MONTE DEI PASCHI DI SIENA BANK

2014
Annual Report

MONTE
DEI PASCHI
DI SIENA
BANK SINCE 1472

Monte dei Paschi di Siena Group – Consolidated Annual Report 2014

Banca Monte dei Paschi di Siena S.p.a.
Share capital: € 12,484,206,649.08 fully paid in
Siena Companies' Register no. and tax code 00884060526
Member of the Italian Interbank Deposit Protection Fund. Banks Register no. 5274
Monte dei Paschi di Siena Banking Group, registered with the Banking Groups Register

NOTICE OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

The Shareholders of Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or the "**Company**" or the "**Bank**") are called to the Ordinary and Extraordinary Shareholders' Meeting in **Siena, Viale Mazzini 23** on **14 April 2015 at 9:00 a.m.** on first call, and if necessary, to the extraordinary session on second call on **15 April 2015**, same time and same location. If the respective quorum required for the above-mentioned meetings are not met, the Shareholders' Meeting is convened on third call for the extraordinary session and on second call for the ordinary session on **16 April 2015**, same time and same location, to discuss and resolve upon the following

AGENDA

Ordinary session

1. Separate and consolidated financial statements at 31 December 2014, including the reports of the Board of Directors, of the Independent Auditor and of the Board of Statutory Auditors; resolutions pertaining thereto and resulting therefrom;
2. Determination of the number of members of the Board of Directors for the financial years 2015, 2016 and 2017;
3. Determination of the number of Deputy Chairmen for the financial years 2015, 2016 and 2017;
4. Appointment of members of the Board of Directors for the financial years 2015, 2016 and 2017;
5. Selection, amongst the members of the Board of Directors, of the Chairman as well as the Deputy Chairmen in the number decided by the Shareholders' Meeting;
6. Determination of the fees to be paid to members of the Board of Directors pursuant to Articles 13 and 27 of the By-Laws;
7. Determination of the compensations to be paid to the Chairman of the Board of Directors pursuant to Articles 13 and 27 of the By-Laws;
8. Appointment of the Chairman and the other members of the Board of Statutory Auditors for the financial years 2015, 2016 and 2017;
9. Determination of the compensations to be paid to members of the Board of Statutory Auditors pursuant to Articles 13 and 27 of the By-Laws;
10. Remuneration Report: resolution pursuant to para. 6, Article 123-*ter* of Legislative Decree No. 58 of 24 February 1998 - Consolidated Finance Act ("**TUF**").

Extraordinary session

1. Resolutions in accordance with Article 2446 of the Italian Civil Code: proposed share capital reduction due to losses; resolutions pertaining thereto and resulting therefrom;
2. Resolutions concerning the failure to re-establish the evaluation reserves;
3. Proposal to increase the share capital up to EUR 3,000,000,000.00, including share premiums if any, to be carried out no later than 30 September 2015, in tranches, through the issuance of ordinary shares with regular dividend rights, offered as an option to the Shareholders of the Company, in accordance with Article 2441 of the Italian Civil Code; relative amendments to the By-Laws and resolutions pertaining thereto and resulting therefrom;
4. Reverse split of the ordinary shares of Banca Monte dei Paschi di Siena S.p.A. at a ratio of 1 new ordinary share with regular dividend-right every 20 existing ordinary shares; relative amendments to the By-Laws and resolutions pertaining thereto and resulting therefrom;
5. Amendments to Articles 12, 13, 14, 15, 17 and 23 By-Lawsand resulting coordination of Articles 24 and 27 of the By-Laws.

The full version of the Notice is available on:

https://www.mps.it/Investor+Research/Corporate+Governance/Shareholders'+meetings/

Siena, 4th March 2015

GOVERNING AND CONTROL BODIES

BOARD OF DIRECTORS

Alessandro Profumo*	Chairman
Pietro Giovanni Corsa*	Deputy Chairman
Fabrizio Viola*	Chief Executive Officer
Alberto Giovanni Aleotti*	Director
Béatrice Bernard	Director
Daniele Discepolo	Director
Angelo Dringoli	Director
Lorenzo Gorgoni*	Director
Roberto Isolani* **	Director
Marco Miccinesi	Director
Marina Rubini	Director
Christian Whamond **	Director

* Members of Executive Committee

** Co-opted by resolution of the Board of Directors on 9 October 2014 and approved by the Board of Statutory Auditors on 4 March 2015

BOARD OF STATUTORY AUDITORS

Paolo Salvadori	Chairman
Stefano Andreadis	Standing Auditor
Claudio Gasperini Signorini	Standing Auditor
Franco Michelotti	Alternative Auditor

SENIOR MANAGEMENT

Fabrizio Viola	Chief Executive Officer and General Manager
Bernardo Mingrone	Deputy General Manager
Angelo Barbarulo	Deputy General Manager

INDEPENDENT AUDITORS Reconta Ernst & Young S.p.A.

CONSOLIDATED ANNUAL REPORT

CONSOLIDATED REPORT ON OPERATIONS

Basis of preparation

The Consolidated Report on Operations as at 31 December 2014 provides a snapshot of the activities and results which largely characterised the Montepaschi Group's operations in 2014, both as a whole and in the various business sectors into which consolidated operations are organised.

In particular, the economic and financial indicators, based on accounting data, are those used in the internal systems of performance management and management reporting and are consistent with the most commonly used metrics within the banking industry in order to ensure the comparability of figures presented.

In addition, the Report incorporates non-financial company information providing the details on the activities, capital, risks and relations that are significant to the Group’s current and future performance. This information is analysed in more depth within the “Sustainability Report” - as regards the updating and implementation of the corporate sustainability policy - as well as in other relevant corporate communications found within the website of the Bank www.mps.it, such as: the Report on Corporate Governance and Ownership Structure, the Remuneration Report, Pillar 3 Disclosure.

Group Profile and business model

Overview

The Montepaschi Group (hereinafter referred to as the "Group") is the banking hub led by Banca Monte dei Paschi di Siena, which does business primarily in Italy, mainly providing traditional retail & commercial banking services (around 77% of total revenues).

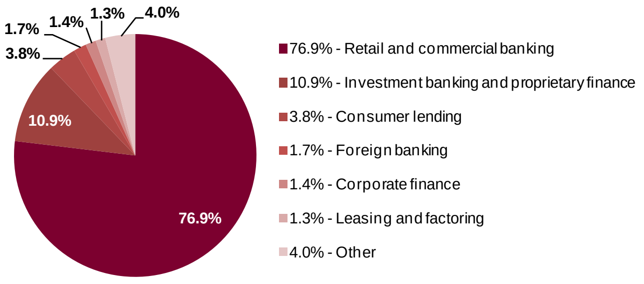
The Group is also active through its specialised product companies in business areas such as leasing, factoring, corporate finance, investment banking and consumer credit. On the distribution side, the insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the offer of investment products of independent third parties and through the equity investment in Anima.

The Group combines traditional services offered through the network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the network of MPS financial advisors.

Breakdown as at 31/12/2014

Employees	25,961
Branches (Italy)	2,186
Customers	Approx. 5.3 million
Total assets (mln €)	183,444
Shareholders' equity (mln €)	5,965
Income from banking and insurance (mln €)	4,228

Breakdown of Group revenues by key business area as at 31/12/2014



The chart does not include cancellation of intragroup entries.

Foreign banking operations are focused on supporting the internationalisation processes of Italian corporate clients in all major foreign financial markets as well as some emerging countries that have business relations with Italy.

Effective as of 1 January 2014, back office, administrative, accounting and other services are outsourced to Fruendo (formed by the joint venture between Bassilichi Spa and Accenture Italia).

Business model

The Bank has launched a radical transformation in the "way of banking", and therefore in its own business model. The model requires improvement in the capital and financial structure as well as the application of sound principles of value and corporate governance, which the Bank has reinforced in response to specific systemic problems of recent years.

The capabilities and skills to guide this change have been deployed, and focus has been placed on the customer, customer relations, quality, efficiency and all intangible non-financial capital, the real drivers of business development, which the Bank intends to pursue by aiming for sustainable growth for the benefit of all stakeholders.

BUSINESS MODEL

CAPITAL	ACTIVITIES	EXPECTED RESULTS
Financial capital	**Business** • Lending and traditional banking activities, with a focus on advisory services • Private banking • Brokerage of products of qualified business partners in the bancassurance (AXA), asset management (Anima) and consumer credit (Compass) segments • Digital banking, self-service and financial advisory services • Leasing and factoring	**Income statement and financial results** • Sustainable profitability • Adequate capital quality and quantity
Non-financial capital • Customer base • Human capital *(Skills, DNA and values, Diversity)* • Structural capital *(Distribution network, Remote banking channels, Operating apparatus and processes)* • Relationship capital *(System of relations with stakeholders)* • Reputational capital *(Brand, Reputation)*	**Processes** • Listening, knowing the customer and focus on services • Human resource development • Optimisation of operations • Corporate citizenship and solidarity	**Generation of shared value** • Customer satisfaction • Employee motivation, satisfaction and productivity • Moderation and limitation of waste • Value of the brand and public opinion • Economic/social value in local communities

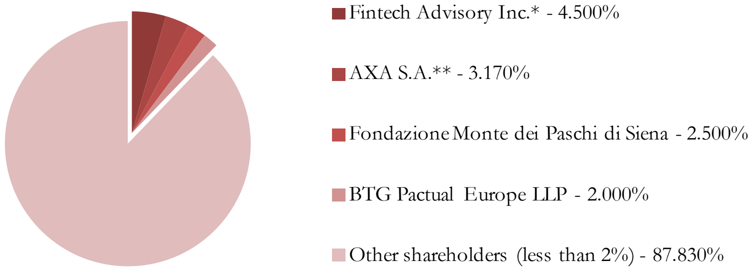
GOVERNANCE AND VALUES
Governance and control systems, Prudent approach to risk, Long-term vision, Orientation to change, Ethics and legality, Central focus on customers, Social responsibility

Shareholders

As a result of the share capital increase of approx. EUR 5 bn completed on 4 July 2014, the Bank's share capital amounts to EUR 12,484,206,649, broken down into 5,116,513,875 ordinary shares.

As at 31 December 2014, the Bank's major shareholders (holding more than 2% of the share capital) hold a total of 12.17% of the share capital (43.75% as at 31 December 2013).

Breakdown of Bmps share capital as at 31th December 2014



* Shareholding through Companies belonging to its Group
** Shareholding on own behalf and through Subsidiaries

In comparison to the share capital breakdown at the end of 2013 it is relevant the reduction in the share held by Fondazione MPS from 33.5% to 2.50% and the entrance of large institutional investors, particularly Fintech Advisory Inc and BTG Pactual Europe LLP, which have entered into a shareholders' agreement with Fondazione MPS.

Governance & Control systems

Corporate Governance

For the Bank, the relevance of corporate governance goes beyond its traditional technical meaning, i.e. a set of coordinated rules and structures governing relations amongst shareholders and between them and the directors and top management. In line with the Bank's mission, it is seen as a tool for relations with all stakeholders.

The Bank's bodies work so as to pursue the overall success of the company.

The Bank's fair and transparent corporate governance system and shared Code of Ethics provide it with rules that ensure that the legitimate expectations of all stakeholders are incorporated within corporate objectives.

The overall corporate governance system makes reference to the Corporate Governance Code of listed companies issued by the Italian Stock Exchange, thereby ensuring: a clear delineation of roles and responsibilities, the appropriate separation of powers, balanced composition of the corporate bodies, effective controls, monitoring of all business risks, adequacy of information flows and the company's social responsibility.

In particular, the administration and control system includes the following: the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting. In addition, there are: the CEO, the Director in charge of the internal control system, the Executive Committee and three Board committees (Control and Risk Committee, Appointments and Remuneration Committee and Committee for Related-party Transactions).

The Bank's internal control system is meant to ensure that risks are identified, measured, managed and monitored in such a way so as to enable sound, proper business management in line with pre-established objectives.

Further information is available in the "Report on Corporate Governance and Ownership Structure", available on the Bank's website.
(https://www.mps.it/Investor+Relations/Corporate+Governance/)

CORPORATE GOVERNANCE POLICY AND BOARD OF DIRECTORS

Policy: Code of ethics, Related-party transactions, Internal dealing, Board induction, Annual board evaluation, Gender diversity (so-called female quotas), Maximum age of directors (75 years), Limit on the number of consecutive offices (3), Limit on the number of offices outside the Group (4).
During the year, the Shareholders' Meeting approved certain amendments to the Policy regarding the issue of gender balance in the composition of the Board of Directors and the Board of Statutory Auditors and the increase in the minimum percentage of independent directors to one-third.

Operating principles of the Board of Directors: harmony, collaboration and positive working environment, intense and genuine debate, knowledge and continuous updating of relevant topics, efficient meeting organisation, distribution of information.

Composition of the Board of Directors: directors (12), average age (56 years), non-executive chairman, female directors (2), executive directors (1), independent directors (5).

Alessandro Profumo *(Chairman)* Nationality: Italian Age: 57 Skills: Finance, Advisory, Business management Years of industry experience: 27 Date of taking office: 28.4.2012 Independent: no Committees: Executive	**Pietro Giovanni Corsa** *(Deputy Chairman)* Nationality: Italian Age: 59 Skills: Industrial management Years of industry experience: 2 Date of taking office: 28.4.2012 Independent: yes Committees: Executive, Appointments and Remuneration, Control and Risk	**Fabrizio Viola** *(Chief Executive Officer)* Nationality: Italian Age: 56 Skills: Finance, Asset management, Business management Years of industry experience: 27 Date of taking office: 28.4.2012 Independent: no Committees: Executive
Alberto Giovanni Aleotti Nationality: Italian Age: 42 Skills: Industrial management Years of industry experience: 2 Date of taking office: 28.4.2012 Independent: no Committees: Executive	**Béatrice Bernard** Nationality: French Age: 51 Skills: Strategy and planning, Insurance management Years of industry experience: 29 Date of taking office: 24.9.2013 Independent: no Committees: no	**Daniele Discepolo** Nationality: Italian Age: 67 Skills: Legal and corporate affairs, Administration and control Years of industry experience: 2 Date of taking office: 14.11.2013 Independent: yes Committees: Control and Risk, Related-party Transactions
Angelo Dringoli Nationality: Italian Age: 67 Skills: Economics and banking Years of industry experience: 11 Date of taking office: 28.4.2012 Independent: yes Committees: Appointments and Remuneration, Related-party Transactions	**Lorenzo Gorgoni** Nationality: Italian Age: 72 Skills: Administration and control Years of industry experience: 41 Date of taking office: 28.4.2012 (previous terms since 2003) Independent: no Committees: Executive, Appointments and Remuneration	**Roberto Isolani** Nationality: Italian Age: 50 Skills: finance and investment banking Years of industry experience: 21 Date of taking office: 9.10.2014 Independent: no Committees: Executive, Control and Risk
David Manuel Martinez Nationality: English Age: 57 Skills: finance and corporate restructuring Years of industry experience: 28 Date of taking office: 9.10.2014 Independent: no Committees: Appointments and Remuneration, Control and Risk	**Marco Miccinesi** Nationality: Italian Age: 58 Skills: Tax law Years of industry experience: 5 Date of taking office: 4.11.2013 Independent: yes Committees: Appointments and Remuneration, Control and Risk, Related-party Transactions	**Marina Rubini** Nationality: Italian Age: 45 Skills: Antitrust law Years of industry experience: 5 Date of taking office: 4.11.2013 Independent: yes Committees: no

Risk Management

The Group dedicates the utmost attention to the process of identifying, monitoring, measuring, controlling and mitigating risks.

The Board of Directors defines risk governance policies and strategies, particularly by establishing the total risk appetite in line with the annual budget and with reference to the new internal framework (RAF - Risk Appetite Framework). Strategies are implemented in line with the business model, Business Plan objectives and regulatory and legal requirements.

The objective of the RAF is to ensure constant alignment between the Group's actual risk profile and the risk appetite defined by the Board of Directors, taking into account pre-established risk tolerance levels and in any event within the maximum admissible limits (risk capacity) deriving from regulatory requirements or other restrictions imposed by the Supervisory Authorities.

The RAF incorporates the Group's main strategic references:

- Pillar 1 and 2 capital adequacy and consistency with the ICAAP process;
- short- and long-term liquidity profile and level of financial leverage;
- reputation, positioning and external context;
- risk-adjusted performance,

and is implemented by establishing operating limits for the various business areas, adequate governance policies and robust processes for the management of the various corporate risks.

In 2014, the entire RAF was redesigned, also in compliance with the new regulatory provisions introduced in the 15th update of 2 July 2013 of Bank of Italy Circular 263/06 concerning internal control systems. As a result, numerous internal policies and rules were also updated, with a view to establishing monitoring, models and a widespread risk culture at all levels of the organisation as the fundamental prerequisites for effective, sound and prudent business management. To further support the risk culture growth process, suitable risk and risk-adjusted performance indicators have been incorporated into staff remuneration and incentive policies.

In 2014, the Group also worked on gradually coming into compliance with the new Basel 3 regulatory framework by making suitable improvements in risk management, reporting and disclosure methods and systems.

The Group is one of the Italian banks subject to the ECB's Single Supervisory Mechanism. In 2014, the Group finalised the activities required by the ECB in relation to the Comprehensive Assessment and also formally initiated contact and dialogue with the ECB-Bank of Italy Joint Supervisory Team (JST).

For further information, refer to the "Pillar 3 Public Disclosure" available on the Bank's website.

(https://www.mps.it/Investor+Relations/Corporate+Governance/)

Compliance

Within the broader internal control system, the Compliance Department autonomously and independently governs non-compliance risk, also in connection with the activities of a network of other internal organisational controls focused on checking compliance with specialised rules.

That system was further strengthened in 2014 in implementation of Bank of Italy instructions as well as to address the critical issues and gaps that emerged in previous years, in the following areas:

- bank transparency;
- usury, with a focus on control procedures relating to current account credit line and advance services;
- protection of personal information, to come into compliance with the Data Protection Authority's measure on the traceability of banking transactions carried out by employees;

- investment services, with a comprehensive action plan regarding sales strategies and policies, investment suitability assessment procedures and product pricing methods.

The Compliance Department is directly responsible for managing risks relating to the violation of the most significant rules in bank-customer relations and periodically reports to the company's top management and supervisory authorities regarding the overall state of compliance of the Bank's systems and operations.

Executive Remuneration Policy

The Group's remuneration and incentive policies are described every year in the "Remuneration Report", prepared under Article 123-ter of the Consolidated Law on Finance and subject to approval by the Shareholders' Meeting.

(https://www.mps.it/Investor+Relations/Corporate+Governance/)

In enhancing professional skills and taking management decisions aimed at long-term value creation, they reflect a corporate culture based on the ethics of responsibility, a strong sense of belonging and continuous focus on human capital growth, in compliance with prudent risk management policies.

Organisational structure

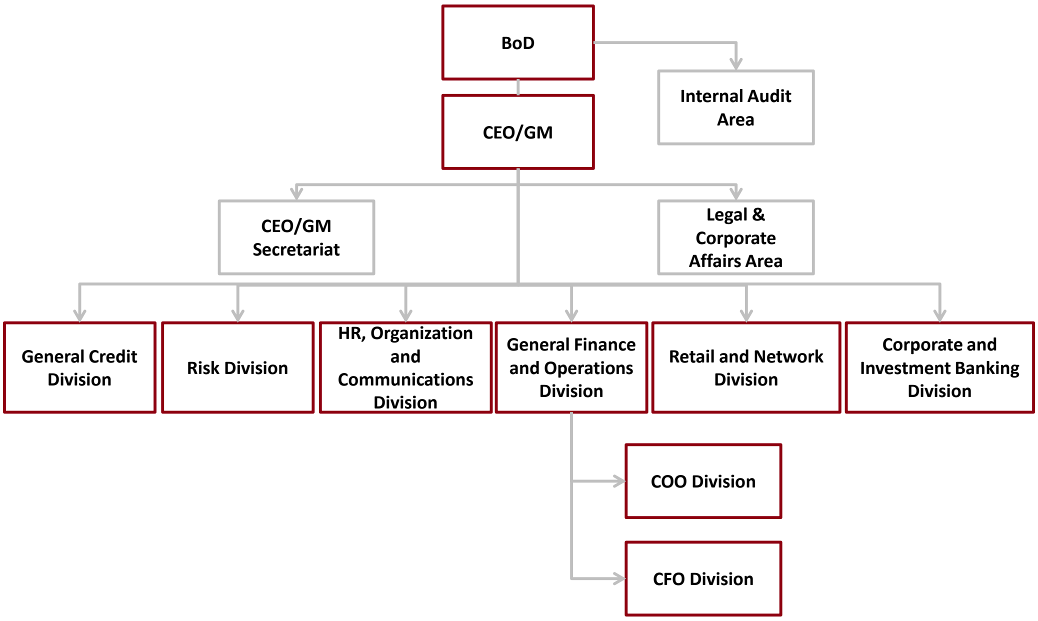
Through its Head Office, Banca Monte dei Paschi di Siena performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the Board of Directors and in the interest of the Group's stability.

The Head Office organisational structure has been designed so as to guarantee integrated, coordinated and efficient monitoring of governance functions and effective business support. In 2014, it was further reinforced with actions such as:

- the establishment of the General Credit Division, to increase the focus on credit;
- the specialisation of sales activities by customer segment, with the establishment of two dedicated Divisions reporting directly to the CEO: the Retail and Network Division (for the Retail and Private segments, as well as the coordination of the Sales Network) and the Corporate and Investment Banking Division (for the Corporate, Major Groups, International Activities and Private Equity segments);
- the establishment of WIDIBA, the Group's new direct bank, by mean of the contribution in kind of the business unit for financial advisory services and digital banking activities;
- the establishment of the General Finance and Operations Division and the Human Resources, Organisation and Communications Division; the latter promotes effective interoperability between human resources management, business organisational structures and internal/external communications;
- the focus of the Risk Division on the coordination of all risk control functions (Risk Management, Validation, Compliance, Anti-Money Laundering).

The market functions are governed at various levels throughout the country. In 2014 they were subject to significant tool- and process-related changes to boost the effectiveness of customer relations and service.

