

## PRESS RELEASE

### BOARD APPROVES RESULTS AS AT 30 SEPTEMBER 2015

*Nine months net income at EUR 84.7 million confirming positive trend in core banking business*

*Solid capital position with Common Equity Tier 1 at 12%*

#### **Results as at 30 September**

- Fully loaded Common Equity Tier 1 ratio stands at 11.7% (+100bps vs. June 2015 proforma<sup>1</sup>) and transitional Common Equity Tier 1 ratio stands at 12% (+67bps vs. June 2015 proforma<sup>1</sup>)
- Pre Provision Profit at EUR 1,417 million (+28.6% Y/Y) with a positive trend in the core banking business
- Net profit of EUR 84.7 million; -EUR 109 million in the third quarter, impacted by the unwinding of Alexandria (- EUR 88 million after tax)
- Balance Sheet further derisked also by the unwinding of Alexandria<sup>2</sup>
- Actions to manage non-performing loans continue, in line with the objectives of the business plan. NPEs coverage (48.6%) is among the highest of the Italian banking system

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<sup>1</sup> The pro-forma figure includes the payment of New Financial Instruments (NFIs) coupon through the issue of new shares dedicated to the Minister of Finance on 1<sup>st</sup> July 2015.

<sup>2</sup> Main impacts on the balance sheet from the unwinding of Alexandria were: - EUR 4 billion of Loans; - EUR 3.3 billion of direct funding; + EUR 0.35 billion of AFS reserve; - EUR 1.4 billion of other liabilities.

Siena, 6 November 2015 – The Board of Directors of Banca Monte dei Paschi di Siena S.p.A. today reviewed and approved the results as at 30 September 2015.

### **Main consolidated Income Statement results:**

- *Net interest income of EUR 1,740 million, up 12.1% Y/Y<sup>3</sup>, thanks to the lower average amount of New Financial Instruments (NFIs) and to the improvement of the average spread rate, partially offset by the decline in average interest-bearing loans and portfolio returns. The third quarter contribution was about EUR 569 million (+1.5% Q/Q), positively impacted by the full repayment of NFIs in June 2015 as well as by the reduction in interest-bearing liabilities, while it was negatively affected by the decline in volumes and yields on commercial loans*
- *Net commissions of EUR 1,358 million with an increase of 5.1% Y/Y. Growth was primarily driven by Wealth Management fees (+16% Y/Y), boosted by placements (+14.3%) and continuing fees (+18.3%). The third quarter contribution was about EUR 431 million, -10.9% Q/Q due mainly to a decline in income from product placements, which were affected by seasonality*
- *Operating costs continued to be under strict control, down 2.7% Y/Y at EUR 1,967 million and down 0.2% Q/Q*
- *Net profit from financial activity<sup>4</sup> came in at EUR 164 million (-25.9% Y/Y), including the loss resulting from the unwinding of the Alexandria transaction (approximately EUR -130 million before tax) in the third quarter*
- *Loan loss provisions at EUR 1,414 million, down 42.6% Y/Y, which in the same period last year were impacted by the extraordinary adjustments relating to exposures subject to Credit File Review as part of the Asset Quality Review. The third quarter figure was about EUR 430 million, slightly above the previous quarter loan loss provisions, calculated excluding the extraordinary one offs of the previous quarter. In the first nine months 2015, the annualized cost of credit stood at 168bps vs the 260bps at end September 2014*
- *Net result of EUR 84.7 million, with a negative result in the third quarter of -EUR 109 million, primarily due to the impact of unwinding Alexandria (-EUR 88 million after tax)*

### **Main consolidated Balance Sheet results:**

- *Loans to customers outstanding at EUR 113 billion, down by -4.2% versus June 2015 mainly due to the unwinding of Alexandria (Repos: about -EUR 2 billion; Other Loans related to Alexandria: about -EUR 2 billion). Excluding the Alexandria effect, loans would have been down 0.8%*
- *Direct funding at around EUR 123 billion, down 2.8% compared to June 2015, due to the unwinding of Alexandria (about -EUR 3.3 billion in Repos) and to bonds coming to maturity (-EUR 0.6 billion), partially offset by an increase in retail and corporate funding (time deposits +5.6%)*
- *Indirect funding at around EUR 108 billion, substantially in line with June 2015*
- *Solid liquidity position with Unencumbered counterbalancing capacity of about EUR 24 billion (+EUR 4 billion versus June 2015)*

<sup>3</sup> The interest income, net of EUR 147 million relative to the price adjustment of New Financial Instruments (NFIs), which had an impact on the nine months 2014 results, would reflect a year-on-year growth of approx. 2.4%.

<sup>4</sup> Net profit/loss from trading-valuation-repurchase of financial assets/liabilities.

## **Group profit and loss results in the first nine months of 2015**

As at 30 September 2015, the Group's **Total Revenues** amounted to approximately **EUR 3,384 million** (+8.4% Y/Y) with the third quarter contributing around EUR 958 million, down 17.4% on the previous quarter. The trend was affected by the loss resulting from the unwinding of Alexandria (about - EUR 130 million before tax). More specifically:

- **Net interest income** at 30 September 2015 amounted to about **EUR 1,740 million**, up 12.1% on the same period of last year, where a negative impact from the price adjustment of NFIs (about EUR 147 million) was booked. Excluding this impact, the Group's net interest income would reflect a year-on-year growth of about 2.4%. The trend was positively impacted by the lower average amount of NFIs and improving commercial spread but affected by the decline in interest-bearing loans as well as the decrease in the average yield of the securities portfolios due to its optimization.

