless such securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available.

Reclassified accounts

Income statement and balance sheet reclassification principles

The following accounting statements illustrate balance-sheet and income statement accounts reclassified on the basis of operating criteria.

Following are the reclassifications made to the consolidated profit and loss account as at 31 March 2014:

a) **“Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities"** in the reclassified income statement, includes Item 80 "Net profit (loss) from trading", Item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and Item 110 "Net profit (loss) on financial assets and liabilities designated at fair value". The item incorporates dividends earned on securities held in the Group's securities portfolio (approx. EUR 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” (approx. EUR 26 mln, corresponding to the share of profit and loss for the period contributed by the investment in associate AXA, consolidated at equity). Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate;

c) “**Net impairment losses (reversals) of financial assets**” includes the item 130b “Financial assets available for sale”, 130c “Financial assets held to maturity” and 130d ”Other financial transactions”.

d) The income statement item “**Personnel expenses**” was reduced by approx. EUR 1 mln in restructuring charges referring to revised estimates of early-retirement incentives already put in place following Union agreement of 19 December 2012. The amount was reclassified under “Restructuring costs/One-off charges”.

e) “**Other administrative expenses**” in the reclassified income statement was deducted of the portion of stamp duty and client expense recovery (approx. EUR 77 million) posted under item 220 “Other operating expenses (income)”.

f) The item **“Net provisions for risks and charges and other operating income (expenses)”** in the reclassified income statement, which incorporates item 190 “Net provisions for risks and charges” and item 220 “Other operating expenses (income)”, excludes stamp duty and client expense recoveries as described under item e) above "**Other administrative expenses**".

g) The income statement item “**Restructuring costs/One-off charges**” includes one-off charges for approx. EUR 1 mln associated with revised estimates of early-retirement incentives already put in place following Union agreement of 19 December 2012 and reclassified out of Personnel expenses (see item d).

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

i) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular **“Interest income”** for approx. EUR 7 mln and “**Depreciation/amortisation”** for approx. EUR 7 mln, net of a theoretical tax burden of approx. EUR -5 mln which integrates the item).

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

j) **“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".

k) **“Other assets”** on the assets side of the reclassified balance-sheet incorporates item 80 "Hedging derivatives", item 90 "*C*hanges 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";

l) **“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";

m) **“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 with assets held for sale and discontinued operations” and item 100 “Other liabilities”.

CONSOLIDATED REPORT ON OPERATIONS
Highlights at 03/31/14
INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
INCOME STATEMENT FIGURES (in EUR mln)	**03/31/14**	**03/31/13** (*)	**% chg**
Income from banking activities	891.0	1,029.0	-13.4%
Income from financial and insurance activities	957.2	1,171.8	-18.3%
Net operating income	-195.0	-51.7	n.m.
Profit (loss) for the period	-174.1	-101.2	n.m.
BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**03/31/14**	**12/31/13**	**% chg**
Direct funding	128,859	129,836	-0.8%
Indirect funding	105,273	103,397	1.8%
of which: assets under management	*46,656*	*45,106*	3.4%
of which: assets under custody	*58,617*	*58,292*	0.6%
Loans to customer	132,677	130,598	1.6%
Group net equity	6,251	6,147	1.7%
KEY CREDIT QUALITY RATIOS (%)	**03/31/14**	**12/31/13**	**Abs. chg**
Net doubtful loans/Loans to Customers	7.0	6.8	0.2
Net substandard loans/Loans to Customers	5.8	5.8	0.0
PROFITABILITY RATIOS (%)	**03/31/14**	**12/31/13**	**Abs. chg**
Cost/Income ratio	69.0	71.0	-2.0
Net loan loss provisions / End-of-period loans	1.44	2.11	-0.7
CAPITAL RATIOS (%)	**03/31/14**	**Dec.13 (BIS 3)**	**Dec.13 (BIS 2)**
Solvency ratio	14.9	15.1	15.2
Tier 1 ratio	10.8	10.8	10.6
INFORMATION ON BMPS STOCK	**03/31/14**	**12/31/13**	
Number of ordinary shares outstanding	11,681,539,706	11,681,539,706	
Price per ordinary share:	from **12/31/13** to **03/31/14**	from **12/31/12** to **12/31/13**	**% chg**
average	0.20	0.22	-9.5%
low	0.17	0.15	7.1%
high	0.27	0.30	-11.7%
OPERATING STRUCTURE	**03/31/14**	**31/12/2013**	**Abs. chg**
Total head count - end of period (**)	27,304	28,417	-1,113
Number of branches in Italy	2,334	2,334	
Number of specialised centres	283	287	-4
Financial advisory branches	121	125	-4
Number of branches & representative offices abroad	39	39	