Organisational chart of the Bank's Head Offices at 31.12.2014



Main companies of the Group

COMPANY	ACTIVITIES
MONTE DEI PASCHI DI SIENA BANCA DAL 1472	Banca Monte dei Paschi di Siena and its subsidiaries operate in the different segments of the banking and financial industry, with activities ranging from traditional banking to special purpose loans, assets under management, bancassurance and investment banking. The Bank performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the Board of Directors in compliance with the instructions provided by the Bank of Italy in the interest of the Banking Group's stability.
MPS CONSUM.IT	Consum.it is the Group's consumer credit company. It issues special-purpose loans, personal loans including fifth-of-salary backed loans, and credit cards (option and revolving).
MPS FIDUCIARIA	Monte Paschi Fiduciaria aims to satisfy the needs of individuals and legal entities wishing to have their assets managed with the utmost confidentiality. Monte Paschi Fiduciaria may take on the custody of assets in its capacity as a trustee and act as a protector in trusts.
MPS CAPITAL SERVICES	MPS Capital Services Banca per le Imprese provides customers with solutions to financial and credit issues, focusing its business on medium-long term credit facilities, special-purpose loans, corporate finance, capital markets and structured finance.
MPS LEASING & FACTORING	MPS Leasing & Factoring is the Group bank specialised in developing an offer of integrated leasing and factoring packages for businesses, artisans and professionals.
widiba	WIDIBA (WIse-DIalog-Banking) is the Group's direct bank that integrates a self-service offer with the competencies of MPS's network of financial advisors.
MPS CONSORZIO OPERATIVO	Consorzio Operativo is the centre for the development and management of ICT and telecommunication systems.
MONTE PASCHI BANQUE / BANCA MONTE PASCHI BELGIO	Monte Paschi Banque SA and Banca Monte Paschi Belgio SA are the Group's banks that support commercial trade and investments of Italian companies abroad.

Strategy

Scenario

In 2014, economic activity accelerated in the United States, with strong growth (+5% YoY) driven by rising consumption. However, the short- and medium-term prospects for the global economy remain rather uncertain, due to possible impacts on the financial markets of Monetary Authorities launching exit strategies in certain countries, the impact of declining oil prices on the budgets of oil producing countries and the risk of an extended period of stagnation and deflation in the Eurozone as well as Japan.

In the Eurozone, growth remains limited, with GDP expecting to increase by 0.8% according to the World Bank and consumer inflation dipping to below zero in December for the first time since October 2009. In addition, the two targeted longer-term refinancing operations (TLTROs) carried out in September and December, subject to granting credit to households and businesses, resulted in only a modest expansion: The total demand for liquidity by the area's banking industry in these two transactions equalled just over half of the maximum distributable amount (around 400 billion), most likely reflecting current economic weakness in the area, which negatively impacted the demand for credit.

To combat deflation risks and the resulting entrenchment of expectations for a reduction in price movements and an increase in real interest rates, exacerbating the expenses of indebted industries, the ECB Council launched an at least two-year ABS and covered bond purchase plan as well as a plan to purchase bonds rated at less than BBB- (Greece and Cyprus) under specific conditions, projecting an expansion in its budget assets to the all-time highs previously reached in early 2012 (EUR 3,000 bn). Furthermore, to fulfil its duty of maintaining price stability, on 22 January 2015 the Council launched an expanded programme for the acquisition of financial assets, which involves the European Central Bank purchasing sovereign bonds in addition to the programmes already in place for the purchase of private sector assets, in response to risks deriving from an overly long period of low inflation1.

Monetary policy measures had an immediate impact on the interbank market, with the 1M Euribor touching new lows in 2015 of -0.002 bps, and also clearly influenced the single currency, with the €/$ exchange rate dipping to lower than 1.16, the lowest levels in over 10 years. The 10-year yield BTP-Bund spread closed the year at around 135 bps (+9 bps compared to 30/09/14) and has already reached the minimum of 116 bps in 2015.

This phase of recession has clearly struck the Italian economy (-0.4% in 2014), and demand factors linked to weak investments, combined with the perception of high credit risk for certain categories of businesses, continue to restrain lending trends (for further information on the banking scenario, please refer to the Bank of Italy's Economic Bulletin for January 2015).

Strategy

2013-2017 Business Plan

The 2013-2017 Business Plan, approved by the Board of Directors on 28 November 2013, outlines the strategic and operational policies contained in the Restructuring Plan, approved by the Board of Directors on 7 October 2013 and by the European Commission on 27 November 2013.

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[1] According to the programme, EUR 60 billion of securities will be purchased on the secondary market every month until September 2016, and in any event until the Governing Council observes a lasting adjustment in inflation consistent with its aim of interest rates reaching less than but close to 2% in the medium term. Under the plan, the bonds of governments as well as European institutions will be purchased in addition to ABS and covered bonds. Only 20% of the government bonds (European or national) will be purchased under a regime of risk-sharing by the Eurosystem, while the remaining 80% of risk will be borne by the respective national central banks.

The Plan provides for a radical transformation in the "way of doing bank", anticipating changes underway in the banking industry which will alter the Bank's business model. For 2017, the main objectives are reaching a sustainable level of profitability, strengthening of the capital's quantity and quality and the structural rebalancing of liquidity.

Operational priorities

The Business Plan objectives require a detailed review of the Group's structures and operating processes, for which a broad investment initiative and project plan has been launched, which impacts all parts of the company while working alongside and supporting management initiatives.

The Plan's mission involves:

- the creation of a new distribution model geared towards customer satisfaction, through a more flexible network with fewer branches, oriented towards relationships and capable of offering increased customer interaction;
- an evolution in the intermediation model with more third-party products offered and a leaner balance sheet, aiming at an expansion of distribution agreements with third parties (consumer credit, leasing), an additional boost to "bancassurance" and innovative solutions to support SMEs;
- improved operating efficiency with initiatives aimed at making the Bank leaner, more productive and "digital" through projects for the renewal of the IT structure and applications, the centralisation of functional areas for the provision of administrative services to the network and initiatives aimed at improving branch appeal and security.
- HR enhancement and development with a merit-based approach;
- increasing commercial productivity in the Retail, Private and Corporate segments;
- becoming the bank of choice for SMEs;
- improving the quality of the loan portfolio;
- a conservative risk management strategy and rationalisation of the asset portfolio;
- the continuation of impactful action for renewal of operating and cost management models with a substantial upturn in efficiency and sustainable optimisation of the entire operating cost base.

Events, actions and performance

Significant events of 2014

G/C = Governance/Corporate
S = Strategy
R = Rating

January

(G/C)	The operations of **Fruendo Srl**, a joint venture between Bassilichi and Accenture, commenced as of 1 January 2014, when the back office services business units and the administrative and accounting activities associated with managing and providing specific services (e.g., accounts payable) were transferred to it.
(S)	The Bank reached an agreement with **Compass** to distribute loans from Mediobanca Compass Group in its own branches. The agreement allows the Group to supplement the current range of products offered by Consum.it, the Group's consumer credit company, with additional solutions in terms of duration, amount and types of loans.
(G/C)	The Parent Company sold its entire shareholding in **Sorin SpA** - equivalent to 27,458,403 ordinary shares, approx. 5.7% of share capital – through an accelerated book-building procedure exclusively targeted to qualified investors in Italy, as defined by art. 34-ter, para. 1, letter b, of Consob Regulation no. 11971/1999, as well as foreign institutional investors.

February

(G/C)	A Memorandum of understanding was stipulated between the Bank, the **"Associazioni di Piccoli azionisti Azione MPS" (MPS Small Shareholders Associations)**, the **"Associazione Buongoverno MPS" (the MPS Good Governance Association)** and **"Coordinamento Nazionale delle Associazioni di Piccoli Azionisti CONAPA" (the National Coordinating Association for Small Shareholders)**. The Memorandum represents a significant step toward a more productive dialogue with small shareholders through their associations, which seeks to facilitate their participation in the Bank's shareholders' meetings and render it more constructive.

March

(G/C)	The Bank issued a new 5-year **senior bond** for a nominal amount of EUR 1 bn against demand for EUR 3.5 bn.

April

(G/C)	The Bank issued a 7-year **covered bond** for a nominal amount of EUR 1 bn against demand for nearly EUR 4 bn.
(G/C)	As part of the planned activities for restructuring the Chianti Classico transaction, which began in December 2013, the Bank acquired 92.1% of the shares with voting rights of **Perimetro Gestione Proprietà Immobiliari (PGPI)** for approx. EUR 5.1 mln. As a result, the Group now owns all of the share capital of PGPI, with advantages in terms of strengthening governance and consistency with new business strategies. The effects of this restructuring have already been reflected in the Consolidated Financial Statements as at 31 December 2013.
(G/C)	The Bank's Board of Directors unanimously approved to propose to the Extraordinary Shareholders' Meeting, scheduled for 21 May, a **share capital increase** up to a maximum of EUR 5 bn, to replace the increase of EUR 3 bn approved on 28 December 2013.
(G/C)	The Ordinary Shareholders' Meeting approved the Bank's **Financial Statements** as at 31 December 2013 and the **Remuneration Report** required by art. 123-ter of the Consolidated Law on Finance. Furthermore, the Extraordinary Shareholders' Meeting approved certain amendments to the Articles of Association, specifically regarding the issue of gender balance in the composition of the Board of Directors and the Board of Statutory Auditors and the increase in the minimum number of independent directors on the Board of Directors.

May

(G/C)	**The reverse split of BMPS ordinary shares** was carried out, in the ratio of 1 new share for every 100 shares owned, in execution of the resolution approved by the Extraordinary Shareholders' Meeting on 28 December 2013.

June

(G/C)	The Board of Directors established the **final terms for the share capital increase**, determining the maximum number of shares to be issued (4,999,698,478), the subscription price (EUR 1 per share) and the ratio (214 newly issued shares for every 5 BMPS shares owned).
(R)	**Moody's** upgraded the issuer's long-term rating to 'B1' from 'B2', with negative outlook.
(G/C)	The rights offering to BMPS shareholders of the maximum 4,999,698,478 newly issued ordinary BMPS shares was concluded. During the rights offering period, which began on 9 June 2014 and ended on 27 June 2014, 116,636,830 option rights were exercised for the subscription of 4,992,056,324 New Shares, equivalent to 99.85% of the New Shares offered, for a total amount of EUR 4,992,056,324.

(S)	The Parent Company reached a binding agreement for the without recourse sale of a doubtful loans portfolio to a securitisation vehicle financed by companies of the Fortress Investment Group LLC.
July	
(G/C)	**The offer on the stock market of the unexercised option rights was concluded early**, which was part of the Share capital increase.
(G/C)	The Parent Company arranged the redemption of a nominal EUR 3 bn in New Financial Instruments, and payment of the 2013 interest accrued on these, through the issue and simultaneous **repayment of New Financial Instruments** for a total of approx. EUR 3.5 bn.
(R)	**DBRS** confirmed the long-term rating as 'BBB' with negative outlook, and the short-term rating as 'R-2 (mid)' with stable outlook.
(G/C)	**The share capital increase concluded successfully**, fully subscribed for a total of EUR 4,999,698,478.00. As a result of this transaction, the share capital amounts to EUR 12,484,206,649.08, represented by 5,116,513,875 ordinary shares without a nominal value.
(G/C)	BMPS launched a 10-year **issue of covered bonds** for EUR 1 bn. The issue was placed with 114 institutional investors resident mainly in Germany and Austria (32%). There was significant involvement from UK investors (26%) in addition to the domestic demand component accounting for a quarter of the total (28%). This issue is the second placement this year (see April), confirming the Bank's ability to successfully access international markets, including through offerings involving long-term investments.
August	
(G/C)	The Board of Directors approved the results as at 30 June 2014.
(G/C)	The Bank signed an **agreement** with trade unions for the **solidarity fund**.
September	
(S)	**WIDIBA**, the Group's new direct bank, commenced operations in the market.
(G/C)	Deputy Chairman **Marco Turchi** and Director **Paola Demartini** tendered their resignations to facilitate the entrance of representatives of new shareholders resulting from the Trade union agreement.
October	
(G/C)	The Board of Directors replaced the resigning directors, co-opting as non-independent directors David Manuel Martinez, founder of Fintech Advisory Inc. and currently its Chairman and CEO, and Roberto Isolani, currently member of the Global Management Committee of BTG Pactual.
(G/C)	The results of the Comprehensive Assessment were published, confirming the solidity of the Bank's capital structure, capable of absorbing the effects of the Asset Quality Review (AQR). In this context and in consideration of the mitigation actions of EUR 2,139 mln (including the EUR 5 bn share capital increase, net of repayments of EUR 3 bn of State Aid in the form of NFIs, and the revaluation of the shareholding in Bank of Italy): • Common Equity Tier 1 (CET1) post-AQR is 9.5% as at 31 December 2013, against a threshold of 8.0%; • the "Base Scenario" stress test was also successful, with a CET1 of 8.8% against a threshold of 8.0%; • the "Adverse Scenario" stress test at 2016 was not successful, showing a deficit of EUR 2.1 bn. The Bank's Board of Directors appointed UBS and Citigroup as financial advisors in defining, structuring and implementing mitigation actions in relation to the Capital Plan, as well as for evaluating all strategic options available to the Bank.
November	
(G/C)	On 5 November, the Banca Monte dei Paschi di Siena Board of Directors approved the Capital Plan to be proposed to the competent authorities for closing the EUR 2.1 bn capital shortfall deficit resulting from the Comprehensive Assessment and attributable to the Adverse Scenario of the Stress Test. The approved Capital Plan envisages that the capital shortfall is covered entirely by forms of capital reinforcements that will further improve the structure and quality of the Bank's capital, including: • a share capital increase to be offered up to a maximum of EUR 2.5 bn, already supported by a pre-underwriting agreement and to be submitted for the approval of the Extraordinary Shareholders' Meeting; • non-dilutive shares for shareholders, represented by additional capital management measures for approx. EUR 220 mln; • the request to mitigate the deficit for an amount equivalent to the positive difference between the operating profits estimated for 2014 (the "expected pre-provision profit") and the same values estimated in the Adverse Scenario, which have a negative effect on the calculation on the capital deficit, estimated by the Bank at approx. EUR 390 mln.
(G/C)	On 17 November, an agreement was entered into with the union organisations for the new requests for participation in the Solidarity Fund (90). The exits, which are combined with those already agreed in August, therefore rose to over 1,400.

December

(S)	On 22 December a binding agreement was reached for the without recourse sale of a doubtful loans portfolio to a securitisation vehicle financed by companies of the Fortress Investment Group LLC. The portfolio sold included almost 4,000 doubtful loans with a gross book value of around EUR 380 million.
(G/C)	23 December. All disputes deriving from tax audits on the absorbed company MPS Immobiliare S.p.A. (MPSI) and the subsidiary Perimetro Gestione Proprietà Immobiliari S.C.p.A. (Consorzio Perimetro) and the relative tax treatment of the Chianti Classico transaction have been resolved with the Italian Revenue Agency. The impact of this settlement on the income statement and on CET1 at consolidated level is substantially neutral.

Significant events after 2014

February

(R)	DBRS lowered the ratings by one notch, keeping them at investment grade level. In particular, it placed the long-term rating at "BBB(low)" (previously "BBB") and the short-term rating at "R-2(low)" (previously "R-2(mid)"). The outlook remained "under review negative".
(G/S)	The Supervisory Authority informed the Parent Company that its target ratios for Total Capital and CET 1 have been set at 10.9% and 10.2%, respectively. In order to create a buffer with respect to the required CET1 threshold, the Parent Company's Board of Directors resolved to submit a proposal to the Shareholders' Meeting to increase the amount of the share capital issue up to a maximum of EUR 3 billion.

Note that as a result of the loss for the year in 2014, the Parent Company, pursuant to the prospectus, cannot pay the interest accrued for the New Financial Instruments in monetary form. Therefore, the Parent Company will pay such interest to the Ministry of Economy in the form of shares.

Results in brief

CONSOLIDATED REPORT ON OPERATIONS

Highlights as at 31/12/2014

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP

		(*)	
INCOME STATEMENT FIGURES (EUR mln)	31/12/2014	31/12/2013	% chg
Income from banking activities	3,861.2	3,813.7	1.2%
Income from banking and insurance activities	4,228.4	3,964.7	6.7%
Net operating income	(6,552.0)	(1,675.2)	n.s.
Parent company's net profit (loss) for the period	(5,342.9)	(1,434.3)	n.s.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	31/12/2014	31/12/2013	% chg
Direct funding	126,224	129,836	-2.8%
Indirect funding	106,140	103,397	2.7%
of which: assets under management	*51,519*	*45,106*	*14.2%*
of which: assets under custody	*54,622*	*58,292*	*-6.3%*
Loans to customers	119,676	130,598	-8.4%
Group net equity	5,965	6,147	-3.0%
KEY CREDIT QUALITY RATIOS (%)	31/12/2014	31/12/2013	Abs. chg
Net doubtful loans/Loans to Customers	7.1	6.8	0.3
Net substandard loans/Loans to Customers	9.6	5.8	3.8
PROFITABILITY RATIOS (%)	31/12/2014	31/12/2013	Abs. chg
Cost/Income ratio	65.2	71.0	-5.9
Net loan loss provisions / End-of-period loans	6.54	2.11	4.4
CAPITAL RATIOS (%)	31/12/2014	Dec 13 (BIS 3)(**)	Abs. chg
Solvency ratio	13.0	14.7	-1.7
Tier 1 ratio	8.7	10.4	-1.7
Tier 1 ratio	-2.91	-0.72	-2.19
INFORMATION ON BMPS STOCK	30/12/2014	31/12/2013	
Number of ordinary shares outstanding	5,116,513,875	11,681,539,706	-6,565,025,831
Price per ordinary share:	from 31/12/13 to 31/12/2014	from 31/12/12 to 31/12/13 (***)	% chg
average	1.19	1.35	-11.8%
low	0.46	0.97	-51.9%
high	2.56	1.87	36.7%
OPERATING STRUCTURE	31/12/2014	31/12/2013	Abs. chg
Total head count - end of period	25,961	28,417	(2,456)
Number of branches in Italy	2,186	2,334	(148)
Number of specialised centres	279	287	(8)
Financial advisory branches	118	125	(7)
Number of branches & representative offices abroad	40	39	1

(*) Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014). Previous year profit and loss values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

(**)The figure as at 31/12/2013 was adjusted again compared to the pro-forma Bis3 31/12/2013 data published in the Quarterly Report of March 2014, to provide a like-for-like comparison with 31/12/2014 since some instructions for the regulatory treatment of certain items were incorporated during the year. In particular, the adjustment regarded, in terms of capital, the elimination of the positive filter on the negative AFS Reserve on Italian government bonds connected to the "Alexandria" transaction with Nomura, the impact deriving from the treatment of treasury shares included in UCITS funds ("Lookthrough"); the method for calculating the CET1 exemption for the determination of deductions to be made to capital and the consolidation of the vehicle "Patagonia" (the latter impacted only at the Tier 2 level and to a non-material extent with respect to RWAs). In terms of RWAs, the value differs due to the indirect effects of the CET1 exemptions mechanism. For further information, please refer to "Part F" of the Notes to the Financial Statements.

(***)Prices restated following the capital increase started June 9 ended July 4, 2014

Changes in the key items of the financial statements of Montepaschi Group as at 31 December 2014 are summarized below:

- The Group's **Total funding** volumes amounted to around **EUR 232 bn**, essentially in line with the result at the end of 2013 (-0.4%), with a shift of volumes from direct funding and assets under custody to assets under management.
- Group **loans to customers** amounted to **EUR 120 bn**, down 8.4% with respect to the end of 2013 due to low credit demand, correlated with the phase of recession that has severely struck the Italian economy. This aggregate was also impacted by the results of the Credit File Review (CFR) and the updated methods and application parameters for the classification and valuation of loans following the application of the Group's new accounting policy as a result of the Asset Quality Review (AQR). **Coverage of non-performing loans stood at 48.9%**, compared to 41.8% at the end of the previous year, with doubtful loan coverage increasing from 58.8% at the end of 2013 to 65.3% and substandard loan coverage increasing from 20.4% to 32.7%.
- With regard to capital ratios, the **Common Equity Tier 1 Ratio stood at 8.7%** and the **Total Capital Ratio at 13%** as at 31/12/14.
- In 2014, the Group's **net income from banking and insurance** totalled approx. **EUR 4,228 mln** (+6.7% on the previous year) with 4Q2014 contributing EUR 1,092 mln, down 7.8% on the previous quarter. **Net interest income** amounted to approx. **EUR 2,164 mln**, just above the previous year's levels (+0.3%) due to the negative impact of the recalculation of the repayment value of New Financial Instruments (NFIs), net of which the Group's Net Interest Income would reflect year-on-year growth of approx. 7%, attributable to the lower average amount of NFIs and improvements in the funding/lending spread. **Net fee and commission income**, totalling approx. **EUR 1,698 mln**, picked up by 2.4%YoY (EUR +40.2 mln) especially due to higher revenues from assets under management (particularly the placement of AUM products) as well as the non-commercial component, which particularly benefitted from the restructuring of the "Chianti" transaction.
- With regard to cost of credit, the ratio of the impairment losses on loans for 2014 over total customer loans reflects a **provisioning rate of 654 bps**, compared to 211 bps at the end of 2013. Excluding the higher impairment losses connected to the review of classification and valuation methods and parameters for the entire loan portfolio (a larger perimeter than was taken into consideration in the Asset Quality Review), the provisioning rate would be around 155 bps.
- **Operating expenses** totalled approximately **EUR 2,755 mln**, down 2.2% on the previous year, in particular:
  - ✓ **personnel expenses**, totalling approx. **EUR 2,514.4 mln**, were down 5.4% from the previous year, mainly due to headcount reduction;
  - ✓ **other administrative expenses** (net of customer expense recovery) totalled approx. **EUR 805 mln**, down 14.3% compared to 2013 due to structural cutbacks in spending, particularly on rental expenses, IT, facility management and office supplies, sponsorships and promotional actions and business trips;
  - ✓ **net value adjustments to tangible and intangible assets** were approx. EUR 241 mln at the end of the year, up 51.7% YoY due to higher depreciation of real estate following the

consolidation of Perimetro (at the end of 2013) and certain write-downs on real estate totalling around EUR 41 mln, also recognised based on the AQR.

- In 2014, the consolidated net result before Purchase Price Allocation (PPA) and impairment on goodwill and intangible assets, and including the profit for non-controlling interests shows a loss of approx. EUR 4,617 mln (approx. EUR -1,394.5 mln as at 31/12/13). Considering the net effects of the PPA (approx. EUR 38 mln) and impairment losses on goodwill and intangible assets (totalling EUR 688 mln), **the loss for 2014 amounts to around EUR 5,343 million** (EUR -1,434.3 mln in 2013).