The third quarter contributed about EUR 569 million, up 1.5% on the previous quarter. The quarterly trend was positively impacted by the full repayment of NFIs, in June 2015, and by the reduction in interest-bearing liabilities, while it was negatively affected by the decline in volumes and yields of customer loans.

- **Net fees and commissions**, totalling about **EUR 1,358 million**, picked up 5.1% Y/Y thanks to higher revenues from wealth management, boosted by placements and continuing fees. In the third quarter the aggregate was approximately EUR 431 million, down from the previous quarter (-10.9%) due to a decline in income from product placements and lending-related services, which were affected by the seasonality factor;
- **Net profit/loss from trading-valuation-repurchase of financial assets/liabilities** as at 30 September 2015 came in at about **EUR 164 million**, down from the same period in 2014 (-25.9%), with the third quarter contributing around EUR 67 million (value that includes the loss resulting from the unwinding of Alexandria, amounting to around -EUR 130 million before tax). The previous quarter figure was positive for approximately EUR 59 million. A closer look at the result reveals that:
  - **Net profit from trading** showed a positive balance of about **EUR 161 million** (EUR +73 million Y/Y), almost entirely due to income from the subsidiary MPS Capital Services, with the third quarter contributing approximately EUR 44 million, down 10.2% Q/Q;
  - **Disposal/repurchase of loans and available-for sale financial assets and liabilities** showed a positive balance of about **EUR 9 million** (against EUR 150 million in the same period in 2014). The third quarter registered a negative value of around -EUR 124 million due to the loss resulting from the unwinding of Alexandria and the lower results relating to the optimization of the AFS portfolio respect to the previous quarter;
  - **Net profit (loss) on financial assets and liabilities designated at fair value** showed a negative balance of **EUR 5.6 million** (-EUR 16.2 million accounted for at 30 September

2014), with the third quarter contributing approximately EUR 12.5 million, mainly attributable to the lower fair value of certain bond issues.

- **Dividends, similar income and gains (losses) on investments:** the result, approximately EUR 95 million (EUR 82 million as at September 2014), includes the contribution of AXA-MPS (consolidated in the net assets). The aggregate decreased of about EUR 13 million compared to the previous quarter which benefited from dividends from the Bank of Italy for about EUR 9 million;
- **Net income from hedging:** showed a positive balance of EUR 14 million (loss of EUR 11 million as at 30 September 2014) with a negative contribution of EUR 4 million in the third quarter 2015;
- **Other income/expenses:** showed a positive balance of around EUR 13 million (-EUR 14.3 million in the first nine months of 2014), with a contribution of almost nil in the third quarter.

As at 30 September 2015, **Operating expenses** totalled approximately **EUR 1,967 million** (-2.7% Y/Y) with the third quarter substantially stable at around EUR 656 million (-0.2% Q/Q). More specifically:

- **Administrative expenses** stood at EUR 1,810 million (-2.5% Y/Y) with the third quarter accounting for about EUR 602 million (-0.3% Q/Q). Breaking this down further:
  - o **Personnel expenses** amounted to **EUR 1,257 million**, showing an annual decline of 1.8% mainly due to the headcount reductions implemented in late 2014 and early 2015 which, combined, more than offset cost increases due to the impact of the renewal of CCNL (*Contratto Collettivo Nazionale del Lavoro*). The quarterly trend (+2% Q/Q) reflected the impact from the CCNL, the re-introduction retroactively of the contribution to the Solidarity Fund for all banks and accounting adjustments to employees funds;
  - o **Other administrative expenses** closed at **EUR 554 million**, down 4% Y/Y due to structural cutbacks in spending, particularly real estate, outsourcing and logistics. The third quarter of 2015, which contributed EUR 179 million (-5.3% Q / Q), benefited from positive non-recurring items, in part also linked to seasonal effects.
- **Net value adjustments to tangible and intangible assets** totalled **EUR 157 million**, down 4.8% Y/Y with the third quarter contributing approximately EUR 54 million (+1.3% Q/Q) that was also affected by the slightly higher amortization of intangible assets.

On the back of these factors, in the first nine months of 2015 **Pre Provision Profit** came in at **EUR 1,417 million** vs. EUR 1,102 million at 30 September 2014. The third quarter contribution amounted to approximately EUR 301 million (-40.0% Q/Q).

The cost/income ratio<sup>5</sup> stood at 58.1%.

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<sup>5</sup> The cost / income ratio is expressed as the ratio of Operating expenses and Total Revenues (Income from banking and insurance activities). Please note that with the quarter ending 31/03/2015, the Group has adopted a new reclassified income statement that includes in Total Revenues also the balance of "Other operating expenses / income".

As at 30 September 2015, **net impairment losses on loans** stood at about EUR 1,414 million, down 42.6% versus the same period last year, on which impacted extraordinary adjustments relating to exposures subject to *Credit File Review* in the *Asset Quality Review*. The contribution of the third quarter amounted to approximately EUR 430 million (-16.7% vs the second quarter 2015), that was also affected by the effects of the recalibration of the Probability of Default (PD) and Loss Given Default (LGD) parameters.