(*) The 2013 Balance Sheet and Profit and Loss Statement figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014.

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

MPS Group	03/31/13 (*)	03/31/14	Change Ins.	Change %
Net interest income	597.7	445.8 (**)	(151.9)	-25.4%
Net fee and commission income	431.3	445.2	13.9	3.2%
Income from banking activities	**1,029.0**	**891.0**	**(138.1)**	**-13.4%**
Dividends, similar income and gains (losses) on investments	27.2	25.7	(1.5)	-5.4%
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	119.5	45.1	(74.4)	-62.3%
Net profit (loss) from hedging	(4.0)	(4.6)	(0.6)	13.9%
Income from financial and insurance activities	**1,171.8**	**957.2**	**(214.5)**	**-18.3%**
Net impairment losses (reversals) on:	**(494.5)**	**(491.7)**	**2.8**	**-0.6%**
a) loans	(484.2)	(476.6)	7.6	-1.6%
b) financial assets	(10.3)	(15.2)	(4.8)	46.7%
Net income from financial and insurance activities	**677.3**	**465.5**	**(211.8)**	**-31.3%**
Administrative expenses:	(689.7)	(611.9)	77.7	-11.3%
a) personnel expenses	(452.9)	(429.3)	23.6	-5.2%
b) other administrative expenses	(236.8)	(182.6)	54.2	-22.9%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(39.3)	(48.6)	(9.3)	23.8%
Operating expenses	**(728.9)**	**(660.5)**	**68.4**	**-9.4%**
Net operating income	**(51.7)**	**(195.0)**	**(143.4)**	**n.m.**
Net provisions for risks and charges and other operating expenses/income	8.5	(53.2)	(61.7)	n.m.
Gains (losses) on investments	1.0	41.9	40.9	n.m.
Reorganisation costs / one-off charges	-	(1.1)	(1.1)	n.m.
Gains (losses) on disposal of investments	0.2	4.7	4.5	n.m.
Profit (loss) before tax from continuing operations	**(41.9)**	**(202.7)**	**(160.8)**	**n.m.**
Tax expense (recovery) on income from continuing operations	(37.4)	38.4	75.9	n.m.
Profit (loss) after tax from continuing operations	**(79.3)**	**(164.3)**	**(84.9)**	**n.m.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	(12.9)	-	12.9	n.m.
Net profit (loss) for the period including non-controlling interests	**(92.2)**	**(164.3)**	**(72.1)**	**78.2%**
Net profit (loss) attributable to non-controlling interests	(0.5)	(0.5)	0.0	-9.5%
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(92.7)**	**(164.7)**	**(72.0)**	**77.7%**
PPA (Purchase Price Allocation)	(8.5)	(9.4)	(0.9)	10.8%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-	-	-	n.m.
Net profit (loss) for the period	**(101.2)**	**(174.1)**	**(72.9)**	**n.m.**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014.

(**) The aggregate was affected by the repayment of State-subscribed securities (NFIs) adjusted to the contractual provisions governing the instruments, which bind the repayment amount to the consideration that the Monte dei Paschi di Siena Foundation communicated to have received for the sale of ordinary shares of Banca Monte dei Paschi , with a one-off negative impact on Q1 2014 of approx. EUR 143 mln. Excluding this amount, net interest income at 31 March 2014 would stand at approx. EUR 588 mln.