Business Plan status

Performance monitoring

For each Business Plan action, a system of short-term and medium/long-term quantitative and qualitative performance indicators is used. This system associates the economic/financial results with the actions taken to achieve these results (value tree).

Summary of progress

In 2014, the implementation of the Business Plan focused particularly on the issues of capital strengthening, credit quality and asset review, the sales & distribution model and overall efficiency improvements.

Capital and governance - the EUR 5 bn share capital increase was successfully completed, aimed at partial settlement of the so-called "Monti Bonds" and strengthening the Bank's capital; Actions in support of the ECB's asset analysis (Asset Quality Review) were completed.

Credit - projects for the roll out of the new model for issuing and monitoring credit, as well as the new credit recovery model, continued.

Sales & distribution - the new direct bank WIDIBA began operating; the Regata Retail Project moved forward (aimed at making managers more proactive using on the job training, enabling them to develop more diversified, effective and sustainable marketing proposals); the project to transform the Bank's distribution model (Programma Banca 2020) continued, along with planning for the redefinition of the product mix for the corporate market (Corporate Revolution Programme) and for consumer credit (incorporation of Consum.it);

Operational excellence - implementation of the new Physical Network Security Model and planning to improve the appearance, reception and appeal of the Bank's branches have continued; Paperless processes have been consolidated to reduce costs and boost service quality by digitising activities and communications which had heretofore been primarily in paper format.

Human capital - action has continued to align headcounts and the cost of labour with Plan targets, with one-off and structural initiatives (Bank Transformation Project); the new talent and performance management process has become fully operational; corporate welfare policies have been consolidated and enhanced.

Prospects and outlook on operations

Despite modest improvement, the macro-economic environment in which the Group operates is still weak with continued uncertainty regarding possible future scenarios:

- the economy reported slight signs of recovery but there are still critical issues for manufacturing activities in general, particularly small/medium-sized firms;
- labour market conditions remain difficult, with unemployment rates that are still very high, hindering consumption and savings;
- the high credit risk on banks' portfolios has not decreased while loan demand for investments remains low.

The results of the Comprehensive Assessment exercise, published on 26 October 2014, confirmed the solidity of Banca Monte dei Paschi di Siena's capital structure, able to absorb the impact of the Asset Quality Review ("AQR") due to the share capital increase carried out in June 2014 for a suitable amount. As part of the exercise, the post-AQR Common Equity Tier 1 ("CET1"), including the mitigation actions, was 9.5% as at 31 December 2013, against a threshold of 8.0%.

The "Base Scenario" stress test was also successful, with a CET1 of 8.8%[2] against a threshold of 8.0%. However, the Adverse Scenario of the stress test at 2016 was not successful, showing a deficit of EUR 2.1 bn, net of actions already taken.

To make up for the capital deficit of EUR 2.1 bn resulting from the Comprehensive Assessment and attributable to the Adverse Scenario of the stress test, the Banca Monte dei Paschi di Siena Board of Directors approved the Capital Plan sent to the competent authorities on 10 November 2014, which envisaged covering the entire deficit with forms of capital strengthening to further improve the Bank's capital structure and quality.

In addition to specific capital management measures, the plan included a share capital increase to be offered up to a maximum of EUR 2.5 bn, already supported by a pre-underwriting agreement, which will be submitted for the approval of the Extraordinary Shareholders' Meeting.

In addition to the capital strengthening measures envisaged in the Capital Plan, additional planned managerial actions will be taken to improve the effectiveness of the Restructuring Plan, with particular reference to the commercial productivity of Banca Monte dei Paschi di Siena and acceleration of the Bank's profitability by improving asset quality. These measures will include specific initiatives such as further de-risking in the financial statements, aimed at increasing Banca Monte dei Paschi di Siena's capital buffer, as well as pro-active management of doubtful loans (portfolio sales, reorganisation of processes and internal teams, commercial agreements/joint ventures with specialised platforms or operators).

Within the alterantives that Banca Monte dei Paschi di Siena will be allowed by the Regulators, priority will be given to the solutions that will optimize the use of capital, including the strategic options that will be identified over time.

Following the Supervisory Review and Evaluation Process (SREP), the ECB sent a request to the Montepaschi Group to reach a CET1 transitional ratio of 10.2% instead of the initially requested threshold of 14.3%.

Considering the deductions from regulatory capital required for 2015 under Basel 3 (phase-in thresholds), the Banca Monte dei Paschi di Siena S.p.A. Board of Directors resolved to submit a proposal to the Shareholders' Meeting to increase the amount of the share capital issue up to a maximum of EUR 3 billion instead of EUR 2.5 billion, in order to create a buffer with respect to the CET1 transitional ratio requested in relation to the SREP. The share capital issue is backed by a pre-underwriting agreement for up to a maximum of EUR 3bn.

[2] The capital ratios of the Base Scenario and the Adverse Scenario of the Comprehensive Assessment are calculated based on the maximum cumulative impacts during the 2014-2016 stress test period and adjusted to the Bank's capital as at 1 January 2014, post-AQR and Join-up.

Analysis of the key economic-financial indicators

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.

The following are the reclassifications made to the consolidated income statement as at 31 December 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) from financial assets and liabilities designated at fair value". The item incorporates dividends earned on securities held in the Group's securities and derivatives portfolio (approx. EUR 21 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 105 mln, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity). Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate.

c) "**Net impairment losses (reversals) on financial assets**" includes items 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 around EUR 343 mln for restructuring charges, mainly related to allocations for early retirement incentives/provisions, as per the trade union agreement of 7 August 2014 (approx. EUR 337 mln) and, for the remainder, other initiatives regarding personnel. The amount was reclassified under "Restructuring costs/One-off charges".

e) "**Other administrative expenses**" in the reclassified income statement was reduced for the portion of stamp duty and client expense recovery (approx. EUR 330 mln) posted under item 220 "Other operating expenses/income". Restructuring charges (approx. EUR 33 mln), allocated against the closure of branches, were also eliminated from the item.

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 customer 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 of approx. EUR 343 mln reclassified out of Personnel Expenses (see item d), as well as restructuring charges of approx. EUR 33 mln allocated against the closure of branches (see item e).

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 "Net interest income" for EUR 29.2 mln and depreciation/amortization for EUR 27.6 mln, net of a theoretical tax burden of approx. EUR 19 mln that is included in the related item).

j) The reclassified income statement item "**Impairment of Goodwill and Intangible Assets**" includes the impairment loss on goodwill at Group level (item 260 "Impairment of goodwill" for approx. EUR 662 mln) and the impairment loss on intangible assets linked to software (approx. EUR 39 mln gross, included in "Net value adjustments to intangible assets"; net value approx. EUR 26 mln). The tax effect of approx. EUR 13 mln from the impairment loss on intangible assets linked to software was included in the item "Tax expense (recovery) on income from continuing operations".

Listed below 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 "Change in value of macro-hedged financial assets", item 140 "Tax assets", item 150 "Non-current assets and groups of assets available for sale and discontinued operations" and item 160 "Other assets".

c) "**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".

d) "**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 available for sale and discontinued operations" and item 100 "Other liabilities".

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The reconciliation between the statutory accounts and the reclassified consolidated income statement and balance sheet are enclosed in the "Annexes" section.

Reclassified Income Statement (Euro mln)				
	31/12/2014	31/12/2013	Change	
Montepaschi Group		(*)	Abs.	%
Net interest income	2,163.5	2,156.2	7.3	0.3%
Net fee and commission income	1,697.7	1,657.5	40.2	2.4%
Income from banking activities	**3,861.2**	**3,813.7**	**47.5**	**1.2%**
Dividends, similar income and gains (losses) on investments	120.9	129.9	(9.0)	-6.9%
Net profit (loss) from trading	262.0	14.1	248.0	n.s.
Net profit (loss) from hedging	(15.8)	7.0	(22.8)	n.s.
Income from banking and insurance activities	**4,228.4**	**3,964.7**	**263.7**	**6.7%**
Net impairment losses (reversals) on:	**(8,025.3)**	**(2,823.2)**	**(5,202.1)**	**n.s.**
a) loans	(7,821.4)	(2,749.6)	(5,071.8)	n.s.
b) financial assets	(203.8)	(73.5)	(130.3)	n.s.
Net income from financial and insurance activities	**(3,796.9)**	**1,141.5**	**(4,938.4)**	**n.s.**
Administrative expenses:	(2,514.4)	(2,658.1)	143.7	-5.4%
a) personnel expenses	(1,709.9)	(1,718.8)	8.9	-0.5%
b) other administrative expenses	(804.5)	(939.3)	134.8	-14.3%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(240.7)	(158.7)	(82.0)	51.7%
Operating expenses	**(2,755.2)**	**(2,816.8)**	**61.6**	**-2.2%**
Net operating income	**(6,552.0)**	**(1,675.2)**	**(4,876.8)**	**n.s.**
Net provisions for risks and charges and other operating income (expenses)	(172.9)	(232.1)	59.3	-25.5%
Gains (losses) on investments	89.9	(57.9)	147.8	n.s.
Restructuring costs / One-off costs	(375.8)	(24.5)	(351.3)	n.s.
Gains (losses) on disposal of investments	84.7	1.4	83.3	n.s.
Profit (loss) before tax from continuing operations	**(6,926.1)**	**(1,988.4)**	**(4,937.8)**	**n.s.**
Tax expense (recovery) on income from continuing operations	2,304.9	647.2	1,657.7	n.s.
Profit (loss) after tax from continuing operations	**(4,621.3)**	**(1,341.2)**	**(3,280.1)**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	(51.2)	51.2	n.s.
Net profit (loss) for the period including non-controlling interests	**(4,621.3)**	**(1,392.4)**	**(3,228.8)**	**n.s.**
Net profit (loss) attributable to non-controlling interests	4.4	(2.0)	6.4	n.s.
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**(4,616.9)**	**(1,394.5)**	**(3,222.4)**	**n.s.**
PPA (Purchase Price Allocation)	(38.1)	(39.8)	1.8	-4.4%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	(687.9)	-	(687.9)	n.s.
Parent company's net profit (loss) for the period	**(5,342.9)**	**(1,434.3)**	**(3,908.6)**	**n.s.**

(*) Previous year profit and loss values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

Quarterly trend in reclassified incomen statement (Euro mln)								
	2014				2013 (*)			
Montepaschi Group	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	610.9	580.6	526.2	445.8	564.0	507.3	487.2	597.7
Net fee and commission income	405.2	421.5	425.8	445.2	404.8	404.2	417.3	431.3
Income from banking activities	**1,016.2**	**1,002.1**	**952.0**	**891.0**	**968.8**	**911.5**	**904.4**	**1,029.0**
Dividends, similar income and gains (losses) on investments	38.8	32.6	23.8	25.7	32.9	31.1	38.6	27.2
Net profit (loss) from trading	41.1	147.3	28.6	45.1	(271.6)	89.6	76.5	119.5
Net profit (loss) from hedging	(4.7)	2.2	(8.7)	(4.6)	5.0	7.0	(0.9)	(4.0)
Income from banking and insurance activities	**1,091.5**	**1,184.1**	**995.6**	**957.2**	**735.2**	**1,039.1**	**1,018.7**	**1,171.8**
Net impairment losses (reversals) on:	**(5,502.2)**	**(1,296.1)**	**(735.2)**	**(491.7)**	**(1,252.8)**	**(519.3)**	**(556.5)**	**(494.5)**
a) loans	(5,357.0)	(1,256.5)	(731.4)	(476.6)	(1,209.7)	(511.0)	(544.8)	(484.2)
b) financial assets	(145.2)	(39.6)	(3.8)	(15.2)	(43.1)	(8.3)	(11.7)	(10.3)
Net income from financial and insurance activities	**(4,410.8)**	**(112.0)**	**260.4**	**465.5**	**(517.6)**	**519.8**	**462.1**	**677.3**
Administrative expenses:	(658.2)	(623.8)	(620.4)	(611.9)	(640.9)	(658.8)	(668.7)	(689.7)
a) personnel expenses	(430.7)	(427.9)	(421.9)	(429.3)	(414.3)	(429.0)	(422.6)	(452.9)
b) other administrative expenses	(227.5)	(195.9)	(198.5)	(182.6)	(226.6)	(229.8)	(246.1)	(236.8)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(76.3)	(65.6)	(50.2)	(48.6)	(45.4)	(38.0)	(36.0)	(39.3)
Operating expenses	**(734.5)**	**(689.5)**	**(670.7)**	**(660.5)**	**(686.3)**	**(696.9)**	**(704.7)**	**(728.9)**
Net operating income	**(5,145.3)**	**(801.5)**	**(410.2)**	**(195.0)**	**(1,204.0)**	**(177.1)**	**(242.5)**	**(51.7)**
Net provisions for risks and charges and other operating income (expenses)	(39.3)	(35.3)	(45.2)	(53.2)	(223.0)	(29.2)	11.5	8.5
Gains (losses) on investments	(72.0)	(13.4)	133.4	41.9	(25.9)	(0.5)	(32.6)	1.0
Restructuring costs / One-off costs	(53.8)	(318.2)	(2.7)	(1.1)	(6.7)	(0.2)	(17.6)	-
Gains (losses) on disposal of investments	77.9	1.7	0.4	4.7	1.9	1.2	(1.9)	0.2
Profit (loss) before tax from continuing operations	**(5,232.5)**	**(1,166.6)**	**(324.3)**	**(202.7)**	**(1,457.7)**	**(205.7)**	**(283.1)**	**(41.9)**
Tax expense (recovery) on income from continuing operations	1,736.8	374.2	155.4	38.4	563.5	89.8	31.3	(37.4)
Profit (loss) after tax from continuing operations	**(3,495.7)**	**(792.4)**	**(168.9)**	**(164.3)**	**(894.2)**	**(116.0)**	**(251.8)**	**(79.3)**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	(12.6)	(12.9)	(12.9)	(12.9)
Net profit (loss) for the period including non-controlling interests	**(3,495.7)**	**(792.4)**	**(168.9)**	**(164.3)**	**(906.8)**	**(128.8)**	**(264.6)**	**(92.2)**
Net profit (loss) attributable to non-controlling interests	0.6	4.9	(0.6)	(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	**(3,495.2)**	**(787.5)**	**(169.5)**	**(164.7)**	**(907.3)**	**(129.3)**	**(265.2)**	**(92.7)**
PPA (Purchase Price Allocation)	(10.1)	(9.2)	(9.4)	(9.4)	(9.1)	(9.2)	(13.0)	(8.5)
Impairment on goodwill, intangibles and writedown of investment in AM Holding	(687.9)	-	-	-	-	-	-	-
Parent company's net profit (loss) for the period	**(4,193.2)**	**(796.7)**	**(178.9)**	**(174.1)**	**(916.3)**	**(138.6)**	**(278.2)**	**(101.2)**

(*) Previous year profit and loss values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

Reclassified balance sheet (Euro mln)

ASSETS	31/12/2014	31/12/2013 (*)	Chg vs 31/12/13 abs.	Chg vs 31/12/13 %
Cash and cash equivalents	1,007	877	129	14.7%
Receivables :				
a) Loans to customers	119,676	130,598	(10,922)	-8.4%
b) Loans to banks	7,723	10,485	(2,762)	-26.3%
Financial assets held for trading	39,776	42,919	(3,142)	-7.3%
Financial assets held to maturity	-	-	-	
Equity investments	1,014	970	44	4.5%
Property, plant and equipment / Intangible assets	3,229	4,046	(817)	-20.2%
of which:				
a) goodwill	*8*	*670*	*(662)*	-98.8%
Other assets	11,019	8,566	2,454	28.6%
Total assets	**183,444**	**198,461**	**(15,017)**	**-7.6%**

LIABILITIES	31/12/2014	31/12/2013 (*)	Chg vs 31/12/13 abs.	Chg vs 31/12/13 %
Payables				
a) Deposits from customers and securities issued	126,224	129,836	(3,612)	-2.8%
b) Deposits from banks	27,648	37,279	(9,631)	-25.8%
Financial liabilities held for trading	13,702	16,410	(2,708)	-16.5%
Provisions for specific use				
a) Provisions for staff severance indemnities	271	261	10	3.8%
b) Pensions and other post retirement benefit obligations	66	61	5	7.9%
c) Other provisions	1,085	1,066	19	1.8%
Other liabilities	8,459	7,367	1,092	14.8%
Group net equity	5,965	6,147	(182)	-3.0%
a) Valuation reserves	(685)	(1,056)	370	-35.1%
c) Equity instruments carried at equity	3	3	-	
d) Reserves	(496)	1,175	(1,671)	-142.2%
e) Share premium	2	-	2	
f) Share capital	12,484	7,485	5,000	66.8%
g) Treasury shares (-)	(0)	(25)	25	-100.0%
h) Net profit (loss) for the year	(5,343)	(1,434)	(3,909)	n.s.
Non-controlling interests	24	33	(10)	-28.8%
Total Liabilities and Shareholders' Equity	**183,444**	**198,461**	**(15,017)**	**-7.6%**

(*) Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

Reclassified Balance Sheet - Quarterly Trend (Euro mln)

ASSETS	31/12/2014	30/09/2014	30/06/2014	31/03/2014	31/12/2013 (*)	30/09/2013 (**)	30/06/2013 (**)	31/03/2013 (**)
Cash and cash equivalents	1,007	878	860	823	877	785	684	697
Receivables :	-							
a) Loans to customers	119,676	126,307	132,770	132,677	130,598	135,564	138,082	140,510
b) Loans to banks	7,723	6,884	8,638	10,204	10,485	11,439	12,240	13,676
Financial assets held for trading	39,776	41,856	39,863	43,500	42,919	45,777	49,655	46,389
Financial assets held to maturity	-	-	-	-	-	-	-	-
Equity investments	1,014	1,001	952	960	970	994	971	1,029
Property, plant and equipment / Intangible assets	3,229	3,934	3,971	4,004	4,046	2,441	2,465	2,496
of which:	-							
a) goodwill	*8*	*670*	*670*	*670*	*670*	*670*	*670*	*670*
Other assets	11,019	9,837	9,474	8,855	8,566	9,447	9,774	10,086
Total assets	**183,444**	**190,697**	**196,528**	**201,022**	**198,461**	**206,446**	**213,870**	**214,883**

LIABILITIES	31/12/2014	30/09/2014	30/06/2014	31/03/2014	31/12/2013 (*)	30/09/2013 (**)	30/06/2013 (**)	31/03/2013 (**)
Payables								
a) Deposits from customers and securities issued	126,224	126,610	130,777	128,859	129,836	132,286	137,078	135,311
b) Deposits from banks	27,648	29,425	31,810	40,991	37,279	42,377	41,741	42,753
Financial liabilities held for trading	13,702	13,144	11,718	14,630	16,410	14,909	18,630	19,571
	-							
Provisions for specific use	-							
a) Provisions for staff severance indemnities	271	295	285	273	261	282	269	291
b) Pensions and other post retirement benefit obligations	66	59	59	60	61	47	48	40
c) Other provisions	1,085	1,024	991	1,020	1,066	1,185	1,207	1,124
Other liabilities	8,459	9,777	9,811	8,905	7,367	8,922	8,339	9,595
	-							
Group net equity	5,965	10,340	11,048	6,251	6,147	6,435	6,555	6,195
a) Valuation reserves	(685)	(549)	(634)	(788)	(1,056)	(1,697)	(1,714)	(2,309)
c) Equity instruments carried at equity	3	3	3	3	3	3	3	3
d) Reserves	(496)	(451)	4,548	(274)	1,175	1,187	1,187	886
e) Share premium	2	2	-	-	-	-	-	255
f) Share capital	12,484	12,484	7,485	7,485	7,485	7,485	7,485	7,485
g) Treasury shares (-)	(0)	(0)	(0)	(0)	(25)	(25)	(25)	(25)
h) Net profit (loss) for the period	(5,343)	(1,150)	(353)	(174)	(1,434)	(518)	(380)	(101)
	-							
Non-controlling interests	24	24	29	34	33	3	3	3
Total Liabilities and Shareholders' Equity	**183,444**	**190,697**	**196,528**	**201,022**	**198,461**	**206,446**	**213,870**	**214,883**

(*) Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

(**) The values of the previous year quarters have been restated to reflect the changes resulting from the reclassification of the financial instrument "Fresh 2008" amounting to 76 million euro, from the item "Equity instruments carried at equity" under the item "Deposits from banks" and the retrospective application of the amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities".

Balance Sheet

Customer funding

As at 31 December 2014, the Group's **Total funding** volumes amounted to around **EUR 232 bn**, essentially in line with the result at the end of 2013 (-0.4%), with a **shift of volumes** from direct funding and assets under custody to assets under management.

Volumes declined in the fourth quarter of 2014, primarily for the indirect component, due to the downward trend in assets under custody (-5.1% QoQ).

Background
In 2014 there was a decline in medium and long term funding and growth in short-term funding. The largest increases in bank deposits were seen in north east and central Italy.
The average return on bank funding decreased (1.54% in November vs. 1.89% in the same period of the previous year), and bond yields were down as well.
Funding from assets under management surpassed EUR 120 bn in 2014 and the assets, amounting to approx. EUR 1,564 bn, are basically equal to the value of national GDP.

Customer Funding (Euro mln)	31/12/14	30/09/14	30/06/14	(*) 31/12/13	Chg % vs %	Chg % vs %
Direct funding	**126.224**	**126.610**	**130.777**	**129.536**	**-0,3%**	**-2,8%**
Indirect funding	**106.140**	**107.956**	**107.215**	**103.397**	**-1,7%**	**2,7%**
assets under management	*51.519*	*50.390*	*48.535*	*45.106*	*2,2%*	*14,2%*
Mutual Funds/Sicav	*21.994*	*21.354*	*20.048*	*17.361*	*3,0%*	*26,7%*
Individual Portfolio under Management	*6.228*	*6.340*	*6.194*	*6.008*	*-1,8%*	*3,7%*
Insurance Products	*23.297*	*22.696*	*22.293*	*21.737*	*2,6%*	*7,2%*
assets under custody	*54.622*	*57.568*	*58.680*	*58.292*	*-5,1%*	*-6,3%*
Total funding	**232.365**	**234.565**	**237.991**	**233.233**	**-0,9%**	**-0,4%**

(*)Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

More specifically:

- the Group's **direct funding**, totalling **EUR 126 bn,** remained stable at the levels of late September 2014 (-0.3%), while there was a decrease of 2.8% compared to 31/12/2013. Annual trends were impacted by the partial repayment of the new financial instruments (approx. EUR 3 bn) in July, accounted for under "Other forms of Direct Funding", and the slowdown in bond placements for retail customers pending the approval of the Prospectuses. Current Accounts were also down compared to the previous year (-3.1%), while Time Deposits were up (+34.9%) as were reverse repurchase agreements (+31.4%), particularly with Cassa di Compensazione e Garanzia (Central Counterparty Clearing), which constitutes one of the Group's liquidity management channels. The Group's market share[3] was 4.75% (figure updated at November 2014), down by 34 bps compared to the end of 2013.