The ratio of annualised loan loss provisions in the first nine months of 2015 over total customer loans reflected a **provisioning rate of 168 bps** vs. 260 bps registered in the same period of 2014 (168 bps registered as at 30 June 2015).

**Net impairment losses (reversals) on financial assets and other transactions** showed a **negative balance of approximately EUR 4 million** against a negative balance of around -EUR 59 million registered in the first nine months of 2014. The impact of the third quarter was -EUR 5.5 million (-EUR 12.3 million in the second quarter 2015).

Consequently, the Group's **Net Operating Result** came in at **-EUR 0.5 million** (around -EUR 1,421 million in the first nine months of 2014).

The result for the period was also affected by:

- **Provisions for risks and charges**, which stood at approximately **-EUR 60 million**, with the third quarter 2015 contributing around -EUR 11 million. It should be noted that, in the third quarter 2015, charges were booked for approximately -EUR 55 million. These charges relate to EU Directive 2014/49 "Deposit Guarantee Schemes Directive – DGSD" and Directive 2014/59, the "Bank Recovery and Resolution Directive – BRRD". The provision is essentially based on covered deposits and, in the case of DGSD, just one half-year period was considered for 2015, in line with applicable guidelines. A positive impact of over EUR 50 million was also recognised following the release of funds allocated against risks which either no longer exist or which manifested themselves to a lesser extent than previously expected.
- **Gains (losses) from investments** totalled approximately **EUR 127 million**, of which EUR 1.5 million in the third quarter of 2015. In the Q/Q comparison, it should be noted that the second quarter 2015 result included around EUR 120 million from the disposal of the 10.3% shareholding in the subsidiary Anima Holding S.p.A following the sale to Poste Italiane S.p.A..
- **Restructuring costs/One-off charges**, approximately **-EUR 2.8 million** (of which -EUR 2.2 million booked in the third quarter 2015) relating to a number of resolutions on labour issues.
- **Gains (losses) on disposal of investments** showed a positive balance of approximately **EUR 1.9 million** against EUR 6.8 million booked as at 30 September 2014, attributable to the capital gain from the disposal of administrative and back office activities to Fruendo. The third quarter 2015 contribution of EUR 0.9 million was essentially at the same level as that of the previous quarter.

Given the above results, in the first nine months of 2015 the Group's **Profit (loss) before tax from continuing operations** amounted to approximately **EUR 65 million** compared to a loss of around - EUR 1,694 million registered in the same period of last year.

**Taxes on profit (loss) for the period from continuing operations** amounted to a positive balance of around **EUR 50 million** (EUR 568 million as at 30 September 2014). This was impacted primarily by income of around EUR 80.7 million resulting from the ACE ("Aiuto alla Crescita Economica" - introduced by the state under Article 1 of Legislative Decree 201/2011 to facilitate economic growth) accrued as at 30 September 2015 as well as the effect of the partial tax reduction (95%) of the Parent Company's capital gain from the sale of the investment held in Anima Holding to Poste Italiane under the PEX regime.

Considering the net effects of the PPA (about -EUR 30 million) and the profit of non-controlling interests (-EUR 1.3 million), **Group profit for the first nine months amounted to EUR 84.7 million** compared to a loss of around EUR 1,150 million registered as at 30 September 2014. The third quarter impact was approximately -EUR 109 million, including a net impact of around EUR 88 million from the unwinding of Alexandria.

### **Group balance sheet aggregates for Q3 2015**

As at 30 September 2015, the Group's **total funding** amounted to approximately **EUR 231 billion** (-0.7% on 31 December 2014), with a shift in volumes towards forms of assets under management. Volumes decreased in the third quarter (-1.6%) as a result of the downward trend in direct funding, while indirect funding remained steady.

More specifically:

- **Direct funding**, totalling approximately **EUR 123 billion**, was down compared to the first half of the year (-2.8%), registering a decrease in repurchase agreements (-EUR 4.5 billion; -25.9%), largely owing to the unwinding of Alexandria (which had an impact of over -EUR 3 billion) and bonds reaching maturity (-EUR 0.6 billion; -1.8%). On the other hand, retail/corporate funding continued to grow with a further rise in current accounts (+0.5%) and time deposits (+5.6%). An increase was also registered for "other forms of direct funding" (+6.4%).

Compared to 31 December 2014, direct funding was down 2.8%. The net decrease in repurchase agreements (around -EUR 8 billion) and bonds (-EUR 0.8 billion) was partially offset by the increase in time deposits (+EUR 3.1 billion) and current accounts (+EUR 2.5 billion).

The Group's market share<sup>6</sup>, which stood at 4.78% (as at July 2015), has grown since the start of the year (+29 bps).

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<sup>6</sup> Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) with customers resident in Italy, and bonds net of repurchases placed with Italian customers as first borrower - Source: BMPS elaboration on Bank of Italy data.