QUARTERLY TREND IN RECLASSIFIED INCOME STATEMENT (in EUR mln)

MPS Group	2013 (*) 1st quarter	2nd quarter	3rd quarter	4th quarter	2014 1st quarter
Net interest income	597.7	487.2	507.3	564.0	445.8 (**)
Net fee and commission income	431.3	417.3	404.2	404.8	445.2
Income from banking activities	**1,029.0**	**904.4**	**911.5**	**968.8**	**891.0**
Dividends, similar income and gains (losses) on investments	27.2	38.6	31.1	32.9	25.7
Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities	119.5	76.5	89.6	(271.6)	45.1
Net profit (loss) from hedging	(4.0)	(0.9)	7.0	5.0	(4.6)
Income from financial and insurance activities	**1,171.8**	**1,018.7**	**1,039.1**	**735.2**	**957.2**
Net impairment losses (reversals) on:	**(494.5)**	**(556.5)**	**(519.3)**	**(1,252.8)**	**(491.7)**
a) loans	(484.2)	(544.8)	(511.0)	(1,209.7)	(476.6)
b) financial assets	(10.3)	(11.7)	(8.3)	(43.1)	(15.2)
Net income from financial and insurance activities	**677.3**	**462.1**	**519.8**	**(517.6)**	**465.5**
Administrative expenses:	(689.7)	(668.7)	(658.8)	(640.9)	(611.9)
a) personnel expenses	(452.9)	(422.6)	(429.0)	(414.3)	(429.3)
b) other administrative expenses	(236.8)	(246.1)	(229.8)	(226.6)	(182.6)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(39.3)	(36.0)	(38.0)	(45.4)	(48.6)
Operating expenses	**(728.9)**	**(704.7)**	**(696.9)**	**(686.3)**	**(660.5)**
Net operating income	**(51.7)**	**(242.5)**	**(177.1)**	**(1,204.0)**	**(195.0)**
Net provisions for risks and charges and other operating expenses/income	8.5	11.5	(29.2)	(223.0)	(53.2)
Gains (losses) on investments	1.0	(32.6)	(0.5)	(25.9)	41.9
Reorganisation costs / one-off charges	-	(17.6)	(0.2)	(6.7)	(1.1)
Gains (losses) on disposal of investments	0.2	(1.9)	1.2	1.9	4.7
Profit (loss) before tax from continuing operations	**(41.9)**	**(283.1)**	**(205.7)**	**(1,457.7)**	**(202.7)**
Tax expense (recovery) on income from continuing operations	(37.4)	31.3	89.8	563.5	38.4
Profit (loss) after tax from continuing operations	**(79.3)**	**(251.8)**	**(116.0)**	**(894.2)**	**(164.3)**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	(12.9)	(12.9)	(12.9)	(12.6)	-
Net profit (loss) for the period including non-controlling interests	**(92.2)**	**(264.6)**	**(128.8)**	**(906.8)**	**(164.3)**
Net profit (loss) attributable to non-controlling interests	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(92.7)**	**(265.2)**	**(129.3)**	**(907.3)**	**(164.7)**
PPA (Purchase Price Allocation)	(8.5)	(13.0)	(9.2)	(9.1)	(9.4)
Net profit (loss) for the period	**(101.2)**	**(278.2)**	**(138.6)**	**(916.3)**	**(174.1)**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014.

(**) The aggregate was affected by the repayment of State-subscribed securities (NFIs) adjusted to the contractual provisions governing the instruments,which bind the repayment amount to the consideration that the Monte dei Paschi di Siena Foundation communicated to have received for the sale of ordinary shares of Banca Monte dei Paschi, with a one-off negative impact on Q1 2014 of approx. EUR 143 mln. Excluding this amount, net interest income at 31 March 2014 would stand at approx. EUR 588 mln.