[3] Calculated on deposits, repurchase agreements (excluding central counterparties) and total bonds (net of buybacks) placed with resident consumer clients as first-instance borrowers.

The following table shows a breakdown of major types of direct funding from customers:

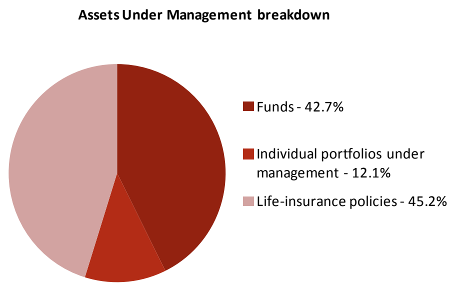
Direct funding (EUR mln)								
				(*)	Change Q/Q		Change Y/Y	
Type of transaction	31/12/2014	30/09/2014	30/06/2014	31/12/2013	Abs.	%	Abs.	%
Current accounts	53,373	57,014	58,042	55,076	(3,641)	-6.4%	(1,704)	-3.1%
Time deposits	10,800	10,900	10,406	8,003	(100)	-0.9%	2,797	34.9%
Reverse repurchase agreements	21,158	13,551	14,478	16,096	7,608	56.1%	5,062	31.4%
Bonds	31,406	34,818	36,396	39,909	(3,412)	-9.8%	(8,503)	-21.3%
Other types of direct funding (**)	9,487	10,327	11,455	10,751	(840)	-8.1%	(1,264)	-11.8%
Total	**126,224**	**126,610**	**130,777**	**129,836**	**(386)**	**-0.3%**	**(3,612)**	**-2.8%**

(*) Previous year balance sheet valuess reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

Moreover, compared to the amounts reported in the financial statements as of 31/12/13, an accounting reclassification of Item 30 (liabilities) resulted in a decrease in "Other types of direct funding", and an equal increase in "Bonds".

(**)This item includes the NFIs, which amounted to EUR 130 bn as at 31/12/2014, inclusive of interest accrued but not paid.

- As at 31/12/2014, **indirect funding** for the Group, totalling **EUR 106 bn**, was up 2.7% compared to the end of the previous year (-1.7% QoQ). More specifically:
  - **Assets under management** closed the year with volumes totalling **EUR 52 bn**, up 14.2% compared to 31/12/13 (+2.2% QoQ). A breakdown of the aggregate shows:
    - the **insurance component** of **EUR 23 bn** (+7.2% compared to 31/12/13; +2.6% over 30/09/14), benefiting from annual insurance premiums collected for approx. EUR 5.5 bn, driven by Unit Linked products. The Group's Bancassurance market share was 5.84% (as at October 2014, latest data available);
    - **mutual investment funds and SICAV**, amounting to **EUR 22 bn**, up 26.7% compared to 31/12/13 (+3.0% over the end of September 2014), as a result of net inflows for the year of EUR 3.8 bn, concentrated in guaranteed capital instruments. The Group's market share was 3.73% (as at December 2013, latest data available);
    - **individual portfolios under management** amounted to **EUR 6.2 bn** (+3.7% on the same period of the previous year; -1.8% from 30/9/2014), with annual placements totalling approx. EUR 1.2 bn. The Group's market share was 3.61% (as at October 2014, latest data available).



  - **Assets under custody** amounting to **EUR 55 bn**, showed a decrease from levels at the end of last year (-6.3%) and compared to 30/09/2014 (-5.1%), especially due to the negative market effect on assets under custody of certain major customers, primarily associated with the collapse of energy security prices.

Loans to customers

Background
After around two and a half years in the red, the annual trend of bank loans improved. Bank loans to households achieved the best performance since April 2012. Although business loan trends improved slightly compared to 2013, they remain negative. New disbursements for the acquisition of real estate are up significantly (+30% YoY - October 2014).
The quality of bank loans continues to deteriorate, although at lower rates, principally due to continued weakness in the economic cycle. An increase was registered in the stock of gross doubtful loans, exceeding EUR 179 bn (+21.7% YoY - October 2014). The "net doubtful loans over total loans ratio" stood at 4.61% in October vs 3.98% in the same month of 2013, the highest figure since April 2011.
The weighted average interest rate on total loans to households and non-financial businesses was at 3.66% in December, an all-time low (-20 bps since November 2013).

As at 31/12/2014, Group **loans to customers** amounted to **EUR 120 bn**, down 8.4% with respect to the end of 2013 (-5.2% with respect to 30/09/2014).

This item was especially impacted by low credit demand, correlated with the phase of recession that has severely struck the Italian economy. In fact, all types were down compared to the previous year: Current Accounts (-20.2%), Mortgages (-14.6%) and Loans (-8.2%). The exception was Repurchase Agreements (+51.4%), which are primarily used as a way to temporarily invest excess liquidity. The Group's market share, calculated net of repurchase agreements with institutional counterparties, stood at 7.18% (last available figure from November 2014), basically stable compared to December 2013.

This aggregate was also impacted by the results of the Credit File Review and the updated methods and parameters for the classification and valuation of loans following the application of the Group's new accounting policy as a result of the Asset Quality Review. The above circumstances led to the reclassification of approx. EUR 7 bn[4] (performing loans and guaratees given) from the performing to the non-performing loan portfolio, and an increase in the allowance for impairment of existing stock.

Loans to customers											
Risk category - Net book values					(*)	weight %	weight %	Change Q/Q		Change Y/Y	
(EUR mln)	31/12/14	30/09/14	30/06/14	31/03/14	31/12/13	31/12/14	31/12/13	Ass.	%	Ass.	%
A) Non performing loans	**23.143**	**24.315**	**22.442**	**21.925**	**20.992**	**19,3**	**16,1**	**-1.172**	**-4,8%**	**2.151**	**10,2%**
a1) Doubtful loans	8.445	9.754	9.584	9.332	8.880	7,1	6,8	-1.308	-13,4%	-435	-4,9%
a2) Substandard loans	11.443	10.093	8.345	7.685	7.511	9,6	5,8	1.350	13,4%	3.933	52,4%
a3) Restructured	1.562	1.637	1.958	1.843	1.683	1,3	1,3	-75	-4,6%	-121	-7,2%
a4) Past due	1.693	2.832	2.556	3.065	2.918	1,4	2,2	-1.140	-40,2%	-1.226	-42,0%
B) Performing loans	**96.533**	**101.991**	**110.328**	**110.753**	**109.606**	**80,7**	**83,9**	**-5.458**	**-5,4%**	**-13.073**	**-11,9%**
Total customer loans	**119.676**	**126.307**	**132.770**	**132.677**	**130.598**	**100,0**	**100,0**	**-6.630**	**-5,2%**	**-10.922**	**-8,4%**

(*) Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

The changes in the aggregate reflect trends in disbursements in special-purpose loans. In particular:

- MPS Capital Services granted new loans during the year for approx. EUR 399 mln, down 42.2% compared to 2013;
- Leasing contracts amounted to approx. EUR 457 mln (-24.3% on 2013), while Turnover Factoring totalled approx. EUR 4.9 bn (-16.9% over 2013);

With regard to consumer credit, it should be noted that the Group signed a partnership agreement with Compass in February 2014, in implementation of the 2013-2017 Business Plan guidelines. This agreement is consistent with the Group's decision to support the credit offer to households during this unfavourable economic period and to continue its plan to enhance the value of the sales network through product placement with qualified third parties, thereby quickly developing business areas with high distribution value.

4 Value calculated based on exposures at the time of default

Special purpose loans and corporate finance (EUR mln)	31/12/2014	4Q2014	3Q2014	2Q2014	1Q2014	31/12/13	Chg Q/Q		Chg Y/Y	
							Abs.	%	Abs.	%
MPS Capital Services (disbursements)	398.8	142.8	103.1	84.8	68.1	690.5	39.7	38.5%	-291.7	-42.2%
MPS Leasing & Factoring	5,315.4	1,532.2	1,214.1	1,320.1	1,249.0	6,450.0	318.0	26.2%	-1,134.6	-17.6%
leases negotiated	*456.7*	*146.5*	*90.8*	*101.0*	*118.4*	*603.4*	*55.7*	*61.4%*	*-146.8*	*-24.3%*
factoring turnover	*4,858.7*	*1,385.7*	*1,123.4*	*1,219.1*	*1,130.6*	*5,846.6*	*262.3*	*23.3%*	*-987.8*	*-16.9%*
Consumit (disbursements)	776.0	152.6	159.5	223.6	240.3	1,614.6	-6.9	-4.3%	-838.7	-51.9%

Non-performing loans

As at 31/12/14, the Group's **net exposure to non-performing loans** totalled **EUR 23.1 bn**, up 10.2% compared to the end of December 2013 (-4.8% on 30/9/2014). This item was impacted by the results of the Credit File Review and the application of the Group's new accounting policy as a result of the Asset Quality Review.

Compared to 31/12/2013, there was therefore a reduction in past-due positions (-42%), restructured loans (-7.2%) and doubtful loans (-4.9%), more than offset by the increase in substandard loans (+52.4%), which includes the majority of the post-AQR reclassifications. Doubtful loan trends were also impacted by the sale of two portfolios to Fortress for a total of approx. EUR 850 mln, partly in the second quarter and partly in December.

Loans to customers											
Risk category - Net book values					**(*)**	**weight %**	**weight %**	**Change Q/Q**		**Change Y/Y**	
(EUR mln)	**31/12/14**	**30/09/14**	**30/06/14**	**31/03/14**	**31/12/13**	**31/12/14**	**31/12/13**	**Ass.**	**%**	**Ass.**	**%**
A) Non performing loans	**23.143**	**24.315**	**22.442**	**21.925**	**20.992**	**19,3**	**16,1**	**-1.172**	**-4,8%**	**2.151**	**10,2%**
a1) Doubtful loans	8.445	9.754	9.584	9.332	8.880	7,1	6,8	-1.308	-13,4%	-435	-4,9%
a2) Substandard loans	11.443	10.093	8.345	7.685	7.511	9,6	5,8	1.350	13,4%	3.933	52,4%
a3) Restructured	1.562	1.637	1.958	1.843	1.683	1,3	1,3	-75	-4,6%	-121	-7,2%
a4) Past due	1.693	2.832	2.556	3.065	2.918	1,4	2,2	-1.140	-40,2%	-1.226	-42,0%
B) Performing loans	**96.533**	**101.991**	**110.328**	**110.753**	**109.606**	**80,7**	**83,9**	**-5.458**	**-5,4%**	**-13.073**	**-11,9%**
Total customer loans	**119.676**	**126.307**	**132.770**	**132.677**	**130.598**	**100,0**	**100,0**	**-6.630**	**-5,2%**	**-10.922**	**-8,4%**

(*) Previous year balance sheet assets reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

Following the application of the above-mentioned Group accounting policy, all coverage percentages rose significantly and are now aligned with those of the main competitors. Specifically, **doubtful loan** coverage stood at **65.3%**, up 6.5 p.p. compared to the previous year, while **substandard loan** coverage was **32.7%**, up 12.3 p.p. compared to 31/12/2013. **Non-performing loan coverage therefore amounted to 48.9%**, compared to 41.8% at the end of the previous year.

Coverage ratios				
	31/12/2014	**30/09/2014**	**30/06/2014**	**31/12/2013**
"provisions for NPLs " / "gross NPLs"	48.9%	41.8%	41.6%	41.8%
"provisions for substandard loans" / "gross substandard loans"	32.7%	22.6%	20.9%	20.4%
"provisions for doubtful loans" / "gross doubtful loans"	65.3%	58.8%	58.2%	58.8%

The table below reports the figures for the Group's major companies, within which Parent Company Banca Monte dei Paschi di Siena shows a provisioning to doubtful loans ratio of 67.8% vs. 49.8% for MPS Capital Services, which specialises in medium-long term loans directly supported by collateral.

Npls and Net Substandard loans by business unit

Risk category - Net values at 31/12/2014 (EUR mln)	Group	BMPS	MPS Capital Services	MPS Leasing & Factoring	Consum.it
Net doubtful loans	8,445	5,662	2,105	500	136
% of total customer loans	7.06%	5.54%	18.94%	8.67%	4.26%
"loan loss provisions" / "gross doubtful loans"	**65.3%**	**67.8%**	**49.8%**	**61.6%**	**88.1%**
Net sub standard loans	11,443	8,666	2,079	609	76
% of total customer loans	9.56%	8.48%	18.71%	10.55%	2.36%
"loan loss provisions" / "gross substandard loans"	**32.7%**	**33.3%**	**26.2%**	**39.5%**	**42.1%**

Coverage on **performing loans** rose to 0.9% compared to 0.6% at the end of 2013.

The Group's securities and derivatives portfolio

As at 31 December 2014, the Group's securities and derivatives portfolio amounts to approx. **EUR 33 bn**, down by approx. EUR 1.1 bn compared to 30 September 2014 (-3.2%) and down EUR 2.3 bn compared to 31 December 2013 (-6.4%). The Held for Trading portfolio, which increased at 30 September 2014 due to the primary dealer activities performed by the subsidiary MPS Capital Services, returned to the levels recorded at the end of the first half. The AFS portfolio, substantially steady at the end of September levels, was characterised by a recovery in market values, reflected in the improvement in the reserve included under shareholders' equity and by optimisation of the portfolio through the disposal of long positions and the partial buy-back of shorter term securities. The bond portfolio recognised under loans and receivables has decreased due to disposals meant to reduce the Group's risk profiles and RWAs.

Portfolio of treasury securities and derivatives (exact year-end figures in EUR mln)

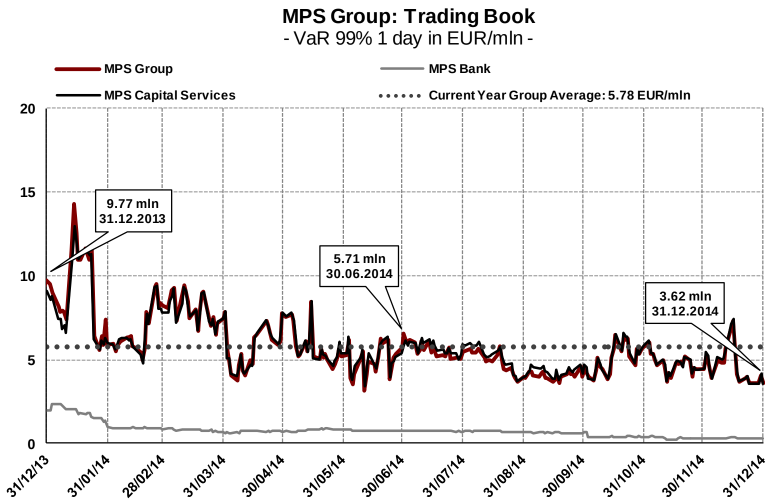
MONTEPASCHI GROUP	31/12/2014	30/09/2014	30/06/2014	31/12/2013	Chg Q/Q		Chg Y/Y	
Type of portfolio			(*)	(*)	Abs.	%	Abs.	%
Held For Trading (HFT) [1]	8,244	8,960	8,578	9,181	(716)	-8.0%	(937)	-10.2%
Available For Sale (AFS) [2]	22,848	22,999	23,031	23,680	(152)	-0.7%	(833)	-3.5%
Loans & Receivable (L&R) [3]	2,191	2,430	2,459	2,694	(239)	-9.8%	(503)	-18.7%
Total	**33,283**	**34,389**	**34,067**	**35,555**	**(1,107)**	**-3.2%**	**(2,273)**	**-6.4%**

(1) "Financial assets held for trading" excluding "Loans" and net of the value of derivatives posted to "Financial liabilities held for trading". The aggregate is not net of uncovered short positions classified under "Financial liabilities held for trading".
(2) "Financial assets held for sale" excluding "Loans" including equity investments.
(3) Securities classified under "Loans & Receivables" posted to "Loans to customers" and "Loans to banks".

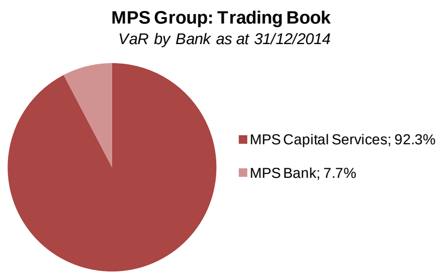
(*) Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

The Group's Regulatory Trading Book

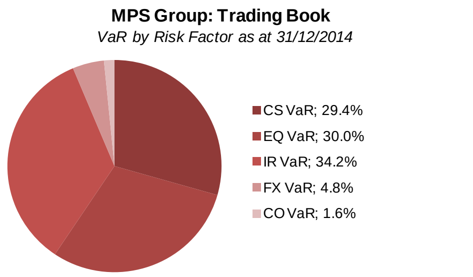
In 2014, market risk trends in the Group's Regulatory Trading Book showed decreasing volatility in VaR and a decreasing absolute risk level as compared to the previous year. The changes in VaR were influenced especially by the IR segment of the subsidiary MPSCS due to its trading activities, primarily in Long Futures and Interest Rate Future Options, and activities by MPSCS relating to the structuring and hedging of policies.



VaR breakdown



MPSCS contributes 92.3% to overall risk, the Parent Company 7.7%.



29.4% of the Group's portfolio is allocated to credit spread risk factors (CS VaR), 30.0% is absorbed by equity risk factors (EQ VaR), 34.2% is absorbed by interest rate factors (IR VaR) and 4.8% by foreign exchange risk factors (FX VaR).

MPS Group: Trading Book
VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	3.62	31/12/2014
Min	3.18	11/06/2014
Max	14.33	14/01/2014
Average	5.78	

VaR trendline

In 2014, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 3.18 mln recorded on 11 June 2014 and a high of EUR 14.33 mln on 14 January 2014 with an average value registered of EUR 5.78 mln. The Group's VaR in the Regulatory Trading Book stood at EUR 3.62 mln as at 31 December 2014.

Interbank position

As at 31 December 2014, the Group's net interbank position stood at approx. EUR 20 bn in funding, an improvement of EUR 2.6 bn compared to 30/09/14 and of approx. EUR 7 bn with respect to 31/12/13. During the fourth quarter, Long Term Refinancing Operations with the ECB continued to be repaid (approx. EUR 6.3 bn), partially offset by access to the new Target Long Term Refinancing Operations for an additional amount of around EUR 3.3 bn.

Interbank balances (end-of-period; EUR mln)								
				(*)	Change Q/Q		Change Y/Y	
	31/12/2014	30/09/2014	30/06/2014	31/12/2013	Abs.	%	Abs.	%
Loans to banks	7,723	6,884	8,638	10,485	838	12.2%	(2,762)	-26.3%
Deposits from banks	27,648	29,425	31,810	37,279	(1,777)	-6.0%	(9,631)	-25.8%
Net position	**(19,925)**	**(22,540)**	**(23,172)**	**(26,793)**	**2,615**	**-11.6%**	**6,869**	**-25.6%**

(*) Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

As at 31/12/2014 the operational liquidity position showed an **unencumbered Counterbalancing Capacity of approx. EUR 16 bn**, in line with the end of 2013.

Shareholders' equity

The **Group shareholders' equity and non-controlling interests**, totalling **EUR 6 bn**, recorded a decrease of EUR 4.4 bn over 30/09/2014 (-42.2%) due to the loss for the period. The Valuation Reserve was basically stable on the previous quarter and improved on the end of last year (EUR +0.4 bn) due to the recovery in value of the AFS portfolio associated with the shrinking of the Italian credit spread.

Reclassified Balance Sheet (Euro mln)								
	31/12/2014	30/09/2014	30/06/2014	31/12/2013	Chg Q/Q		Chg vs Y/Y	
ASSETS				(*)	Abs.	%	Abs.	%
Group net equity	5,965	10,340	11,048	6,147	(4,375)	-42.3%	(182)	-3.0%
a) Valuation reserves	(685)	(549)	(634)	(1,056)	(136)	24.8%	370	-35.1%
c) Equity instruments carried at equity	3	3	3	3	-		-	
d) Reserves (***)	(496)	(451)	4,548	1,175	(45)	10.1%	(1,671)	-142.2%
e) Share premium	2	2	-	-	-		2	n.s.
f) Share capital	12,484	12,484	7,485	7,485	-		5,000	66.8%
g) Treasury shares (-)	(0)	(0)	(0)	(25)	-		25	-100.0%
h) Net profit (loss) for the period	(5,343)	(1,150)	(353)	(1,434)	(4,193)	364.7%	(3,909)	n.s.
Non-controlling interests	24	24	29	33	(1)	-2.2%	(10)	-28.8%
Total Liabilities and Shareholders' Equity	**5,989**	**10,364**	**11,077**	**6,181**	**(4,375)**	**-42.2%**	**(192)**	**-3.1%**

(*) Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014)

Capital adequacy

Capital for regulatory purposes and capital ratios

The new regulatory framework (Basel 3) for calculating regulatory capital and capital requirements according to the provisions of CRR/CRD IV became effective 1 January 2014. The new methodologies are summarised as follows:

- introduction of a Common Equity Tier 1 (CET1) level, with much more stringent criteria for the inclusion of capital instruments with respect to Tier 1;
- introduction within CET1 of a series of items to be deducted (e.g., delta of expected losses, financial equity investments, deferred tax assets), subject to the benefit of the exemption mechanism and, in the transition period, to a gradual application through the phase-in mechanism;
- introduction of a series of restrictions for calculating Tier 2 involving the exclusion of certain subordinated securities, the change in the calculation method of regulatory amortisation of certain securities, and the deduction of Tier 2 securities issued by financial institutions and held by the Group for an amount exceeding the exemption.

Background

Over the last years, Italian banks have strengthened their capital position through private capital.