At the end of the third quarter of 2015, the Group's **indirect funding** volumes totalled approximately **EUR 108 billion**, largely in line with 30 June 2015 (-0.2% Q/Q; +1.8% on 31 December 2014). More specifically:

- **Wealth management** ended the third quarter with volumes amounting to approximately **EUR 55 billion**, remaining stable on the levels registered at the end of June (-0.5%) but up 6.2% from the end-2014 result. A breakdown of the aggregate shows:
  - ✓ **Mutual investment funds and open-end collective schemes (Sicav)**, totalling **EUR 25 billion**, fell a slight 0.8% Q/Q (+12.9% on 31 December 2014) due to net flows of around EUR 0.6 billion being more than offset by a negative market trend;
  - ✓ **Individual portfolio management**, which came in at more than **EUR 6 billion**, remained stable on June 2015 levels (+0.4%; +1.7% vs. 31 December 2014);
  - ✓ the **insurance component** of approximately **EUR 24 billion** was largely in line with June levels (-0.3%; +1.1% on 31 December 2014), having been somewhat affected by negative market trends. Insurance premiums collected in the third quarter, particularly boosted by Unit-linked products, amounted to approximately EUR 1.1 billion, down from the previous quarters as a result of the seasonality factor.
- **Assets under custody**, which totalled approximately **EUR 53 billion**, remained essentially unchanged vs. 30 June 2015 (-2.3% on 31 December 2014).

As at 30 September 2015, the Group's **loans to customers** amounted to approximately **EUR 113 billion**, down from both 30 June 2015 (-4.2%) and the end of 2014 (-6.0%).

Compared to 31 December 2014, volumes were down by approximately EUR 7.2 billion (-6.0%), having also been affected by the unwinding of Alexandria. A fall was registered for other Loans (-18.6%), repurchase agreements (-15.3%), current accounts (-8.5%) and mortgages (-3.4%) while non-performing loans grew 5.4% (they were also up Q/Q).

The decrease of EUR 4.9 billion in the third quarter was largely due to the unwinding of Alexandria, which affected other loans and repurchase agreements, causing them to drop by an overall EUR 4 billion. Mortgages also registered a decrease (-EUR 1 billion vs. 30 June 2015). Excluding the impact of unwinding Alexandria, loans to customers were slightly down, 0.8% Q/Q.

The Group's market share, net of repurchasing agreements with institutional counterparties, came in at 7.03% (latest data available as at July 2015), which was largely stable on December 2014 and in line with March 2015.

The aggregate was boosted in the first nine months of the year by new medium-long term loans, which grew by more than EUR 3 billion vs. September 2014 and covered both loans to households (+EUR 0.7 billion) and corporates (+EUR 2.3 billion). The trend slowed down the decline in lending but was not enough to offset maturing loans (values also include the planned run-off of Consum.it).

As at 30 September 2015, the Group's **net non-performing exposures** totalled approximately **EUR 24.4 billion**, growing by 5.4% on 31 December 2014. This included an increase of 4.7% in Bad loans (sofferenze), 0.8% in Unlikely to pay and 6.1% in NP past due/overdue exposures.

In the early months of 2015, the Supervisory Authority conducted a review of the Group's credit exposures in Residential Real Estate (EUR 29.8 billion), Institutional (EUR 1.7 billion), Project Finance (EUR 1.8 billion) and Shipping (EUR 1.3 billion), accounting for approximately 23% of loans to customers and 8% of non-performing loans. These portfolios had not been included in the 2014 AQR exercise.

The interim report on operations as at 30 September 2015 incorporated the results of the Credit File Review (CFR), with a total of EUR 41 million. Regarding projections and collective provisions, which amounted to around EUR 150 million, as at 30 September additional adjustments of about EUR 67 million were recorded on the same portfolio.

As at 30 September 2015, **coverage of non-performing exposures** stood at **48.6%**, down 13 bps vs. 30 June 2015.

The Group's **securities and derivatives portfolio** as at 30 September 2015 amounted to approximately **EUR 32 billion**, up by around EUR 0.8 billion from 30 June 2015. The Held-for-Trading portfolio grew by around EUR 1 billion in the third quarter thanks to the activities of the subsidiary MPS Capital Services. A substantially stable performance, instead, for the Available For Sale portfolio (-EUR 0.1 billion), which registered a reduction of around -EUR 4.2 billion owing to the unwinding of Alexandria and the acquisition from Nomura of a portfolio mainly composed by BTP in asset swap with a medium long term duration, totalling approximately EUR 3.4 billion. The portfolio of bonds recognized under L&R was reduced by EUR 0.1 billion.

The Group's **interbank position** as at 30 September 2015 stood at **EUR 11.4 billion** in funding, an improvement of EUR 8.6 billion compared to year end 2014 and a decrease of approximately EUR 0.9 billion in the quarter.

The liquidity position as at 30 September 2015 showed an **unencumbered counterbalancing capacity of approximately EUR 24 billion**, up by around EUR 4 billion from the end of June 2015 (+EUR 8 billion vs. 31 December 2014).

The **Group's shareholders' equity and non-controlling interests** as at 30 September 2015 came in at **EUR 9.9 billion** (+EUR 3.9 billion vs. 31 December 2014), with a quarter-on-quarter increase of around EUR 0.5 billion, due to the valuation reserve which was also impacted by the unwinding of Alexandria.

The **Group capital ratios** as at 30 September 2015 showed an increase compared to the previous quarter with the Common Equity Tier 1 transitional at 12%. The CET1 amounted to EUR 8,863 million and the Tier 1 stood at EUR 9,462 million.