RECLASSIFIED BALANCE SHEET (in EUR mln)

ASSETS	12/31/13 (*)	03/31/14	Chg. vs 12/31/13 abs.	Chg. vs 12/31/13 %
Cash and cash equivalents	877	823	(54)	-6.2%
Receivables :				
a) Loans to customers	130,598	132,677	2,079	1.6%
b) Loans to banks	10,485	10,204	(281)	-2.7%
Financial assets held for trading	42,919	43,500	581	1.4%
Financial assets held to maturity	-	-	-	
Equity investments	970	960	(11)	-1.1%
Property, plant and equipment / Intangible assets	4,046	4,004	(42)	-1.0%
of which:				
a) goodwill	*670*	*670*	-	
Other assets	8,566	8,855	289	3.4%
Total assets	**198,461**	**201,022**	**2,562**	**1.3%**

LIABILITIES	12/31/13 (*)	03/31/14	Chg. vs 12/31/13 abs.	Chg. vs 12/31/13 %
Payables				
a) Deposits from customers and securities issued	129,836	128,859	(977)	-0.8%
b) Deposits from banks	37,279	40,991	3,712	10.0%
Financial liabilities held for trading	16,410	14,630	(1,780)	-10.8%
Provisions for specific use				
a) Provisions for staff severance indemnities	261	273	12	4.5%
b) Pensions and other post retirement benefit obligations	61	60	(1)	-2.4%
c) Other provisions	1,066	1,020	(46)	-4.3%
Other liabilities	7,367	8,905	1,538	20.9%
Group net equity	6,147	6,251	104	1.7%
a) Valuation reserves	(1,056)	(788)	268	-25.4%
c) Equity instruments	3	3	-	
d) Reserves	1,175	(274)	(1,449)	-123.4%
e) Share premium	-	-	-	
f) Share capital	7,485	7,485	-	
g) Treasury shares (-)	(25)	(0)	25	-100.0%
h) Net profit (loss) for the year	(1,434)	(174)	1,260	-87.9%
Non-controlling interests	33	34	0	1.3%
Total Liabilities and Shareholders' Equity	**198,461**	**201,022**	**2,562**	**1.3%**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014.

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

ASSETS	**03/31/2013** (*)	**06/30/2013** (*)	**09/30/2013** (*)	**12/31/2013** (*)	**03/31/2014**
Cash and cash equivalents	697	684	785	877	823
Receivables :					
a) Loans to customers	140,510	138,082	135,564	130,598	132,677
b) Loans to banks	13,676	12,240	11,439	10,485	10,204
Financial assets held for trading	46,389	49,655	45,777	42,919	43,500
Financial assets held to maturity					-
Equity investments	1,029	971	994	970	960
Property, plant and equipment / Intangible assets	2,496	2,465	2,441	4,046	4,004
of which:					
a) goodwill	*670*	*670*	*670*	*670*	*670*
Other assets	10,086	9,774	9,447	8,566	8,855
Total assets	**214,883**	**213,870**	**206,446**	**198,461**	**201,022**

LIABILITIES	**03/31/2013** (*)	**06/30/2013** (*)	**09/30/2013** (*)	**12/31/2013** (*)	**03/31/2014**
Payables					
a) Deposits from customers and securities issued	135,311	137,078	132,286	129,836	128,859
b) Deposits from banks	42,753	41,741	42,377	37,279	40,991
Financial liabilities held for trading	19,571	18,630	14,909	16,410	14,630
Provisions for specific use					
a) Provisions for staff severance indemnities	291	269	282	261	273
b) Pensions and other post retirement benefit obligations	40	48	47	61	60
c) Other provisions	1,124	1,207	1,185	1,066	1,020
Other liabilities	9,595	8,339	8,922	7,367	8,905
Group net equity	6,195	6,555	6,435	6,147	6,251
a) Valuation reserves	(2,309)	(1,714)	(1,697)	(1,056)	(788)
c) Equity instruments	3	3	3	3	3
d) Reserves	886	1,187	1,187	1,175	(274)
e) Share premium	255	-	-	-	-
f) Share capital	7,485	7,485	7,485	7,485	7,485
g) Treasury shares (-)	(25)	(25)	(25)	(25)	(0)
h) Net profit (loss) for the period	(101)	(380)	(518)	(1,434)	(174)
Non-controlling interests	3	3	3	33	34
Total Liabilities and Shareholders' Equity	**214,883**	**213,870**	**206,446**	**198,461**	**201,022**

(*) 2013 figures were restated in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) to reflect changes following the introduction of new accounting policies which came into force on 1 January 2014.