On 26 October 2014, the Comprehensive Assessment (CA) exercise was completed, which was coordinated by the ECB and the EBA as a precursor to the centralisation of European banking supervision under the ECB (SSM = Single Supervisory Mechanism).
There were 130 banks involved, 29 of which are under restructuring plans.
The final results, applying the benefits of mitigants, showed:
- 105 banks that passed the CA without any shortfalls;
- 25 banks that did not pass the CA, generating a capital shortfall that must be covered within 9 months, following approval from the ECB.

After the results of the stress tests and the Asset Quality Review, given the financial position and risk profiles, and considering the results of the Supervisory Review and assessment process, the ECB decided to assign each individual bank its own minimum capital ratio to be observed. Banks must submit their own counter-arguments and beginning in February or March they will have to apply new, significantly more severe capitalisation requirements.

The ECB's single European supervisory system for the banking industry has been operational since 4 November 2014. This system will promote the application of a single body of prudential supervision rules for credit institutions in order to improve the soundness and transparency of the Eurozone banking industry.

The key regulatory impacts on capital requirements are associated with the following elements:

- increase in capital requirements associated with deferred tax assets (DTAs) that are not based on future profitability and that derive from temporary differences, which can be transformed into credits and therefore included in RWA with a weight of 100%;
- increase in capital requirements associated with financial equity investments and DTAs (that cannot be transformed into credits) not deducted from CET1 as a result of the exemption, and therefore included in RWA with a weight of 250%;
- increase in the capital requirements associated with the introduction of the Credit Value Adjustment (CVA) as part of counterparty risk;
- decrease of the requirement for credit risk for exposures with SMEs that, within certain limits, benefit from a discount of around 24% (SME Supporting Factor);
- elimination of the inclusion of the capital requirement associated with Basel 1 Floor as, according to the new rules, it is no longer expressed in terms of a higher requirement, but rather in terms of a restriction on regulatory capital; this minimum amount of capital to be held cannot be less than 85% of what would be necessary to have a Total Capital ratio of 8%, considering the Basel 1 requirement.

At 31/12/2014 the level of capital decreased compared to pro forma Basel 3 31/12/2013[5] primarily due, on the negative side, to the loss during the year mainly attributable to the incorporation into the financial statements of the adjustment of loan coverage levels that arose during the AQR and the EUR 3 bn Monti Bond repayment. On the positive side, partially offsetting the above, were mainly the EUR 5 bn share capital increase and the elimination of the expected loss delta since the adjustment of coverage on the loan portfolio more than offset the corresponding level of expected loss.

On the basis of the trends recorded during the year, CET1 (Common Equity Tier 1) and T1 (Tier 1) therefore stood at EUR 6,608 mln (EUR -2,144 mln compared to the pro-forma Basel 3 figure as at 31/12/2013).

Total Capital was instead EUR 9,900 mln (EUR -2,379 mln compared to the pro-forma Basel 3 figure as at 31/12/2013) and, in addition to changes affecting CET1, also includes the negative impact of the regulatory amortisation of subordinated securities.

RWA reduced considerably (EUR -7,529 mln compared to pro-forma 31/12/2013). Specifically, absorption of credit risk declined due to the reduction of performing loans, also as a result of reclassifications made during the AQR, as did market risk due to portfolio optimisation and the decrease in operating levels, while DTAs transformable into credits increased as a result of greater provisions recognised in the financial statements for the AQR.

As a result of the above, the CET1 ratio and T1 ratio as at 31/12/2014 are equivalent to 8.7% (-180 bps compared to the pro-forma Basel 3 figure as at 31/12/2013) and the Total Capital ratio is 13.0% (-170 bps compared to the pro-forma Basel 3 figure as at 31/12/2013).

Regulatory Capital (Eur mln)	**31/12/2014**	**31/12/2013**	**Abs. chg vs 31/12/13**	**Chg. % vs 31/12/13**
		Proforma Bis3 (rules in force at 31/12/14)		
Common Equity Tier 1	6,608	8,752	-2,144	*-24.5%*
Tier 1	6,608	8,752	-2,144	*-24.5%*
Tier 2	3,293	3,528	-235	*-6.7%*
Total Regulatory Capital	**9,900**	**12,279**	**-2,379**	***-19.4%***
Risk Weighted Assets	**76,220**	**83,749**	**-7,529**	***-9.0%***
Common Equity Tier 1 Ratio	**8.7%**	**10.4%**	**-1.8%**	**n.s.**
Tier 1 Ratio	8.7%	10.4%	-1.8%	*n.s.*
Total Capital Ratio	13.0%	14.7%	-1.7%	*n.s.*

On the basis of the capital shortfall identified by the Comprehensive Assessement, the Montepaschi Group is required to cover that shortfall within 9 months subsequent to 26 October 2014, as stated in the Capital Plan submitted to the ECB on 10 November 2014, which included a rights issue of EUR 2.5 billion.

Following the Supervisory Review and Evaluation Process (SREP), on 10 February 2015 the ECB informed the Montepaschi Group that it was to reach and comply with a CET1 transitional ratio of 10.2% and a Total Capital transitional ratio of 10.9%.

In order to create a buffer with respect to the CET1 threshold required by the ECB, the Parent Company's Board of Directors resolved to submit a proposal to the Shareholders' Meeting to increase the amount of the share capital issue of up to a maximum of EUR 3 billion.

[5] *The figure at 31/12/2013 was adjusted again compared to the pro-forma Bis3 31/12/2013 data published in the Quarterly Report of March 2014, to provide a like-for-like comparison with 31/12/2014 since some instructions for the regulatory treatment of certain items were incorporated during the year. In particular, the adjustment regarded, in terms of capital, the elimination of the positive filter on the negative AFS Reserve on Italian government bonds connected to the "Alexandria" transaction with Nomura, the impact deriving from the treatment of treasury shares included in UCITS funds ("Lookthrough"); the method for calculating the CET1 exemption for the determination of deductions to be made to capital and the consolidation of the vehicle "Patagonia" (the latter impacted only at the Tier 2 level and to a non-material extent with respect to RWAs). In terms of RWAs, the value differs due to the indirect effects of the CET1 exemptions mechanism. For further information, please refer to "Part F" of the Notes to the Financial Statements.*

Income statement

Trends in operating revenues: contribution to net income from banking and insurance activities

As at 31 December 2014, the Group's **net income from banking and insurance** was approx. EUR 4,228 mln, up 6.7% on the previous year. The contribution of 4Q2014 amounted to approx. EUR 1,092 million, down 7.8% on the previous quarter.

Financial and insurance income (EUR mln)										
						(*)	Chg Q/Q		Chg Y/Y	
	31/12/2014	4Q2014	3Q2014	2Q2014	1Q2014	31/12/2013	Abs.	%	Abs.	%
Net interest income	2,163.5	610.9	580.6	526.2	445.8	2,156.2	30.4	5.2%	7.3	0.3%
Net fee and commission income	1,697.7	405.2	421.5	425.8	445.2	1,657.5	(16.2)	-3.9%	40.2	2.4%
Income from banking activities	**3,861.2**	**1,016.2**	**1,002.1**	**952.0**	**891.0**	**3,813.7**	**14.1**	**1.4%**	**47.5**	**1.2%**
Dividends, similar income and gains (losses) on equity investments	120.9	38.8	32.6	23.8	25.7	129.9	6.3	19.2%	(9.0)	-6.9%
Net trading income (loss) / valuation of financial assets	262.0	41.1	147.3	28.6	45.1	14.1	(106.1)	-72.1%	248.0	n.s.
net profit (loss) from hedging	(15.8)	(4.7)	2.2	(8.7)	(4.6)	7.0	(6.8)	-313.3%	(22.8)	n.s.
Financial and insurance income	**4,228.4**	**1,091.5**	**1,184.1**	**995.6**	**957.2**	**3,964.7**	**(92.6)**	**-7.8%**	**263.7**	**6.7%**

(*) Previous year profit and loss values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

A closer look at the aggregate reveals the following:

- **Net interest income** in 2014 amounted to **EUR 2,164 mln**, just above the levels of the previous year (+0.3%). It should be noted in the 2014 final results, the redetermination of the repayment value of the NFIs[6] in late March 2014 had a negative impact of around EUR 147 mln, net of which the Group's net interest income would have grown year-on-year by around 7%. This growth is due to the lower average amount of these same financial instruments[7] (benefit of approx. EUR 79 mln) as well as an improved funding/lending spread (approx. +46 bps), which was impacted by a lower cost of funding (average borrowing rate -44 bps, mainly with Corporate customers). These phenomena offset the drop in interest-bearing commercial loans (-7% in terms of average balances).

  The 4th quarter of 2014 contributed approximately **EUR 611 mln**, up 5.2% on the previous quarter, especially due to the continued reduction in the cost of funding, particularly by renegotiating borrowing rates with corporate customers.

- **Net fee and commission income**, totalling approx. **EUR 1,698 mln**, picked up by 2.4%YoY (EUR +40.2 mln) especially due to higher revenues from assets under management (particularly the placement of AUM products) as well as the non-commercial component, which particularly benefitted from the restructuring of the "Chianti" transaction.

  The contribution to this aggregate from 4Q2014 came to around **EUR 405 mln**, down compared to the previous quarter (-3.9%; EUR -16.2 mln) especially due to the slowdown in placements (partially offset by higher income from brokerage and protection) and the reduction in fees and commissions linked to the use of loans.

- **Net profit (loss) from trading-valuation-repurchase of financial assets/liabilities** as at 31/12/14 came to approximately EUR 262 mln, compared to around EUR 14 mln last year, which

[6] As at 31/03/2014, the aggregate reflected the recalculation of the NFIS repayment value in relation to their contractual clauses, which is linked to the amount that Fondazione Monte dei Paschi di Siena announced that it received for the sale of the ordinary shares of Banca Monte dei Paschi, with a negative one-off effect in 1Q2014 of EUR 143 mln.

[7] It should be remembered that on 28 February 2013 the MEF underwrote the New Financial Instruments issued by BMPS for a total of EUR 4 bn, increasing the previous issue of Tremonti Bonds by EUR 2 bn.

included non-recurring components described in the consolidated Report on Operations to the 2013 Financial Statements.

A closer look at the result reveals that:

- **Net profit (loss) from trading** showed a positive balance of approx. EUR 101 mln, especially owing to income from the subsidiary MPS Capital Services;
- **Disposal/repurchase of loans and available-for-sale financial assets and liabilities** stood at approx. EUR 159 mln (compared to a loss of approx. EUR 84 mln last year), relating to:
    a. **Disposal of loans for EUR -39.6 mln,** with approx. EUR -25 mln relating to the without recourse sale of a doubtful loans portfolio in the second quarter and at the end of the year to a securitisation vehicle financed by companies of the Fortress Investment Group LLC;
    b. **Disposal of available-for-sale financial assets of EUR 209.1 mln**, mainly attributable to the disposal of AFS securities as well as the sale of certain investments, including Aeroporto Toscano and SIA (with capital gains totalling around EUR 35 mln);
    c. **Early settlement of financial liabilities negative by EUR 10.4 mln** on Banca Monte dei Paschi issues maturing in 2015 and 2017.
- **Net profit (loss) from financial assets and liabilities designated at fair value** showed a positive balance of EUR 1.8 mln, against a positive result of EUR 10.1 mln in 2013.

With regard to the quarterly analysis, the aggregate shows a contribution of EUR 41.1 mln, down by EUR 106.1 mln on the previous quarter, which had benefitted from sales of AFS securities.

Net trading income (loss) / valuation of financial assets (EUR mln)

	31/12/2014	4Q2014	3Q2014	2Q2014	1Q2014	(*) 31/12/2013	Chg Q/Q Abs.	Chg Q/Q %	Chg Y/Y Abs.	Chg Y/Y %
Net profit (loss) from trading	101.2	13.7	(2.8)	46.5	43.8	87.8	16.4	n.s.	13.4	15.2%
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	159.0	9.4	108.9	(6.4)	47.0	(83.9)	(99.5)	-91.3%	242.9	n.s.
Net profit (loss) from financial assets and liabilities designated at fair value	1.8	18.0	41.1	(11.5)	(45.7)	10.1	(23.1)	-56.2%	(8.3)	-81.9%
Net profit (loss) from trading	**262.0**	**41.1**	**147.3**	**28.6**	**45.1**	**14.1**	**(106.1)**	**-72.1%**	**248.0**	**n.s.**

(*) Previous year profit and loss values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

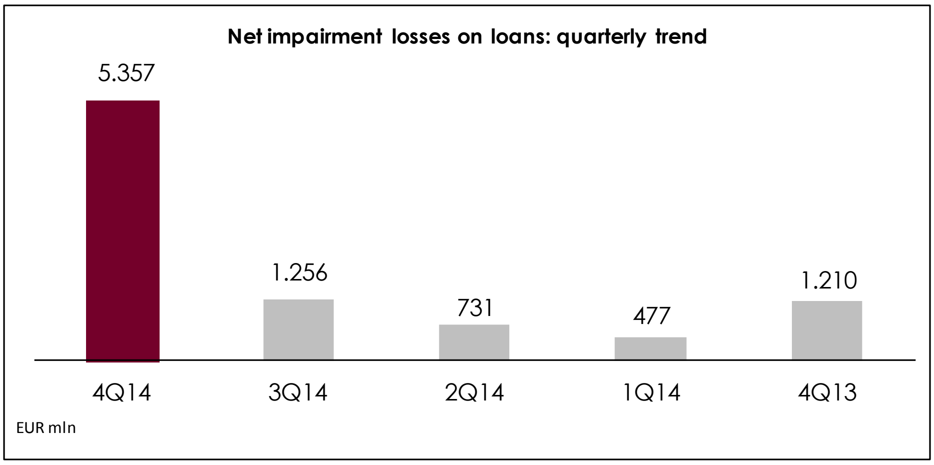
Net income from banking and insurance activities also includes:

- **dividends, similar income and gains (losses) on investments:** totalled approx. **EUR 121 mln** (approx. EUR 130 mln as at 31/12/13) with 4Q2014 contributing approx. EUR 39 mln, up by around EUR 6 mln on the previous quarter. In 2014, AXA-MPS contributed with gains (consolidated at equity method) of approx. EUR 105 mln, of which around EUR 39 mln was accounted for in 4Q2014.
- **net profit (loss) from hedging:** showed a negative balance of approx. **EUR 16 mln** (positive balance of EUR 7 mln as at 31/12/13) with a negative contribution of EUR 5 mln in 4Q2014.

Cost of credit: net impairment losses (reversals) on loans and financial assets

In 2014, the Group booked **net impairment losses (reversals) on loans** for around **EUR 7,821 mln** (compared to approx. EUR 2,750 mln in 2013), including around EUR 5,963 mln for the higher impairment losses connected to the review of classification and valuation methods and parameters for the entire loan portfolio (a larger perimeter than was taken into consideration in the Asset Quality Review).

The ratio of the impairment losses on loans for 2014 over total customer loans reflects a **provisioning rate of 654 bps**, compared to 211 bps at the end of 2013. Excluding the non-recurring impairment losses mentioned above, the provisioning rate would be approx. 155 bps.



Net impairment losses (reversals) on financial assets showed a **negative balance of EUR 204 mln** (EUR -145.2 mln in 4Q2014; EUR -73.5 mln in 2013) also including the write-off of the investment in Istituto per il Credito Sportivo in the first quarter of 2014 and of Fondo Immobiliare Socrate and Prelios in the third quarter.

As a consequence, **income from banking and insurance activities had a negative value of approx. EUR 3,797 mln** (positive EUR 1,141.5 in 2013), with a negative impact of approx. EUR 4,411 mln in the fourth quarter.

Operating costs: operating expenses

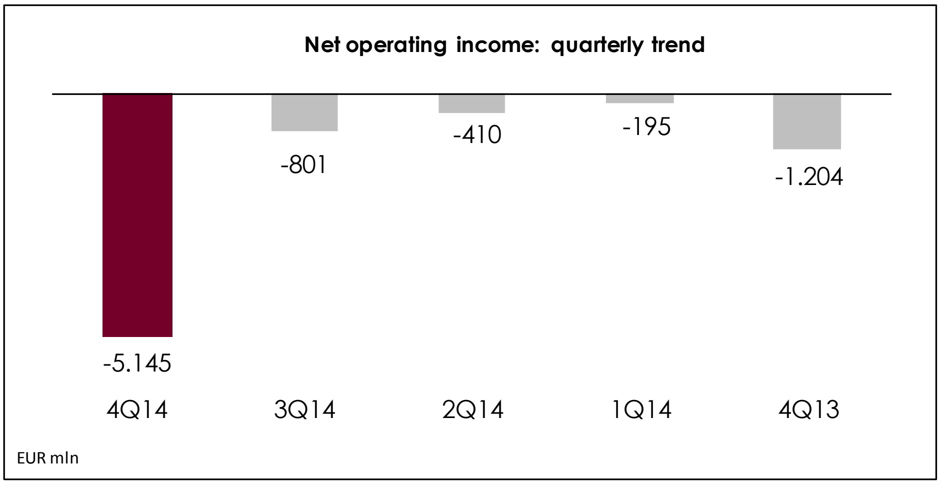
Group **operating expenses** in 2014 totalled approx. **EUR 2,755 mln** (-2.2% from the previous year) with an impact on the 4th quarter of EUR 735 mln, up from the previous quarter (+6.5%).

Operating expenses (EUR mln)						(*)	Chg Q/Q		Chg Y/Y	
	31/12/2014	4Q2014	3Q2014	2Q2014	1Q2014	31/12/2013	Abs.	%	Abs.	%
Personnel expenses	1,709.9	430.7	427.9	421.9	429.3	1,718.8	2.8	0.6%	(8.9)	-0.5%
Other administrative expenses	804.5	227.5	195.9	198.5	182.6	939.3	31.6	16.1%	(134.8)	-14.3%
Administrative expenses	**2,514.4**	**658.2**	**623.8**	**620.4**	**611.9**	**2,658.1**	**34.4**	**5.5%**	**(143.7)**	**-5.4%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	240.7	76.3	65.6	50.2	48.6	158.7	10.7	16.3%	82.0	51.7%
Operating expenses	**2,755.2**	**734.5**	**689.5**	**670.7**	**660.5**	**2,816.8**	**45.0**	**6.5%**	**(61.6)**	**-2.2%**

(*) Previous year profit and loss values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

More specifically:

- **Administrative expenses** were **EUR 2,514.4 mln** (-5.4% compared to 2013) of which around EUR 658 mln referring to the 4th quarter (+5.5% QoQ). A breakdown of the aggregate shows:
  - **Personnel expenses**, amounting to approx. **EUR 1,710 mln**, were down 0.5% against the previous year, mainly due to headcount reduction, which more than offset increased expenses associated with the National Collective Labour Agreement. Compared to the third quarter of 2014, which was positively impacted by the annual distribution of solidarity days, personnel expenses increased in 4Q2014 by around EUR 3 mln (+0.6% QoQ), also due to higher costs resulting from agreements associated with the National Collective Labour Agreement (seniority-based raises, one-off separate remuneration elements), partially mitigated by benefits resulting from early retirements.
  - **Other administrative expenses** (net of customer expense recovery) totalled approx. **EUR 805 mln**, down 14.3% compared to 2013 due to structural cutbacks in spending, particularly on rental expenses, IT, facility management and office supplies, sponsorships and promotional actions and business trips.
- **Net value adjustments to tangible and intangible assets** were approx. EUR 241 mln at the end of December, up 51.7% compared to the same period of the previous year due to higher depreciation of real estate following the consolidation of Perimetro at the end of 2013 and certain write-downs on real estate totalling around EUR 41 mln, also recognised based on the Asset Quality Review.



As a result of the above factors, the **Net Operating Income** showed a **negative balance of approx. EUR 6,552 mln** (vs. EUR -1,675 mln in 2013), with a cost/income ratio of 65.2% (71% as at the end of the previous year).

Non-operating income, tax and net profit for the period

The **result for the period** included:

- **Net provisions for risks and charges and other operating expenses/income**, which showed a negative balance of approx. EUR 173 mln as at 31/12/14 compared to EUR -232.1 mln in the same period of the previous year. The aggregate includes:
  - **Net provisions for risks and charges** in the amount of EUR -177 mln (EUR -30 mln in 2013) with the fourth quarter accounting for approx. EUR -57 mln;
  - **Other operating expenses/income** (net of recovery expenses reclassified to Other Administrative Expenses) in the positive amount of EUR 4 mln (approx. EUR -202 mln in 2013) with a positive contribution for the fourth quarter of approx. EUR 18 mln.

- **Gains (losses) on investments**, showing a net positive balance of around EUR 90 mln, in particular including values relating to Anima Holding SpA (approx. EUR 96 mln, of which around EUR 66 mln in gains on disposal and around EUR 24 mln in write-backs of the investee), the disposal of the entire equity investment held in Sorin SpA (profit of around EUR 17 mln), the price adjustment for the disposal (in October 2007) of the Monte Paschi Assicurazioni Danni S.p.A and Monte Paschi Vita S.p.A. equity investments to AXA Mediterranean Holding S.A. (approx. EUR 25 mln) and the write-down relating to Fenice Holding;
- **Restructuring costs/One-off charges**, amounting to approx. EUR -376 mln (of which around EUR -54 mln accounted for in the fourth quarter) due mainly to early retirement incentives/provisions, as per the trade union agreement of 7 August 2014, and, for the remainder, the closure of branches;
- **Gains on disposal of investments**, for around EUR 85 mln. This value includes the earn-out of Biverbanca, the gain on the sale of administrative and back-office activities to Fruendo and the gain on the disposal of London and New York real estate.

As a result of the above, a **loss before tax from continuing operations of approx. EUR 6,926 mln** was posted as at 31/12/14 (vs. a loss of EUR 1,988 mln in 2013).