The trend of CET1 (+EUR 576 million) and of Tier 1 (+EUR 617 million) vs. 30 June 2015, is mainly due to:

- Capital increase, dedicated to the Minister of Finance, for the payment of the coupon of the NFIs, accrued in 2014;



- Unwinding of Alexandria, including the benefit from the removal of the deduction of the negative AFS reserve associated;
- Loss recorded in the quarter, net of the impact of Alexandria unwinding.

RWA amounted to EUR 73,976 million, down of about EUR 1,400 million mainly due to the reduction of credit and counterparty risk, because of the development of the performing portfolio and the unwinding of Alexandria.

In relation to major risks, it should be noted that the Group as at 30 September 2015 does not have situations of exceeding regulatory limits (25% of own funds). Regarding Nomura counterparty, the Group is compliant with the statutory limits mainly due to the unwinding of Alexandria.

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

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*This press release will be available at [www.mps.it](http://www.mps.it)*

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## Reclassified accounts

### Income statement and balance sheet reclassification principles

As of the first quarter of 2015, the structure of the reclassified consolidated Income Statement has been amended to introduce the concept of “Pre Provision Profit” in accordance with the practice already adopted by the leading Italian banking groups and the European Supervisory Authorities. The differences between the new structure of the Reclassified Income Statement and the one applied by the Group until 31/12/2014 are as follows:

- the inclusion of “Other Operating Income/Expense” in “Total Revenues” (previously “Net Income from banking and insurance”, which had been accounted for under “Net provisions to reserves for risks and charges and other operating income/expense” until 31/12/2014;
- reporting of “net value adjustments to loans and financial assets” under operating expenses, thereby introducing the item “Gross Operating Result” which is the difference between ordinary revenues and operating costs;
- The “Net Operating Result” is, therefore, calculated as the difference between the Gross Operating Result and the Net impairment losses (reversals) on financial assets.

The comparative figures for the periods have been re-aggregated according to the new structure of the Income Statement reclassified on the basis of operating criteria.

In view of the above, provided below are the Income Statement and Balance Sheet accounts reclassified on the basis of operating criteria with a description of the reclassifications made as at 30 September 2015:

### Income Statement

- 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 (EUR 9.4 million).
- 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” (about EUR 86 million, corresponding to the share of profit and loss for the period contributed by investments 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) The income statement item **“Other operating income (expense)”** excludes stamp duty and client expense recovery, which have been reclassified to the item **“Other administrative expenses”**.

- d) The income statement item “**Personnel expenses**” was reduced by EUR 2.8 million owing to the termination of a number of employment contracts. The amount was reclassified under “**Restructuring costs/One-off charges**”.
- e) “**Other administrative expenses**” in the reclassified income statement excludes stamp duty and client expense recovery (about EUR 269 million) posted under item 220 “**Other operating expenses (income)**”.
- f) “**Net impairment losses (reversals) of financial assets and other transactions**” includes the item 130b “Financial assets available for sale”, 130c “Financial assets held to maturity” and 130d “Other financial transactions”.
- g) The income statement item “**Restructuring costs/one-off charges**” includes one-off charges of approximately 2.8 million, reclassified out of Personnel Expenses.
- h) “**Gains (losses) on investments**” was cleared of components reclassified as “Dividends and similar income”.
- i) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular “**Net interest income**” EUR 23.5 million and **Depreciation/Amortisation** EUR 20.7 million, net of a theoretical tax burden of approximately - EUR 15 million that is included in the related item).

### **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 “Change in value of macro-hedged financial assets”, item 140 “Tax assets”, item 150 “Non-current assets and groups of assets held for sale and discontinued operations” and item 160 “Other assets”;
- l) “**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 “Change in value of macro-hedged financial liabilities”, item 80 “Tax liabilities”, item 90 “Liabilities associated with non-current assets held for sale and discontinued operations” and item 100 “Other liabilities”.

**CONSOLIDATED REPORT ON OPERATIONS**
**Highlights at 30/09/2015**
**INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS**
**MPS GROUP**