Profit (loss) before tax from continuing operations (EUR mln)										
						(*)	Chg Q/Q		Chg Y/Y	
	31/12/2014	4Q2014	3Q2014	2Q2014	1Q2014	31/12/2013	Abs.	%	Abs.	%
Net operating income	**(6,552.0)**	**(5,145.3)**	**(801.5)**	**(410.2)**	**(195.0)**	**(1,675.2)**	**(4,343.8)**	**n.s.**	**(4,876.8)**	**n.s.**
Net provisions for risks and charges and other operating expenses/income	(172.9)	(39.3)	(35.3)	(45.2)	(53.2)	(232.1)	(4.0)	11.4%	59.3	-25.5%
Gains (losses) from Investments	89.9	(72.0)	(13.4)	133.4	41.9	(57.9)	(58.6)	n.s.	147.8	n.s.
Restructuring charges / One off charges	(375.8)	(53.8)	(318.2)	(2.7)	(1.1)	(24.5)	264.3	-83.1%	(351.3)	n.s.
Gains (losses) on disposal of investments	84.7	77.9	1.7	0.4	4.7	1.4	76.1	n.s.	83.3	n.s.
Profit (Loss) before tax from continuing operations	**(6,926.1)**	**(5,232.5)**	**(1,166.6)**	**(324.3)**	**(202.7)**	**(1,988.4)**	**(4,065.9)**	**n.s.**	**(4,937.8)**	**n.s.**

(*) Previous year profit and loss values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

Taxes on profit (loss) from continuing operations showed a **positive balance of approx. EUR 2,305 mln** (positive balance of approx. EUR 647 mln as at 31/12/2013), which included around EUR 90 mln resulting from the benefits to support the economic growth (so-called ACE).

The consolidated net result for the year before Purchase Price Allocation (PPA) and impairment on goodwill and intangible assets shows a loss of approx. EUR 4,617 mln (loss of approx. EUR 1,394.5 mln in 2013).

When the consolidated financial statements as at 31 December 2014 were being prepared, goodwill was tested for impairment due to the worsening macroeconomic scenario and the increase in risk premiums on equity investments. Based on the test, it was necessary to write down goodwill by around EUR 662 mln.

In addition to the above-mentioned impairment losses, intangible assets relating to certain software applications were written down (around EUR 26 mln, net) especially due to their technical obsolescence, understood as the loss in value of the asset caused by its inefficiency or inadequacy when compared with a more efficient and less costly asset developed based on new technologies existing in the market.

Considering the net effects of the PPA (approx. EUR -38 mln) and the impairment losses noted above (totalling EUR -688 mln), **the loss for 2014 amounts to around EUR 5,343 million** (EUR -1,434.3 mln in 2013).

***

In compliance with Consob instructions, below is a reconciliation of the Shareholders' equity and the Net profit and loss for the period between the Parent Company's and the consolidated values.

Reconciliation between Parent Company and Consolidated Net Equity and Profit (Loss) for the period

EUR Thousands	Shareholders' equity	Net profit (loss)
Balance as per Parent Company's Accounts	4,815,461	(5,436,075)
including Parent Company's valuation reserves	*(828,301)*	-
Impact of line-by-line consolidation of subsidiaries	241,750	(750,773)
Impact of associates	399,772	110,501
Reversal of dividends from subsidiaries	-	(100,987)
Other adjustments	365,203	834,441
Subsidiaries' valuation reserves	142,841	-
Consolidated balance	**5,965,027**	**(5,342,892)**
including valuation reserves	*(685,460)*	

Results by operating segment

Identification of operating segments

For the purpose of identifying the Operating Segments provided for by IFRS 8, the Group has adopted the so-called business approach. Consolidated income statement and balance sheet data are broken down and re-aggregated based on criteria including: business area monitored, operating structure of reference, relevance and strategic importance of activities carried out, and customer clusters served.

Based on the Group organisational structures in place as at 31 December 2014 and the reporting criteria at the highest decision-making level, the following operating segments were identified:

- **Retail Banking**, which includes the sales activities of the Retail and Private Segments and the subsidiaries Consum.it and MPS Fiduciaria;
- **Corporate and Investment Banking**, which includes the sales activities for the Corporate segment, Key Clients, Foreign Branches and the subsidiaries MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring;
- **Financial Advisory and Digital Banking**, which now includes the Financial Advisory Network (part of the Retail Banking segment until 31 December 2013) and the subsidiary WIDIBA, the Group's newco in the digital banking sector which obtained approval for the exercise of banking activities in May and began operations in the final quarter of 2014.
- **Corporate Centre**, which in addition to cancellations of intragroup entries, incorporates the results of the following business centres:
  - banks under foreign law (MP Banque and MPS Belgio);
  - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Consorzio Operativo di Gruppo);
  - companies consolidated at equity and held for sale;
  - operating units, such as proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

The comparison periods were restated retrospectively to reflect the current segment reporting structure.

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Operating Segments as at 31 December 2014.

SEGMENT REPORTING	Business Segments									
Primary segment	Retail banking		Corporate banking		Financial Advisory and Digital banking		Corporate Center		Total MPS Group	
(EUR mln)	31/12/2014	Chg % Y/Y	31/12/2014	Chg % Y/Y	31/12/2014	Chg % Y/Y	31/12/2014	Chg % Y/Y	31/12/2014	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Income from banking and insurance	3,578.6	-8.4%	1,723.6	-3.6%	32.0	0.4%	(1,105.8)	-37.3%	4,228.4	6.7%
Net impairment losses (reversals) on loans and financial assets	(2,279.8)	132.1%	(5,660.2)	n.s.	(0.4)	n.s.	(84.9)	n.s.	(8,025.3)	n.s.
Operating expenses	(2,098.8)	-1.0%	(606.5)	-0.8%	(27.8)	102.7%	(22.1)	-69.0%	(2,755.2)	-2.2%
Net operating income	(799.9)	n.s.	(4,543.1)	n.s.	3.8	-79.5%	(1,212.8)	-35.1%	(6,552.0)	n.s.
BALANCE SHEET AGGREGATES										
Interest-bearing loans to customers	50,918	-7.5%	51,003	-10.4%	64	-53.7%	9,246	-4.0%	111,231	-8.6%
Deposits from customers and debt securities issued(*)	61,176	-6.8%	21,289	-1.7%	573	-13.0%	43,187	3.1%	126,224	-2.8%
Indirect funding	65,051	8.1%	21,389	-10.1%	5,226	-6.5%	14,475	4.7%	106,140	2.7%
Assets under management	*42,685*	*16.8%*	*1,217*	*-2.2%*	*4,613*	*-7.2%*	*3,005*	*27.2%*	*51,519*	*14.2%*
Assets under custody	*22,367*	*-5.5%*	*20,172*	*-10.5%*	*613*	*-0.8%*	*11,470*	*0.0%*	*54,622*	*-6.3%*

(*)Retail Banking and Corporate Banking data refers to the sale and distribution network alone. It is noted that these figures do not include intercompany balances for the legal entities reporting to their respective business segments (typically intragroup funding).

Previous year balance sheet values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

Sales & Distribution segments

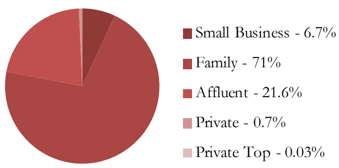
Retail Banking

Areas of business

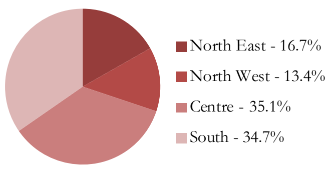
- Funding, lending, the provision of insurance products, financial and non-financial services to Retail customers.
- Electronic payment services (issuing and acquiring).
- Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on non-strictly financial services (tax planning, real estate, art & legal advisory), fiduciary and trust services (through the subsidiary, MPS Fiduciaria).
- Consumer lending, through the subsidiary, Consum.it, and, as a result of a final agreement signed in February 2014, with Compass-Mediobanca Group.

Target customers
Retail customers amount to around 5.1 mln.

Retail customers: breakdown by type



Retail customers: breakdown by geography



Retail Banking also includes customers managed by the financial advisory network (94,932 customers).
In December 2014 new Service Models were introduced for retail customers belonging to the private segments (Family and Affluent):

- *Value: dedicated to customers with financial assets of less than EUR 100,000. The Service Model envisages the presence of sales personnel with the main specialised skills required by customers.*
- *Premium: dedicated to customers with financial assets of more than EUR 100,000 or with potential to surpass that threshold in the medium term. The Service Model involves the presence of a Relationship Manager with a portfolio of up to 250 customers, in order to guarantee higher-quality service and advisory activities to meet customer requirements.*

Income statement and balance sheet results

As at 31/12/2014, **total funding** from Retail Banking customers stood at **EUR 126 bn**, up by around EUR 0.4 bn compared to 31/12/2013. In the fourth quarter, this aggregate declined by 2% as a result of the contraction in the direct component, partially attenuated by growth in assets under management by around EUR 1 bn.

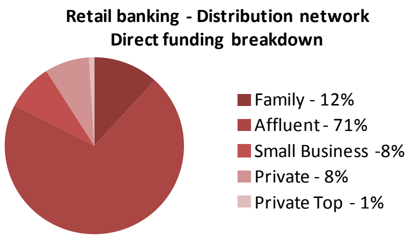
The **direct component**, which contributes approx. **EUR 61 bn**, decreased during the quarter by around 5.5% due to the drop in Affluent and Small Business volumes, partially offset by growth in the Family segment, for the most part in the medium/long-term segment.

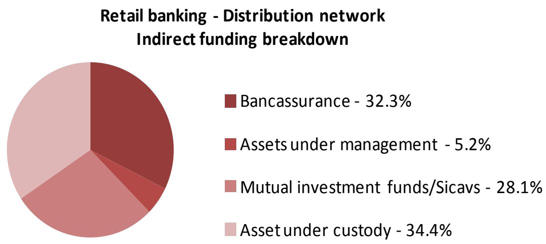
Indirect funding, amounting to approx. **EUR 65 bn**, instead rose in the quarter, due to growth in Assets under Management (driven by the Funds/SICAVS and Insurance segment) partially offset by a slight decline in Assets under Custody.

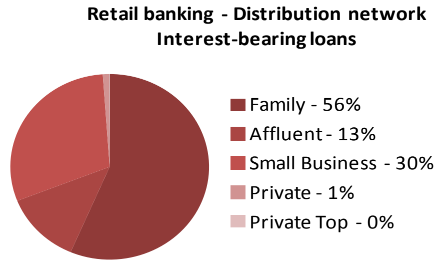
Interest-bearing loans stood at **EUR 51 bn**, down EUR 1 bn on 30/09/2014 (-2.2% QoQ; -7.5% compared to 31/12/2013), attributable to the planned run-off of Consum.it (EUR -0.3 bn) and the reduction in the retail residential mortgage component (EUR -0.7 bn) as new loan disbursements have not been sufficient to replace expired positions.

RETAIL BANKING - BALANCE SHEET AGGREGATES

(Eur mln)	31/12/2014	30/09/2014	30/06/2014	31/12/2013	Chg % Q/Q	Chg % Y/Y
Deposits from customers and debt securities issued - Distribution Network	**61,176**	**64,755**	**65,256**	**65,635**	**-5.5%**	**-6.8%**
Assets under management	*42,685*	*41,322*	*39,641*	*36,530*	*3.3%*	*16.8%*
Assets under custody	*22,367*	*22,693*	*23,264*	*23,674*	*-1.4%*	*-5.5%*
Indirect Funding - Distribution Network	**65,051**	**64,015**	**62,904**	**60,203**	**1.6%**	**8.1%**
Total Funding - Distribution Network	**126,227**	**128,769**	**128,160**	**125,838**	**-2.0%**	**0.3%**
Interest-Bearing Loans to Customers	**50,918**	**52,057**	**52,881**	**55,031**	**-2.2%**	**-7.5%**







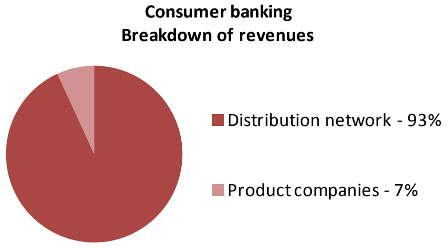
With regard to profit and loss, in 2014 Retail Banking achieved **total revenues** of **EUR 3,579 mln**, down 8.4% with respect to the same period last year. The aggregate includes:

- decrease in net interest income (-12.8% YoY), due largely to the decline in margins on funding, especially impacted by the gradual decrease in the Internal Transfer Rate applied to demand items and only marginally by the loans component, mostly linked to the run-off of Consum.it, referred to previously;
- increase in net fee and commission income (+4.2%), boosted by positive trends in revenues from the placement of assets under management products;
- decrease in "other revenues" (-61.6%), affected by the different allocation of "figurative" income on Securities Lending activities now included in Net Interest Income.

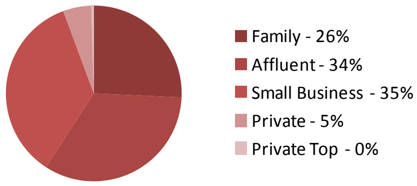
As for cost components, there was an increase in both net impairment losses (reversals) on loans and financial assets (+132.1% YoY), primarily concentrated in the Small Business market, and a decrease in operating expenses (-1% YoY) with respect to the previous year.

As a result of the above components, as at 31 December 2014 Retail Banking posted a **negative Net Operating Income of approx. EUR 800 mln** (at 31/12/2013 it was a positive EUR 805.7 mln), with a **cost-to-income ratio of 58.6%**.

RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/12/2014	31/12/2013	Chg % Y/Y
Net interest income	*2,148.5*	*2,464.8*	*-12.8%*
Net fee and commission income	*1,387.4*	*1,331.9*	*4.2%*
Other income	*42.8*	*111.6*	*-61.6%*
INCOME FROM BANKING AND INSURANCE	**3,578.6**	**3,908.3**	**-8.4%**
Net impairment losses (reversals) on loans and financial assets	*(2,279.8)*	*(982.1)*	*132.1%*
Operating expenses	*(2,098.8)*	*(2,120.5)*	*-1.0%*
NET OPERATING INCOME	**(799.9)**	**805.7**	**n.s.**



Consumer banking - Distribution network
Breakdown of revenues



PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/12/2014	31/12/2013	Chg % Y/Y
Consum.it	2.5	(85.4)	-103.0%
MPS Fiduciaria	(0.3)	0.8	-139.2%

Retail Banking strategy

The 2014 Retail Banking strategy was developed on the basis of the following guidelines:

- **growth in the customer base and balance sheet aggregates** – activate marketing and promotional initiatives in order to monitor retention, acquire new relationships and develop existing ones;
- **growth in loans** - activate campaigns for prospects with pre-accepted conditions differentiated by rating and discount campaigns for existing customers, increasing the flows of advances on receivables reserved to the Bank;
- **re-launch of assets under management and focus on bancassurance** - also through the placement of window products that better meet customer needs in terms of risk/return profile;
- **development of customer services** – focus on areas with greatest growth prospects (in particular, e-money, payments, protection/insurance, consulting on investments) by taking advantage of partnerships with CartaSI and AXA-MPS.

Background

Market

- The economic recovery has brought expected GDP growth (+0.7%), with inflation under control and an extremely accommodating ECB monetary policy.
- In terms of expectations (sentiment of Italians), cautious optimism can be felt with respect to the possibility of economic improvement, although buying power and saving capacity remain at 2014 levels.
- Re-launch of the bank lending cycle, owing to recent actions by the ECB.
- Strong development of demand with: greater customer knowledge and information and attention to price trends, widespread use of multiple banks, spread of new technologies (primarily mobile), although a notable digital divide remains based on age, education and financial status.
- Confirmed spread of advisory services in response to demand and regulatory policies.

Regulatory framework

- Strong regulatory pressure on adopting evolved advisory approaches (MiFID 2) to protect investors (ESMA/Consob instructions on "complex products").
- Entrenchment of sales practices that link products.
- Pressure on margins for payment systems.

Competitive framework

- Market Shares on different Funding aggregates lower than the Group's natural market share. Particular spaces for recovery are present in certain segments of assets under management (UCITS and wealth management), deposits and e-money services.
- Share MPS customer investments in equity segments lower than the System average and over-penetration of investments in low-risk segments; penetration of asset management products in customer portfolios lower than that of primary competitors.
- Good offer positioning in highly innovative/high-growth product segments resulting in competitive advantages in investment advisory services (Advice), investment products (Class III AXA-MPS and Anima UCITS solutions), Life and Non-Life Protection/Insurance (Motor, Direct Marketing, etc.) and e-money services (credit cards).

The desire to drive business efficiency has resulted in:

- the introduction of new Service Models for retail customers belonging to the private segments (Family and Affluent) in the last part of the year:
  - *Premium:* dedicated to customers with financial assets of more than EUR 100,000 or with potential to surpass that threshold in the medium term. The Service Model involves the presence of a Premium Relationship Manager with a portfolio of up to 250 customers, in order to guarantee higher-quality service and advisory activities to meet customer requirements.
  - *Value*: dedicated to customers with financial assets of less than EUR 100,000. The Service Model envisages the presence of sales personnel with the main specialised skills required by customers, beginning from the area of "investments", with the aim of gradually covering additional customer needs linked to "protection/insurance", "payments" and "loans".
- The definition of the new sales and distribution governance model for central and network units and launch of the the initial applications of new planning and regional sales marketing strategies in order to maximise the specific potential of each customer and their related socio-economic background across all regional areas.

Marketing initiatives Retail Banking

Marketing activities for the network involved different objectives across the Value, Premium and Small Business markets, with a particular focus on retention, increasing the customer base, development of volumes and the share of wallet of existing customers and the issue of Protection.

These include:

- **"Rimani con noi" ("Stay with us")**, dedicated to preventing the outflow of deposits to other banks and the return of those that have already left;
- **"Ricomincio da Te" ("I'm starting with you")**, meant to identify and increase high-potential customers that use multiple banks;
- **"Uno di Noi" ("One of Us")**, giving employees of the Group the possibility to provide "non customers" with vouchers granting them favourable conditions for opening a bank account;
- **"Un Monte di Valore" ("A Mountain of Value")**, meant to attract new deposits in exchange for benefits in the form of expense reimbursement, commissions and stamp duties;
- **"Un Monte di Fedeltà" ("A Mountain of Loyalty")**, directed at loyal customers with value added, providing them the opportunity to benefit from a free credit card for life.

Bancassurance

The offering was further developed.

For **Savings**, actions primarily concentrated on:

- new issues of principal-protected Unit Linked products (7 new issues) and partially protected Unit Linked products (2 new products);
- marketing of a new Class I revaluable policy, known as "AXA MPS Valore Risparmio";
- launch of a new Unit Linked policy, "Axa MPS Mosaico Evolution", with flexibility and customisation particularly appreciated by customers.

In the **Protection/insurance** segment, which already places the Group in a market leadership position, the offer has been further developed to focus on multi-guarantee stand-alone products (Non-Life and Life) through:

- restyling of "AXAMPS Mia protezione" with the addition of 3 new guarantees (loan loss, cyber risk and renewable energies), which have basically made it possible to cover all insurance needs of the private segment, in relation to "Personal Protection" and "Asset Protection";
- restyling of "AXAMPS Protezione Business" with the introduction of two innovative guarantees and the possibility of taking out stand-alone professional liability insurance;
- launch of "AXAMPS Tutta la Vita", the first multi-guarantee life policy, which offers coverage for the risks of death, long-term care requirements and serious illness within a single product. It also adjusts to customer requirements with changing guarantees and levels of coverage throughout the life cycle.

In the **Auto** segment, "AXAMPS Guidare Protetti" continued to grow, with expansion of the geographical areas in which it is possible to activate the "Super Easy Box" black box option (a satellite device with GSM/GPS/GPRS and accelerometer that allows the Company to clearly and objectively reconstruct events if there is an accident, and allows the Customer to benefit from a lower TPL premium).

Assets under management

The Group's positioning was further strengthened through enhancements to the product range, with particular emphasis on the partnership with Anima and the marketing launch of the **Invesco Funds** UCITS for the Private market.
In particular:

- various placements of coupon funds, known as "**cedola alto potenziale e traguardo**", were launched, characterised by a predominant bond component in European government securities, investment in an equity, bond and/or flexible fund component, with the objective of producing additional returns compared to more prudent investments;
- 4 new window funds known as **"Evoluzione"** were placed, enabling the subscriber to gradually increase exposure in the equity markets to products with greater value added, through a time diversification mechanism.

Investment advisory (MPS Advice)

Advisory activities for investment services were further strengthened through the increasingly widespread use of the dedicated MPS Advice platform.

- At the end of December, the **number of advanced advisory proposals** formalised for customers exceeded **290,000** (**+41% YoY**);
- At the end of 2014, **volumes** subject to advanced advisory services amounted to EUR 29.4 bn (**+4.7% YoY**).
- In terms of performance for the customer, the **average return on Advice portfolio** from the start of 2014 to the end of October (figure calculated on a quarterly basis) **was approx. 1.90 p.p. higher than those of portfolios administered without advisory services**.

Amongst the main changes this year, in **May new additional Advice services began being marketed** and by the end of December **8,785 Silver agreements** and **479 Gold agreements** had been entered into, for a total of EUR 1.4 billion in volumes, on which a recurring annual advisory commission is received. At the beginning of September **Advice Previdenza** was opened up to managers of the Private and Private Top service models, thereby completing the Network-wide expansion process initiated early in the year.

Loans

Personal Loans

Development of the partnership with Compass has allowed the routing of disbursements with a constant growth in monthly trends. Production in the consumer credit segment is completed by the Consum.it performance.

Consumer mortgages

In August, in order to better meet the needs of households purchasing their "first home", the **Benvenuto** 30-year mortgage, with a credit ceiling of EUR 300 mln and very attractive rates, was launched exclusively for new customers.

Small business loans

"Prestiquattro" was confirmed as a useful tool to satisfy non-rotational needs associated with small business management.

"MPS KM ZERO" initiative

With the aim of allowing companies access to credit at a more contained cost, thereby helping to stimulate a virtuous circle as support for the relaunch of local economies, BMPS launched the "MPS KM ZERO" initiative in April. The objective of the initiative was to place three-year "Regional Bonds", with fixed-rate coupon payments (2.00% gross per annum), which would constitute funding dedicated to financing small businesses operating in said regions.

The **first phase** was focused on the "Antonveneta", "South Tuscany", Marche and Umbria", and "Central Italy and Sardinia" regions. The three regional bonds were placed successfully, making the sum of **EUR 150 mln** available to use in building a fund for the disbursement - from 1 July 2014 - of specific three-year loans dedicated to small businesses with revenues of less than EUR 2.5 mln that are resident and/or registered for business in the region in which the bonds were placed. At the end of 2014, around EUR 110 mln of the fund from the first phase had been used.

After this success, the Bank renewed the initiative with an additional three bonds, with a nominal amount of EUR 50 mln each, for the "North West", "South Lombardy and Emilia Romagna" and "South" regions. Loan disbursement for the second phase began in October 2014.
Funding from the second placement phase (**EUR 84.72 mln**) made it possible to establish the fund for the disbursement of credit starting on 15 October 2014. As at 31 December 2014, around EUR 14 mln of the fund had been used.