<b>INCOME STATEMENT FIGURES (EUR mln)</b>	<b>30/09/15</b>	<b>30/09/14</b>	<b>% chg</b>
Income from banking activities	3.098,5	2.845,0	8,9%
Total Revenues	3.384,2	3.122,7	8,4%
Net operating income	(0,5)	(1.421,0)	-100,0%
Net profit (loss) for the period	84,7	(1.149,7)	n.s.
<b>BALANCE SHEET FIGURES AND INDICATORS (EUR mln)</b>	<b>30/09/15</b>	<b>31/12/14</b>	<b>% chg</b>
Direct funding	122.717	126.224	-2,8%
Indirect funding	108.087	106.140	1,8%
<i>of which: assets under management</i>	<i>54.715</i>	<i>51.519</i>	<i>6,2%</i>
<i>of which: assets under custody</i>	<i>53.371</i>	<i>54.622</i>	<i>-2,3%</i>
Loans to customers	112.513	119.676	-6,0%
Group net equity	9.850	5.965	65,1%
<b>KEY CREDIT QUALITY RATIOS (%)</b>	<b>30/09/15</b>	<b>31/12/14</b>	<b>Abs. chg</b>
Net doubtful loans/Loans to Customers	8,4	7,1	1,4
Net Unlikely to pay/Loans to Customers	10,8	9,7	1,1
Net NP past due and overdue exposures/Loans to Customers	2,5	2,6	-0,1
<b>PROFITABILITY RATIOS (%)</b>	<b>30/09/15</b>	<b>31/12/14</b>	<b>Abs. chg</b>
Cost/Income ratio	58,1	65,2	-7,1
Net loan loss provisions / End-of-period loans	1,68	6,54	-4,9
<b>CAPITAL RATIOS (%)</b>	<b>30/09/15</b>	<b>31/12/14</b>	<b>Abs. chg</b>
Total Capital ratio	16,3	13,0	3,3
Common Equity Tier 1 (CET1) ratio	12,0	8,7	3,3
Return on Assets (RoA) ratio	0,04	-2,91	2,96
<b>INFORMATION ON BMPS STOCK</b>	<b>30/09/15</b>	<b>31/12/14</b>	
Number of ordinary shares outstanding	2.932.079.864	5.116.513.875	-2.184.434.011
<b>Price per ordinary share:</b>	<b>From 31/12/14 to 30/09/15</b>	<b>From 31/12/13 to 31/12/14</b>	<b>% chg</b>
average	2,01	1,19	68,2%
low	1,42	0,46	206,7%
high	2,56	2,56	0,0%
<b>OPERATING STRUCTURE</b>	<b>30/09/15</b>	<b>31/12/14</b>	<b>Abs. chg</b>
Total head count - end of period	25.740	25.961	(221)
Number of branches in Italy	2.178	2.186	(8)
Number of specialised centres	265	279	(14)
Financial advisory branches	114	118	(4)
Number of branches & representative offices abroad	41	40	1

Reclassified Income Statement (Euro mln)				
Montepaschi Group	30/09/15	30/09/14	Change	
			Abs.	%
Net interest income	1.740,2	1.552,5	187,7	12,1%
Net fee and commission income	1.358,3	1.292,5	65,8	5,1%
<b>Income from banking activities</b>	<b>3.098,5</b>	<b>2.845,0</b>	<b>253,5</b>	<b>8,9%</b>
Dividends, similar income and gains (losses) on investments	95,0	82,1	13,0	15,8%
Net profit (loss) from trading	163,6	220,9	(57,3)	-25,9%
Net profit (loss) from hedging	13,9	(11,1)	25,0	n.s.
Other operating income (expenses)	13,1	(14,3)	27,4	n.s.
<b>Total Revenues</b>	<b>3.384,2</b>	<b>3.122,7</b>	<b>261,6</b>	<b>8,4%</b>
Administrative expenses:	(1.810,4)	(1.856,2)	45,8	-2,5%
a) personnel expenses	(1.256,5)	(1.279,2)	22,7	-1,8%
b) other administrative expenses	(553,9)	(577,0)	23,1	-4,0%
Net losses/reversal on impairment on property, plant and equipment / Net adjustm	(156,6)	(164,4)	7,9	-4,8%
<b>Operating expenses</b>	<b>(1.967,0)</b>	<b>(2.020,7)</b>	<b>53,6</b>	<b>-2,7%</b>
<b>Pre Provision Profit</b>	<b>1.417,2</b>	<b>1.102,0</b>	<b>315,2</b>	<b>28,6%</b>
Net impairment losses (reversals) on:	<b>(1.417,7)</b>	<b>(2.523,0)</b>	<b>1.105,3</b>	<b>-43,8%</b>
a) loans	(1.413,9)	(2.464,4)	1.050,6	-42,6%
b) financial assets	(3,9)	(58,6)	54,7	-93,4%
<b>Net operating income</b>	<b>(0,5)</b>	<b>(1.421,0)</b>	<b>1.420,5</b>	<b>-100,0%</b>
Net provisions for risks and charges	(59,9)	(119,3)	59,4	-49,8%
Gains (losses) on investments	126,7	161,9	(35,2)	-21,8%
Restructuring costs / One-off costs	(2,8)	(322,0)	319,2	n.s.
Gains (losses) on disposal of investments	1,9	6,8	(5,0)	-72,4%
<b>Profit (loss) before tax from continuing operations</b>	<b>65,3</b>	<b>(1.693,6)</b>	<b>1.758,9</b>	<b>-103,9%</b>
Tax expense (recovery) on income from continuing operations	50,3	568,1	(517,8)	-91,1%
<b>Profit (loss) after tax from continuing operations</b>	<b>115,6</b>	<b>(1.125,5)</b>	<b>1.241,1</b>	<b>-110,3%</b>
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-
<b>Net profit (loss) for the period including non-controlling interests</b>	<b>115,6</b>	<b>(1.125,5)</b>	<b>1.241,1</b>	<b>-110,3%</b>
Net profit (loss) attributable to non-controlling interests	(1,3)	3,8	(5,1)	-134,3%
<b>Profit (loss) for the period before PPA , impairment on goodwill and intangibles</b>	<b>114,3</b>	<b>(1.121,7)</b>	<b>1.236,0</b>	<b>-110,2%</b>
PPA (Purchase Price Allocation)	(29,6)	(28,0)	(1,6)	5,7%
<b>Net profit (loss) for the period</b>	<b>84,7</b>	<b>(1.149,7)</b>	<b>1.234,4</b>	<b>n.s.</b>

Quarterly trend in reclassified income statement (Euro mln)

Montepaschi Group	2015			2014			
	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	568,5	559,9	611,9	610,9	580,6	526,2	445,8
Net fee and commission income	431,2	484,2	443,0	405,2	421,5	425,8	445,2
<b>Income from banking activities</b>	<b>999,7</b>	<b>1.044,0</b>	<b>1.054,9</b>	<b>1.016,2</b>	<b>1.002,1</b>	<b>952,0</b>	<b>891,0</b>
Dividends, similar income and gains (losses) on investments	28,7	42,0	24,3	38,8	32,6	23,8	25,7
Net profit (loss) from trading	(67,2)	59,1	171,8	41,1	147,3	28,6	45,1
Net profit (loss) from hedging	(4,1)	3,2	14,8	(4,7)	2,2	(8,7)	(4,6)
Other operating income (expenses)	0,4	11,3	1,4	17,9	2,0	(17,7)	1,3
<b>Total Revenues</b>	<b>957,5</b>	<b>1.159,6</b>	<b>1.267,2</b>	<b>1.109,4</b>	<b>1.186,1</b>	<b>978,0</b>	<b>958,6</b>
Administrative expenses:	(601,8)	(603,7)	(604,9)	(658,2)	(623,8)	(620,4)	(611,9)
a) personnel expenses	(422,7)	(414,4)	(419,4)	(430,7)	(427,9)	(421,9)	(429,3)
b) other administrative expenses	(179,1)	(189,2)	(185,5)	(227,5)	(195,9)	(198,5)	(182,6)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(54,4)	(53,7)	(48,4)	(76,3)	(65,6)	(50,2)	(48,6)
<b>Operating expenses</b>	<b>(656,3)</b>	<b>(657,4)</b>	<b>(653,3)</b>	<b>(734,5)</b>	<b>(689,5)</b>	<b>(670,7)</b>	<b>(660,5)</b>
<b>Pre Provision Profit</b>	<b>301,2</b>	<b>502,2</b>	<b>613,8</b>	<b>374,9</b>	<b>496,7</b>	<b>307,3</b>	<b>298,0</b>
Net impairment losses (reversals) on:	<b>(435,3)</b>	<b>(528,1)</b>	<b>(454,2)</b>	<b>(5.502,2)</b>	<b>(1.296,1)</b>	<b>(735,2)</b>	<b>(491,7)</b>
a) loans	(429,8)	(515,8)	(468,2)	(5.357,0)	(1.256,5)	(731,4)	(476,6)
b) financial assets	(5,5)	(12,3)	14,0	(145,2)	(39,6)	(3,8)	(15,2)
<b>Net operating income</b>	<b>(134,1)</b>	<b>(26,0)</b>	<b>159,6</b>	<b>(5.127,3)</b>	<b>(799,4)</b>	<b>(427,9)</b>	<b>(193,7)</b>
Net provisions for risks and charges	(11,4)	(18,8)	(29,8)	(57,2)	(37,3)	(27,5)	(54,5)
Gains (losses) on investments	1,5	124,9	0,2	(72,0)	(13,4)	133,4	41,9
Restructuring costs / One-off costs	(2,2)	(0,3)	(0,2)	(53,8)	(318,2)	(2,7)	(1,1)
Gains (losses) on disposal of investments	0,9	0,6	0,4	77,9	1,7	0,4	4,7
<b>Profit (loss) before tax from continuing operations</b>	<b>(145,3)</b>	<b>80,5</b>	<b>130,2</b>	<b>(5.232,5)</b>	<b>(1.166,6)</b>	<b>(324,3)</b>	<b>(202,7)</b>
Tax expense (recovery) on income from continuing operations	45,1	49,5	(44,3)	1.736,8	374,2	155,4	38,4
<b>Profit (loss) after tax from continuing operations</b>	<b>(100,2)</b>	<b>130,0</b>	<b>85,9</b>	<b>(3.495,7)</b>	<b>(792,4)</b>	<b>(168,9)</b>	<b>(164,3)</b>
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-	-
<b>Net profit (loss) for the period including non-controlling interests</b>	<b>(100,2)</b>	<b>130,0</b>	<b>85,9</b>	<b>(3.495,7)</b>	<b>(792,4)</b>	<b>(168,9)</b>	<b>(164,3)</b>
Net profit (loss) attributable to non-controlling interests	(0,5)	(0,3)	(0,5)	0,6	4,9	(0,6)	(0,5)
<b>Profit (loss) for the period before PPA , impairment on goodwill and intangibles</b>	<b>(100,8)</b>	<b>129,6</b>	<b>85,4</b>	<b>(3.495,2)</b>	<b>(787,5)</b>	<b>(169,5)</b>	<b>(164,7)</b>
PPA (Purchase Price Allocation)	(8,2)	(8,7)	(12,8)	(10,1)	(9,2)	(9,4)	(9,4)
Impairment on goodwill and intangibles	-	-	-	(687,9)	-	-	-
<b>Net profit (loss) for the period</b>	<b>(109,0)</b>	<b>121,0</b>	<b>72,6</b>	<b>(4.193,2)</b>	<b>(796,7)</b>	<b>(178,9)</b>	<b>(174,1)</b>