E-money, Payments and Collections

Operations focused on identifying and implementing solutions to strengthen the product offering and contribute to better/increased marketing of Bank products:

- Development of POS products (new and replacement installations) with new, advanced terminals that can accept contactless cards;
- Release of CUP functionality (acceptance of China Union Pay cards) on POS and the beginning of implementation to develop new value added services, with gradual release planned from the third quarter of 2014;
- "**PaschiPay MasterPass**", a free digital wallet that enables customers to register all payment cards (credit, debit and prepaid) using the MasterCard, Maestro, Visa, Visa Electron, Diners and American Express circuits in a single tool to make purchases online at participating sites without needing to enter the card data, with the highest levels of security;
- **Carta Montepaschi Black**, for customers with high spending capacity. This card, which includes a Welcome Kit, offers a wide range of insurance coverages included in the annual fee in addition to a series of dedicated services, such as Priority Pass, Concierge and Card Care;
- **Carta di Versamento**, a free product (no activation cost or recurring charge) that can be used to make cash and cheque (bank cheques and banker's drafts) deposits at all enabled Group ATMs. This product allows businesses to save time by avoiding queues at the branch and to make deposits when it is most convenient, even when the Bank is closed;
- Development of initiatives envisaged in the **Preferential Partnership agreement with MasterCard**, both for enhancements to the offer (e.g., launch of the "PaschiPay MasterPass" wallet), as well as the co-marketing plan that includes important projects with leading players in the market of leisure time and services (e.g., EATALY, McArthur Glen) and the roll-out of a personalised communication programme for customers holding a Carta Montepaschi Mastercard (e.g. Priceless cities).

Private Banking

The process of re-launching the Group's Private Banking continued, with the goal of improving customer service levels. In particular, greater efficiency in sales processes and the introduction of new services and customer relationship channels have strengthened the commercial leverage available to the Private Network, to more effectively meet customer needs.
In addition to the product range enhancement mentioned above, some of the initiatives include:

- consolidation of the sales planning approach, designed to boost asset volumes and improve retention and cross selling;

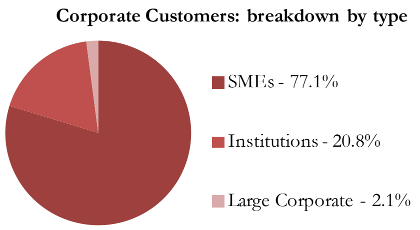
- introduction of new tools and methodologies for enhancing synergies with other business segments, particularly the SME market, and supporting acquisition processes (e.g. the Private-SME Community);
- promotion of advisory services, through the Advisory Specialist teams located throughout our local markets, in support of the Private network;
- activation of specific advisory initiatives to support portfolio diversification, allowing eligible customers to reap the benefits in terms of overall performance (risk/return);
- use of new methods of interacting with customers, such as "Direct E-Mail Marketing" and SMS, and the release of "WEB Collaboration", an advisory methodology for customers that can also be used remotely, for more effective management of advisory services for funds and SICAV, with completely paperless operations;
- release of Advice Previdenza, operating platform to support pension advisory.

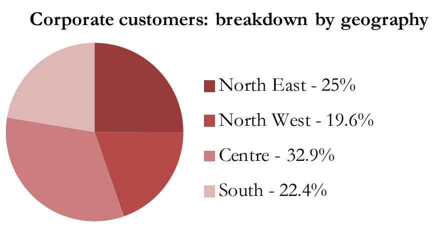
Corporate Banking

Areas of business

- Lending and offering financial products and services to businesses, including through strategic partnerships with trade associations and Confidi credit guarantee consortia, with Guarantee Institutions (including public) and Institutional Entities, through which the Bank acquires funding at favourable terms.
- Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring).
- Corporate finance – medium-long term credit facilities, corporate finance, capital markets and structured finance (through the subsidiary MPS Capital Services).
- Products and services issued by the Bank's foreign branches to support business expansion and investments by Italian companies abroad.
- Custody and deposit services for dairy products on behalf of third parties (through the subsidiary Magazzini Generali Fiduciari di Mantova S.p.A., which is also authorised to issue documents of title to the merchandise, providing for easier access to bank lending).

Target customers
Corporate Banking customers amount to approximately 62,812.





Industries economic sector breakdown (%)	31 12 2014
Wholesale trade	12.2
Banking and finance insurance	10.1
Textile, leather and food	9.8
Metals manufacturing	9.3
Building construction	9.1
Retail trade	7.2
Public amministration and services	7.1
Agriculture, hunting and fishing	5.0
Mining, chemical and mineral	3.6
Transports and communications	3.1
Energy, gas and water	1.9
Not Classified	21.6

Income statement and balance sheet results

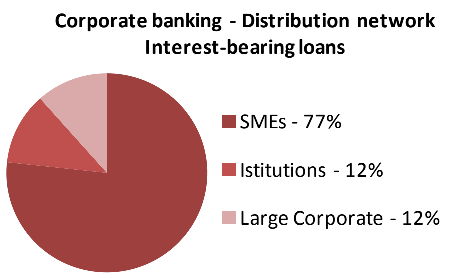
As at 31 December 2014, **total funding** from Corporate Banking customers stood at **EUR 42.7 bn**, down 6.1% from 31/12/2013 and 14.9% from the end of September 2014. The **direct** component, amounting to approximately **EUR 21.3 bn**, was down compared to the previous quarter (-17.9%) and in the fourth quarter saw a decline in funding across all markets (Institutions, SMEs and Large Corporate), due to the concentration of tax due dates and a commercial policy consistent with reducing market rates.

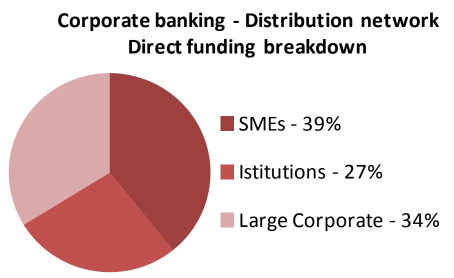
Indirect funding, consisting largely of assets under custody, stood at approx. **EUR 21.4 bn** as at 31/12/2014 (-11.8% QoQ; -10.1% from 31/12/2013), which was considerably affected by changes in deposits from some of the Group's Large Corporate customers.

With regard to lending, as at 31 December 2014, **interest-bearing loans** stood at approx. **EUR 51 bn**, down from both 2013 year-end levels (-10.4%), as well as the end of the third quarter of 2014 (-5.1%), concentrated in medium-long term loans.

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	31/12/2014	30/09/2014	30/06/2014	31/12/2013	Chg % Q/Q	Chg % Y/Y
Deposits form customers and debt securities issued - Distribution Network	**21,289**	**25,932**	**26,195**	**21,661**	**-17.9%**	**-1.7%**
Assets under management	*1,217*	*1,240*	*1,294*	*1,245*	*-1.9%*	*-2.2%*
Assets under custody	*20,172*	*23,003*	*23,847*	*22,535*	*-12.3%*	*-10.5%*
Indirect Funding - Distribution Network	**21,389**	**24,244**	**25,141**	**23,779**	**-11.8%**	**-10.1%**
Total Funding - Distribution Network	**42,677**	**50,176**	**51,335**	**45,440**	**-14.9%**	**-6.1%**
Interest-Bearing Loans to Customers	**51,003**	**53,761**	**54,711**	**56,921**	**-5.1%**	**-10.4%**

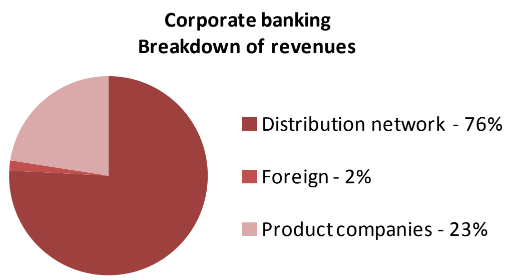


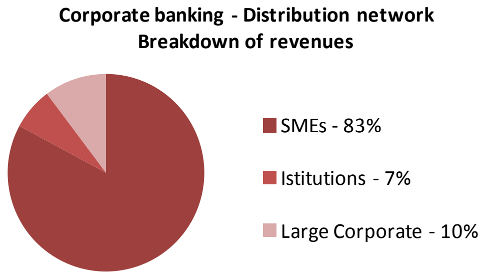


For profit and loss aggregates, in 2014 **total revenues** for Corporate Banking came to approx. **EUR 1,724 mln** (-3.6% compared to 31/12/13). This aggregate incorporates an annual increase in net interest income (+2.6%), mainly associated with funding activities connected with a reduction in the cost of funding, partially offset by the lending margin due to lower volumes. Net fees and commissions were down by 11.8% compared to last year, especially due to lower inflows from lending, while Other Revenues were down by 18.5% YoY.

Net operating income was negative by approx. EUR 4,543 mln (EUR -632 mln as at 31/12/13) affected by the annual increase of around EUR 3.8 bn in impairment losses on loans and financial assets. Operating expenses were basically aligned with last year (-0.8% YoY). The **Corporate Banking cost-income ratio stands at 35.2%.**

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/12/2014	31/12/2013	Chg % Y/Y
Net interest income	*1,130.9*	*1,102.4*	*2.6%*
Net fee and commission income	*445.1*	*504.4*	*-11.8%*
Other income	*147.6*	*181.0*	*-18.5%*
INCOME FROM BANKING AND INSURANCE	**1,723.6**	**1,787.8**	**-3.6%**
Net impairment losses (reversals) on loans and financial assets	*(5,660.2)*	*(1,808.3)*	*n.s.*
Operating expenses	*(606.5)*	*(611.3)*	*-0.8%*
NET OPERATING INCOME	**(4,543.1)**	**(631.8)**	**n.s.**





PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/12/2014	31/12/2013	Chg % Y/Y
MPS Capital Services	(587.5)	48.6	n.s.
MPS Leasing & Factoring	(269.4)	(70.8)	n.s.

Background

SME Market

The market was characterized by strong tensions due to a variety of negative factors, including:

- The continuation of the economic recession.
- The sustained cost of bank funding, reflecting country risk and perception gaps regarding Italian banks
- Problematic loans that are constantly growing.

> *Market for Institutions and Public Administration*
> The market was characterised by the following factors:
> - Strengthening of competitors in their offer of collection services and simultaneous change in the legislative framework (e.g. introduction of Tares).
> - Development of customer needs: dedicated collection products that are in line with the offers of competitors as well as related services in addition to collection and payment systems such as POS and prepaid cards.

Main Corporate Banking initiatives

SME Market

Strategy

- Control over the cost of risk, including through selective remix activities.
- Increasing commercial productivity, through new planning methods/processes.
- Simplifying and innovating instruments available to the manager.

Initiatives

- Strengthening of the capacity to support investments of SMEs with the launch of the new "Finanziamento CDP – Ponderazione Zero" product.
- Development of synergies between the SME and Private markets, with the activation of an ad hoc reporting platform, "Community Private/PMI".
- The strengthening of the range of cash management services involved the release of "Safe Box", a product that involves picking up collections on site using strongboxes with advanced functions, installed at customer points of sale.
- Development of tools and services for business in the agro-food segment.
- Roll-out of the Regata Corporate Programme, focused on the definition and deployment of new centre-network communications mechanisms and the spreading of work methods more oriented towards customer planning and relationships.
- Increasing targeting in commercial initiatives by adopting "micro-based analyses" and taking advantage of new leverage.
- Launching an initial trial of the segment sales approach in the Made in Italy segment in collaboration with trade associations.

Market for Institutions and Public Administration

- Concentration of the market perimeter, with more focus on high-potential targets.
- Consolidation of funding via conversion from on-demand to medium/long term.
- Evolution of products and services, aimed at maintaining competitive positioning (e.g., online courts, online payments against notice).

Foreign market

- Enhancement of support to the internationalisation process of Italian companies with development of a new support model for customers interested in expanding abroad, either commercially or through production delocalisation. Most of the new model is designed to provide answers to all possible problems of a business not sufficiently well structured to independently handle the challenges associated with international market penetration.
- Through MPS Leasing & Factoring, the release of the new product "discount without recourse" on consumer goods and short-term extended payments. The new product allows the Group entry into an operating segment until now traditionally controlled, offering the applicant companies a guarantee against the risk of foreign counterparty insolvency and to benefit from an advance.

MPS Capital Services (MPSCS)

Corporate finance

Project Financing - actions focused on the infrastructure, utility and renewable energies segments (six new financial support mandates and financial close of four transactions). Of particular note are the loans for Line 4 of the Milan metropolitan railway (EUR 49.8 mln) and the new Florence tramway network system (EUR 38 mln).

Real Estate – while real estate investments are decreasing in general, MPSCS carried out significant transactions such as: participation in the refinancing of Intesa SanPaolo Group real estate assets (totalling EUR 163.5 mln) and the pool loan for the requalification of the former FIAT – Alfa Romeo industrial area in Arese/Lainate (totalling EUR 193.5 mln).

Structured & Shipping Finance – activities focused on the industries of infrastructure, utilities (particularly of note, the EUR 48 mln pool loan to a water operator in Tuscany) and renewable energies (particularly EUR 18 mln to a holding company operating in the segment, and another two loans totalling EUR 39 mln supporting a biomass project in Puglia).

MPSCS also participated in two significant shipping finance transactions in Italy.

Syndication – two pool transactions were structured, including a particularly significant one in the hospitality/tourism sector in Sicily.

As regards arranging, a pool transaction was placed on the market for Fileni SpA, a leading company in the poultry products sector, and a loan was structured for the construction of a shopping mall close to Verona.

Acquisition Financing - support to high-standing mid-corporate counterparties was confirmed for significant industrial transactions, with commercial benefits for the Group. The main transactions include:

- acquisition of Forno d'Asolo by 21 Investimenti - private equity;
- acquisition of Remazel Engineering by Alpha Private Equity;
- acquisition of Officine Meccaniche Villa & Bonaldi by Brembana & Rolle.

Investment banking

In the bond market, MPSCS:

- received a mandate from the Ministry of Economy and Finance to act as the dealer in the seventh BTP Italia issue, for a total of around EUR 7.5 bn;
- managed 2 syndicated issues of covered bonds of the Parent Company, for a total of EUR 2 bn. It also acted as dealer for 6 covered bonds issued by the Parent Company, for a total of EUR 2.1 bn;
- it was co-bookrunner for the placement of EUR 80 mln in convertible bonds by Maire Tecnimont.

In the equity market, MPSCS participated in the IPOs of Moncler, Cerved, Fineco and Sisal and supported the IPOs of Fincantieri and Anima Holding.

In particular, as **advisor**, it supported the Parent Company in the disposal of the private equity portfolio and operated in the Borsa Italiana Alternative Capital Market on behalf of TBS Group SpA. and Poligrafici Printing SpA.

Subsidised financing

MPSCS managed some of the main national public funds for research and industrialisation (on behalf of the Ministry of Economic Development and the Ministry of Education, Universities and Research) and, together with MCC-Banca del Mezzogiorno, it collaborated in the management of the SME Guarantee Fund. Also in collaboration with MCC-Banca del Mezzogiorno, it began managing the Sustainable Growth Fund, under the responsibility of the Ministry of Economic Development.

Global Markets

Transaction risk levels were kept low. In the fourth quarter, trends linked to hedging derivatives for SME customers improved. The main revenue driver was the sale of investment products through the sales network. Results were particularly positive in the bancassurance segment and for "investment certificate" type structured products.

MPS Leasing & Factoring

The actions of MPS Leasing & Factoring focused on:

- improvement of synergies with the Parent Company's sales functions in sales planning, campaign development and the associated monitoring processes;
- counterparty selection and reducing average transaction size;
- acceleration of factoring product development initiatives, especially in SME and large corporate markets to create new relationships, as well as initiatives to boost operations for parties that have already been granted credit but have used little of it.

Financial Advisory and Digital Banking

Income statement and balance sheet results

As at 31 December 2014, **total funding** from Financial Advisory and Digital Banking customers stood at **EUR 5.8 bn**, down 7.2% from 31/12/2013 and 2.4% from the end of September 2014. The **direct** component, which came to around **EUR 0.6 bn**, is down compared to September 2014 and December 2013. **Indirect funding**, the predominant component of which is assets under management, decreased by 1.6% in 4Q2014 (-6.5% on 31/12/2013) to stand at **EUR 5.2 bn** at the end of December.

FINANCIAL ADVISORY AND DIGITAL BANKING - BALANCE SHEET AGGREGATES

(Eur mln)	31/12/2014	30/09/2014	30/06/2014	31/12/2013	Chg % Q/Q	Chg % Y/Y
Deposits from customers and debt securities issued - Distribution Network	**573**	**629**	**664**	**659**	**-8.9%**	**-13.0%**
Assets under management	*4,613*	*4,761*	*4,698*	*4,970*	*-3.1%*	*-7.2%*
Assets under custody	*613*	*549*	*563*	*618*	*11.8%*	*-0.8%*
Indirect Funding - Distribution Network	**5,226**	**5,309**	**5,262**	**5,587**	**-1.6%**	**-6.5%**
Total Funding - Distribution Network	**5,799**	**5,939**	**5,925**	**6,246**	**-2.4%**	**-7.2%**
Interest-Bearing Loans to Customers	**64**	**116**	**123**	**138**	**-45.2%**	**-53.7%**

With regard to profit and loss aggregates, in 2014 **total revenues** for this Operating Segment amounted to approx. **EUR 32 mln** (+0.4% compared to 31/12/13), supported by growth of the primary component (Net Interest Income +10.4% YoY; Net Fee and Commission Income +21.9% YoY).

The annual increase in operating expenses of around EUR 14 mln was generated by the start-up phase of Widiba, which began operating in the last part of the year. As a result, **positive net operating income** amounted to **EUR 3.8 mln**.

FINANCIAL ADVISORY & DIGITAL BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/12/2014	31/12/2013	Chg % Y/Y
Net interest income	*17.4*	*15.7*	*10.4%*
Net fee and commission income	*14.6*	*12.0*	*21.9%*
Other income	*(0.0)*	*4.1*	*-101.0%*
INCOME FROM BANKING AND INSURANCE	**32.0**	**31.8**	**0.4%**
Net impairment losses (reversals) on loans and financial assets	*(0.4)*	*0.3*	*n.s.*
Operating expenses	*(27.8)*	*(13.7)*	*102.7%*
NET OPERATING INCOME	**3.8**	**18.4**	**-79.5%**

WIDIBA, the Group's new On-Line Bank

Following the creation of the brand according to social logic, WIDIBA began the process of interacting with users in both a virtual and physical environment.

WIDIBA obtained approval for the exercise of banking activities in May and, after completing the set-up phase in September 2014, began operations via:

- a brand market positioning and communications process;
- launch of the sales package for "self" customers;
- integration of the MPS customers and financial advisory network.

Background
The number of followers of Italian banks in social networks continues to grow, doubling from last year to 1.3 mln on Facebook and nearly 70 thousand on Twitter.
The trend in volumes of global non-cash payments is interesting, as they are expected to increase +9.4% YoY, with a volume of EUR 370 bn in transactions in 2014 in the wake of sharp increases in developing markets as well as in the use of credit cards (up to 9.9% YoY) and debit cards (up to 13.4% YoY).
Another trend is the evolution of the branch as part of the distribution strategy of Retail banks, with impacts on the reduction of the "cost to serve" and efficiency savings: no longer multi-channel, intended as the overlapping of different means of access to the bank, but the full integration of the direct channels and the physical network that allows customers to choose which channel to use and how.

The **positioning process** involved a gradual increase in the presence of the WIDIBA brand in the main communications channels, both traditional (press and television) and digital, to build and consolidate brand awareness in the market. The goal of the communications strategy is to present the new bank to the market, laying the foundation for its strategic positioning: the excellence of a modern and cutting-edge technological platform, integrated with the value of the personal advisor network's relationships skills and know-how.

The launch of the **sales package** for the "**self**" market set absolutely competitive conditions to be leveraged to attract both customers and deposits. In its first weeks on the market, a priority customer acquisition target was "social" communities, with over 150,000 users, with which WIDIBA initiated intense dialogue and interaction on the new platform's services and user experience during its set-up months. Beginning halfway through November, communications investments gradually expanded the acquisition target beyond the initial social community market: at 31/12/2014, in around three months of activities, WIDIBA had received over 15,000 applications to open accounts.

On 22 December 2014, Banca MPS financial advisory services were transferred to WIDIBA Bank. This operation involved the transfer of around 600 financial advisors and over 100 thousand customers with EUR 6 billion in deposits to the Group's new direct bank.

The WIDIBA business model will take advantage of synergies between online banking and the financial advisor network taking a "digital multi-channel" approach, in which the combined action of online banking ("self directed" customers) and the advisor ("delegator" customers) will make it possible to manage relationship acquisition and management processes in a complementary manner, increasing and expanding potential targets ("multi-channel" customers), improving the effectiveness of penetration and favouring the development of cross and up-selling.

Financial Advisory

The Financial Advisory Network was involved in initiatives that, on the one hand, aimed to acquire new customers, develop new volumes and increase cross selling, and on the other, to increase the loyalty of internal financial advisors and recruit new resources.

The main sales activities undertaken to develop new customers with a related increase in volumes include:

- "Un Monte di valore" ("A Mountain of Value"), targeting new and existing customers with rewards for those adding new liquidity to current accounts or transferring financial instruments to their Securities Portfolios;
- "Un Monte di Hi-Tech" ("A Mountain of Hi-Tech"): in partnership with Samsung, it guarantees receipt of a Samsung product as reward for the acquisition of new customers and related subscription to products associated with the initiative;
- "Investment of 'fresh' money and 'hot' money in Funds and SICAV": meant to encourage acquisition of new customers and new volumes from existing customers, with particular attention to assets under management, allowing the subscription of Funds and SICAV with a discount on the standard commissions.

Technology initiatives for promoting financial advisor loyalty and recruitment of new resources include "Surface Pro 2": the Group has provided new generation Microsoft tablets to all its financial advisors, allowing the use of a highly innovative working tool, reducing administrative efforts on case papers due to the implementation of paperless processes, and offering more flexibility and simplicity to sales and development activities; the adoption of the Surface tablet allows advisors to relate with customers more innovatively, in line with the latest technological developments in the sector.