Reclassified balance sheet (Euro mln)				
ASSETS	30/09/15	31/12/14	Chg vs 31/12/14	
			abs.	%
Cash and cash equivalents	812	1.007	(194)	-19,3%
Receivables :				
a) Loans to customers	112.513	119.676	(7.163)	-6,0%
b) Loans to banks	6.432	7.723	(1.291)	-16,7%
Financial assets held for trading	36.297	39.776	(3.480)	-8,7%
Financial assets held to maturity	-	-	-	
Equity investments	960	1.014	(54)	-5,4%
Property, plant and equipment / Intangible assets	3.090	3.229	(139)	-4,3%
<i>of which:</i>				
a) goodwill	8	8	-	
Other assets	10.098	11.019	(921)	-8,4%
<b>Total assets</b>	<b>170.202</b>	<b>183.444</b>	<b>(13.242)</b>	<b>-7,2%</b>
LIABILITIES	30/09/15	31/12/14	Chg vs 31/12/14	
			abs.	%
Payables				
a) Deposits from customers and securities issued	122.717	126.224	(3.507)	-2,8%
b) Deposits from banks	17.805	27.648	(9.843)	-35,6%
Financial liabilities held for trading	11.476	13.702	(2.226)	-16,2%
Provisions for specific use				
a) Provisions for staff severance indemnities	245	271	(26)	-9,7%
b) Pensions and other post retirement benefit obligations	51	66	(15)	-23,3%
c) Other provisions	1.087	1.085	2	0,2%
Other liabilities	6.947	8.459	(1.513)	-17,9%
Group net equity	9.850	5.965	3.884	65,1%
a) Valuation reserves	(85)	(685)	601	-87,6%
c) Equity instruments carried at equity	-	3	(3)	-100,0%
d) Reserves	841	(496)	1.338	n.s.
e) Share premium	6	2	4	
f) Share capital	9.002	12.484	(3.482)	-27,9%
g) Treasury shares (-)	(0)	(0)	0	-100,0%
h) Net profit (loss) for the year	85	(5.343)	5.428	-101,6%
Non-controlling interests	26	24	2	8,1%
<b>Total Liabilities and Shareholders' Equity</b>	<b>170.202</b>	<b>183.444</b>	<b>(13.242)</b>	<b>-7,2%</b>

Reclassified Balance Sheet - Quarterly Trend (Euro mln)

	30/09/15	30/06/15	31/03/15	31/12/14	30/09/14	30/06/14	31/03/14
<b>ASSETS</b>							
Cash and cash equivalents	812	822	682	1.007	878	860	823
Receivables :							
a) Loans to customers	112.513	117.436	123.139	119.676	126.307	132.770	132.677
b) Loans to banks	6.432	8.327	7.856	7.723	6.884	8.638	10.204
Financial assets held for trading	36.297	36.335	41.236	39.776	41.856	39.863	43.500
Financial assets held to maturity	-	-	-	-	-	-	-
Equity investments	960	908	947	1.014	1.001	952	960
Property, plant and equipment / Intangible assets	3.090	3.122	3.139	3.229	3.934	3.971	4.004
<i>of which:</i>							
a) goodwill	8	8	8	8	670	670	670
Other assets	10.098	10.754	10.526	11.019	9.837	9.474	8.855
<b>Total assets</b>	<b>170.202</b>	<b>177.705</b>	<b>187.525</b>	<b>183.444</b>	<b>190.697</b>	<b>196.528</b>	<b>201.022</b>
<b>LIABILITIES</b>							
Payables							
a) Deposits from customers and securities issued	122.717	126.238	131.511	126.224	126.610	130.777	128.859
b) Deposits from banks	17.805	18.831	22.519	27.648	29.425	31.810	40.991
Financial liabilities held for trading	11.476	13.415	16.381	13.702	13.144	11.718	14.630
Provisions for specific use							
a) Provisions for staff severance indemnities	245	246	268	271	295	285	273
b) Pensions and other post retirement benefit obligations	51	50	52	66	59	59	60
c) Other provisions	1.087	1.106	1.104	1.085	1.024	991	1.020
Other liabilities	6.947	8.421	9.195	8.459	9.777	9.811	8.905
Group net equity	9.850	9.373	6.471	5.965	10.340	11.048	6.251
a) Valuation reserves	(85)	(668)	(253)	(685)	(549)	(634)	(788)
c) Equity instruments carried at equity	-	-	3	3	3	3	3
d) Reserves	841	1.085	(5.838)	(496)	(451)	4.548	(274)
e) Share premium	6	4	2	2	2	-	-
f) Share capital	9.002	8.759	12.484	12.484	12.484	7.485	7.485
g) Treasury shares (-)	(0)	-	(0)	(0)	(0)	(0)	(0)
h) Net profit (loss) for the period	85	194	73	(5.343)	(1.150)	(353)	(174)
Non-controlling interests	26	24	24	24	24	29	34
<b>Total Liabilities and Shareholders' Equity</b>	<b>170.202</b>	<b>177.705</b>	<b>187.525</b>	<b>183.444</b>	<b>190.697</b>	<b>196.528</b>	<b>201.022</b>