The Corporate Centre

Reporting scope

The Corporate Centre includes the results of the activities carried out by:

- head office units, particular governance and support functions, proprietary finance, the 'asset centre' of divisionalised entities, which comprises in particular: asset and liability management, treasury and capital management;
- business service and support units, particularly with regard to the development and management of information systems (Consorzio Operativo di Gruppo), collection of doubtful loans and value creation from the Group's real estate (previously carried out by MPS Immobiliare, which was absorbed into BMPS on 5 December 2014).

The Corporate Centre also includes the results of foreign banks (MP Banque and MP Belgio), the results of the companies consolidated at equity and the companies held for sale and the results of operating units which, on an individual basis, are below the benchmarks required for primary reporting, as well as cancellations of intragroup entries.

Main initiatives

For a description of key actions in the areas of proprietary finance and NPL management, see the "Analysis of the key economic-financial indicators - Balance Sheet" section. For actions aimed at improving the efficiency of the operating model and Group processes as well as developing human capital, see the "Analysis of the key economic-financial indicators - Structural Capital / Human Resources" sections.

ALM and Capital Management

Objectives

Structural re-balancing of the liquidity position and implementation of strategic policies for managing interest rate risk.

Optimal management of liquidity

With a view to maintaining long-term financial balance and strengthening compliance with liquidity requirements, activities meant to improve the liquidity position and meet short and medium/long-term cash requirements continued.

In particular, the Bank was once again able to access institutional markets in March, issuing a senior bond as part of the Euro Medium Term Notes programme, for EUR 1 bn, with duration of 5 years. In April and July 2014, two additional Covered Bonds were issued, both for EUR 1 bn, with durations of 7 years and 10 years, respectively.

Funding activities continued on ABS/covered issues by the Bank, and securities issued by the bank with government guarantees, carried out through repos and/or collateral swaps and/or sales in the market.

In the first three quarters of the year, exposure to the ECB reduced significantly from EUR 28 bn as at 31/12/2013 to EUR 17 bn as at 31/12/2014. The exposure changed in the fourth quarter while the balance remained the same. In fact, between October and December an additional EUR 6.3 bn of LTROs were repaid, an additional EUR 3.3 bn of new TLTROs were carried out and weekly MROs for EUR 3 bn were activated. Exposure to the ECB stabilised in the last quarter due to a prudent liquidity management approach, resulting from the outcome of the Comprehensive Assessment (CA), which negatively impacted the Bank's liquidity balances.

In this regard, the total operational liquidity position, represented by the net balance at 1 month, amounted to approximately EUR 15 bn as at 31/12/2014, compared to EUR 17.5 bn as at 31/12/2013. Please note that in 2014 there was initially a gradual significant increase in the liquidity balance at 1 month (EUR 24 bn as at 30/09/2014), which was cancelled out in the last quarter primarily due to the impact of the CA, which was combined with generally negative year-end seasonal trends. The unencumbered counterbalancing capacity as at 31/12/2014 is in any event in line with the value from the end of 2013, at EUR 15.9 bn (compared to approx. EUR 16 bn at 31/12/2013).

Interest risk management

ALM policy focused on corrective actions for managing the position which aimed to maintain a stable risk profile for the Bank and to benefit from the continuing low rate levels, while remaining in compliance with operational limits.

Equity investment management

In 2014 the Group continued to rationalise its equity investment portfolio.

Acquisitions

- acquisition of other Class A shareholders in Perimetro Gestione Proprietà Immobiliari Scpa, bringing the percentage interest at Group level to 100% of share capital;
- increase of the equity investment in Risanamento SpA from 3% to 4.48% due to the conversion of the bond loan subscribed as part of the 2011 restructuring agreement;
- increase of the equity investment in Immobiliare Novoli SpA from 8.33% to 50%, by acquiring shares from other shareholders (CR Firenze holds the other 50%). This increase in the equity investment is part of a larger series of debt and equity transactions, aimed at resolving the investee's temporary financial crisis;
- as part of the Sorgenia SpA restructuring agreement, it acquired a 16.67% stake in the share capital of 8 Marzo 91 Srl, a company that will subscribe the share capital increase of Sorgenia;
- increase in the equity investment in Siena Lease 11 1 Srl, acquiring full control over it.

Mergers/Absorptions

- merger by absorption of the subsidiary Monte Paschi Ireland, with legal effectiveness from 11 February 2014;
- merger by absorption of the subsidiary MPS Immobiliare SpA, with legal effectiveness from 5 December 2014;

Divestments

- disposal of the equity investment in Prelios SpA, equivalent to 4.05% of share capital. However, as the conditions envisaged in the Convertible Bond Issue Regulation signed by the lenders were met, on 14/04/2014 the Parent Company was allocated 17,230,205 newly issued Prelios shares and therefore the percentage interest on completion of the share capital increase associated with the bond loan conversion stands at 3.40% of share capital;
- disposal of the equity investment in Società Aeroporto Toscano G. Galilei SpA, equivalent to 3.96% of share capital;
- disposal of the equity investment in Sorin Spa, equivalent to 5.74% of share capital;
- disposal of the equity investment in Acque Blu Arno Basso SpA, equivalent to 8% of share capital;
- disposal of the equity investment in Acque Blu Fiorentine SpA, equivalent to 8% of share capital;
- disposal of the equity investment in SIA SpA, equivalent to 5.78% of share capital;
- disposal of the equity investment in Oglio Po Terre d'Acqua Scrl, equivalent to 4.98% of share capital;
- disposal of the equity investment in Ombrone SpA, equivalent to 14.99% of share capital;
- disposal of the equity investment in Bilanciai International SpA, equivalent to 0.93% of share capital;
- disposal of the equity investment in S.T.A. SpA, equivalent to 15% of share capital;
- disposal of the equity investment in Siena Ambiente SpA, equivalent to 14% of share capital;
- disposal of the equity investment in Spoleto Credito e Servizi Scrl, equivalent to 29.46% of share capital.

Note also the conclusion of the Anima Holding SpA IPO on 10 April 2014. As part of the IPO of the issuer, whose shares were admitted to listing on the MTA Market operated by the Italian Stock Exchange from 16 April 2014, the Bank, which was already a large shareholder with 21.63% of share capital, placed 11.31% on the market. Following partial exercise of the "Greenshoe Option", the residual portion held by the Bank is 10.32% of the share capital.

The subsidiary MPS Capital Services SpA:

- sold the entire equity investment in MPVenture SGR S.p.A., equivalent to 48% of the share capital;
- sold a portion of the equity investment in Sviluppo Imprese Centro Italia SGR S.p.A., reducing the holding from 29% to 15%;
- subscribed the share capital increase of Terme di Chianciano SpA through conversion of debt. The shareholding acquired represents 28.99% of share capital. As the Parent Company Bank did not participate in said share capital increase, the Group's equity investment increased from 48.866% to 49.34%.

Analysis of the key non-financial capital

This chapter provides an overview of the levels and trends of some of the most important non-financial capital that supports Group performance and value, in line with the expectations of stakeholders: customer base, human capital, relationship capital, structural capital and reputational capital.

Customer base

Our customers

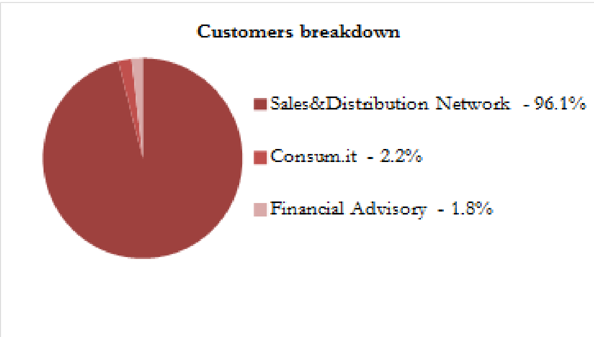
The customer base is basically stable, with Retention and Acquisition indicators following a positive trend compared to 2013.
As at 31/12/2014, the Group had 5,353,002 customers:

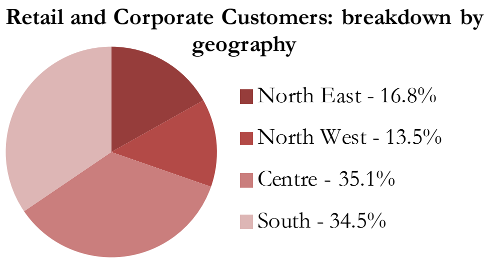
- 5,237,059 managed by the Bank's sales & distribution network and the Financial Advisory network;
- 115,943 managed exclusively by Consum.it, the Group company specialised in consumer loans.

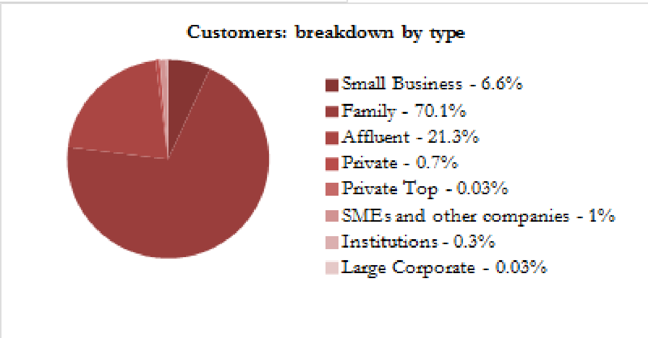
	31 12 2014	31 12 2013	31 12 2012
Cutomers	5,353,002	5,457,431	5,746,540
Active remote banking users	988,137	922,502	907,426
Acquisition (%)*	4.2	4.0	5.3
Retention (%)*	95.2	94.0	94.3
Complaints received	11,408	10,844	9,740
Complaints-average response time (days)			
- *Simplified procedure*	14	14	19
- *Accelerated procedure*	16	17	10
- *Ordinary procedure*	27	26	23

In addition, more than 15 thousand requests have been received to open current accounts at the Group's new direct bank (WIDIBA).

In particular, Retail & Corporate customers are rather evenly distributed across the country. They are sub-divided into homogeneous customer clusters, each of which is associated with a specific service model.







In December 2014 new Service Models were introduced for retail customers belonging to the private segments (Family and Affluent):

- *Value: dedicated to customers with financial assets less than EUR 100,000. The Service Model envisages the presence of sales personnel with the main specialised skills required by customers.*
- *Premium: dedicated to customers with financial assets more than EUR 100,000 or with potential to surpass that threshold in the medium term. The Service Model involves the presence of a Relationship Manager with a portfolio of up to 250 customers, in order to guarantee higher-quality service and advisory activities to meet customer requirements.*

In 2014, significant investments were made to (1) develop those models towards an even more "customer-centric" approach compared to the recent past, and to (2) strengthen the sales and distribution capacity and the quality of customer service. The key areas of focus included: proactivity of the manager approach; frequency of contact with customers throughout the relationship life cycle; advisory and services; CRM systems; and network channels and processes.

The goal of boosting productivity was supported by increasing propensity towards listening to customers and enhancing the information base regarding social/demographic aspects and explicit and implicit customer needs in the various communities.

Customer Care

Management systems

Customer care is monitored and enhanced through a cohesive system of tools and processes that make up an important framework of reference for sales and organisational functions in implementing their improvement plans. This system includes:

- customer relationship management in the branches;
- the Quality Tableau de Bord (Dashboard) – system of KPIs to monitor the effectiveness and efficiency of customer care activities;
- quality monitoring aimed at detecting, monitoring and improving process and service quality;
- periodic sample surveys;
- after-sales and contact centre services – relationship managers and customers can receive clarification and assistance, with provide feedback through dedicated phone lines and e-mail addresses.

With regard to the latter, a Network Help Desk (Isola della Rete) and Customer Help Desk (Isola della Clientela) are operational:

Network Help Desk – collects and resolves problems reported by the network, activating the relevant Parent Company functions; provides business assistance and advisory to the network; carries out training activities for the front office; handles requests for information made directly by customers via email, to info@banca.mps.it.
Activities during the year:

- 260 reports of problems received from the network (2.7% marketing proposals, 97.3% anomalies);
- 212,644 contacts (by phone and email) for business assistance and advisory to the network;
- training for the front office (90 web sessions for around 7,500 resources involved);
- in-network survey regarding internal customer satisfaction with the service provided by the Network Help Desk (9,753 managers received the survey and 981 participated); survey on specific product topics (343 managers involved);
- 9,405 emails managed through the inbox info@banca.mps.it.

Customer Help Desk – provides assistance to customers for direct banking services and provides inbound/outbound services for captive and prospect customers.
Activities during the year:

- telephone banking: 578,297 inbound calls, generating 598,339 IVR (Interactive Voice Response) requests and 85,250 requests handled by operators;
- Technical Help Desk: 74,045 calls managed by operators for retail internet banking; 21,996 calls handled for corporate internet banking; 44,344 emails on technical aspects (74.9% from retail customers and 25.1% from corporate customers);
- other inbound services: 107,888 calls handled by operators;
- outbound: 55,866 calls made for sales campaigns to customers, of which 8,770 for customer satisfaction and customer care campaigns.

Quality Monitoring

Within the customer service and process management and monitoring system, aimed at continuously improving the results/quality balance, a reporting system has been established based on 11 indicators broken down into two categories: (1) indicators focused on checking compliance with laws and regulations (Privacy, Mifid, Anti-Money Laundering); (2) indicators to measure customer relationship quality (meeting frequency, transactions, use of advanced advisory services, etc.).
This reporting is available to the entire sales chain and is enhanced with summaries and analyses prepared by the head office department responsible for monitoring sales and quality trends.

Customer Satisfaction Surveys

Customer Satisfaction surveys aim to determine the degree of customer satisfaction generally and with respect to certain specific aspects at the level of the Bank, regional Market Areas, local Market Units and Service Models. On a sample basis, the surveys are conducted through the use of questionnaires. The customer sample size involved in the surveys is proportionate to the target areas of analysis. For each element of analysis, a Customer Perception Index (CPI) is determined as the weighted average of the following components: Satisfaction (overall quality perceived by the customer), Loyalty (propensity towards choosing the Bank again), 'Word of Mouth' (propensity towards recommending the Bank to friends and acquaintances) and Price/Quality (the affordability of the products compared to service quality). The index is expressed on a 20-100 scale.
Survey findings identify any areas of vulnerability that require corrective actions to be adopted to increase the level of customer service. Prioritising the actions may also indicate opportunities for further analysis through one or more additional surveys focusing, for example, on a specific customer segment, product, and geography.

According to the latest surveys, conducted between 2013 and 2014, customers have a positive opinion about the Bank's advisory services in terms of general aspects as well as specific products and services. Their opinion regarding employee professionalism and approach was also good. In particular: retail customers show increasing interest for remote banking and integrated multi-channel services; private customers would like closer management over time of investments made: businesses hope for less "bureaucracy" and faster responses from the Bank, especially regarding loans.

Customer satisfaction (CS) surveys conducted in 2013/14

	Customer participation channels	Customers participating in the survey	CPI 2013/14 *(scale 20-100)*	CPI change compared to previous survey
CS Retail	Online questionnaire	20,000	64.9	-5.3
CS Private	Telephone interview	1,000	67.8	-7
CS Corporate	Online questionnaire	800	70.6	-1
CS Institutions	Online questionnaire	200	70.5	-5

Additional surveys focused on:

- checking the satisfaction of customers involved in the migration of credit cards managed by CartaSì to the new Montepaschi cards. 2,485 interviews were carried out online, showing a basically positive opinion, although there were certain issues in the management of activation timing and communications provided;
- some particularly significant consumer protection aspects for parties taking out optional policies associated with loans, subject to a specific Italian Banking Association-Assofin-Consumers Association protocol followed by the Bank. The customers interviewed report a good satisfaction level regarding information received at the time and the general methods for marketing the policy;
- Distributor Scope - survey performed by AXA with employees in the network who are qualified to place products and services provided by AXA MPS;
- verification of the quality of the service offered by the Network Help Desk.

Complaints management

In 2014, 11,408 complaints were received (+5.2% YoY): customer complaints regarding traditional banking services increased (9,622; +18.2% YoY), while those regarding investment services decreased (1,786; -34% YoY). The business areas subject to the most complaints were: current accounts (particularly with regard to compound interest) and mortgages (especially for cases of contingent usury and late payment rates in mortgage agreements).
The average complaint resolution time was below the limits set by the Bank of Italy (30 days): 14 days with the simplified procedure (for minor disputes and amounts below EUR 5 thousand), 16 days with the accelerated procedure (for more complex cases and with amounts between EUR 5-10 thousand), and 27 days with the ordinary procedure.
In addition, 779 petitions (+59 YoY) were filed by customers with independent bodies (Ombudsman, Consob, Bank of Italy, Arbitro Bancario Finanziario), while 2,718 disputes were settled by Alternative Dispute Resolution procedures (there were 578 in 2013). The number of alternative dispute resolution procedures increased significantly between 2013 and 2014 as that system was once again made compulsory by law.

To further improve the complaints management process, in August 2014 the simplified procedure was replaced by the "branch procedure", involving more direct and proactive participation by network structures to more quickly and effectively handle complaints linked to behavioural aspects or service problems that can be resolved informally (by telephone or email) and direct contact with customers. The objective is to process those cases within 5 business days.

Human capital

Headcount changes

As at 31/12/2014, the Group had 25,961 employees:

- 98.3% of employees work in Italy;
- 99.8% of contracts are unlimited term;
- 8.7% part-time employees;
- 47.6% female employees;
- 6.1% of senior managers are female.

Since the start of the year, and given the same scope of consolidation, there have been 155 new hirings (including 15 executives) and 1,543 dismissals (including 21 with resignation incentives, 1,195 through participation in the Solidarity Fund and 57 'Woman Option' retirements). There were 150 resignations.

	31 12 2014	31 12 2013	31 12 2012
Headcount	**25,961**	**28,417**	**30,303**
Operational location (%)			
Head Offices	21.6	24.0	26.2
Italy Network	76.3	74.1	72.0
Foreign Network	2.0	1.9	1.8
Professional/occupational level			
Executives	1.3	1.3	1.5
Middle Managers	38.8	38.3	38.8
Other	59.9	60.4	59.7
Other indicators			
Training per capita (hours)	36	35	36
Training costs (Millions of euro)	2.0	2.1	4.8
Female staff (%)	47.6	46.2	45.1
Female executives (%)	6.1	5.6	5.2
Rate of absence (%)*	6.87	7.59	7.31

** Days absent in relation to total days worked during the year (excluding leaves and absences for maternity/paternity permits). Low absence rates are generally linked to a positive trend in the morale of personnel and productivity.*

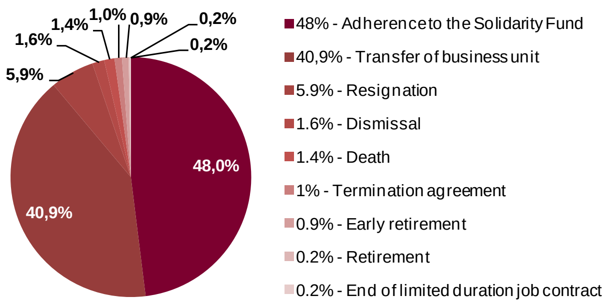
Since the start of the year, and given the same scope of consolidation, there have been 155 new hirings (including 15 executives) and 1,543 dismissals (including 21 with resignation incentives, 1,195 through participation in the Solidarity Fund and 57 'Woman Option' retirements). There were 150 resignations.

Of the exits, 29 executives have left the company (18 due to consensual employment termination, 2 due to termination by the company and 9 resignations). Since 31/12/2011, a total of 179 executives have left the company, so they accounted for 1.3% of the total headcount (less than the industry average of 2%).

Headcount trends were significantly impacted by the exit of 1,064 resources since 1/1/2014 following the transfer of the back office business unit to the newco Fruendo.

Overall, headcount changes resulted in a work force shift towards structures with direct customer contact, which now account for 76.3% of the total (+2.2 percentage points YoY).

Breakdown of employment terminations in 2014, by type



Personnel management initiatives

Personnel management policies aimed to support organisational changes and balance the headcount following exits due to early retirement schemes or participation in the solidarity fund, in line with Business Plan objectives. The main actions taken involved personnel re-qualification for new positions and transfers required to equip structures with the best resources, inspired by the principles of transparency and employee participation (internal job posting initiatives, willingness to relocate with the "Muoversi in Rete" ["Moving within the Network"] Project), with the aim of taking advantage of professional development opportunities deriving from the implementation of Business Plan initiatives.
At the Head Office, significant initiatives continued to be implemented, involving managerial changes and the strengthening of structures with the entry of qualified resources in more highly specialised roles, selected from the market as well as internally. In particular, to adjust managerial skills to meet the requirements of the new organisational structures, in roles of responsibility (Sector, Service and Area managers), there was total turnover of around 20% (up and downgrade). Qualitative and quantitative enhancement of the structures was pursued with the entry of around 50 resources selected internally through the job posting tool and around 40 resources hired from the market. Overall, as a result of entry and exit trends, at the end of 2014 the Head Office had approximately 3,360 resources, in line with Business Plan objectives.

In the network, the main initiatives regarded geographical and/or professional mobility to cover exits associated with early retirement and the solidarity fund (around 980 resources at 31/12) and to support company plans. Overall approximately 3,000 resources were involved in geographical mobility (15% of the network staff) and around 4,500 in professional mobility initiatives (25% of the network staff).
The overall mobility initiative was accompanied by resource requalification programmes for new roles/activities, with ongoing structured coaching and training programmes.

Human resource development and training

Personnel management and development plans aim to guarantee, at all levels, prompt and widespread qualitative and quantitative coverage of Group Structure human capital requirements, in line with and in support of the company strategy.
The characteristics of each resource (personal and performance data, potential, motivational aspects, etc.) are considered in an orderly manner to identify targets and the best ways to take advantage of available human capital (development and training, management and compensation measures). To support this activity, a Talent & Performance Management process is currently underway, in which each employee completes an optional

Montepaschi DNA

Management
Openness to change
Determination
Rigor and professionalism
Execution
Organisation
Determination to achieve results
Central focus on customers
People
Communications
Team work
Developing others

self-appraisal every year, which is then assessed by the direct manager in terms of behaviours (Montepaschi DNA), core role-specific technical skills and effectiveness in carrying out activities. This information is used to define personalised plans meant to promote the resource's development in the areas for improvement identified in the assessment.

The same information can be supplemented with additional elements obtained during reviews of employee potential and/or motivational interviews, which are used to move ahead with personalised initiatives and development plans intended to improve qualitative and quantitative role coverage (development and/or self-development initiatives, training courses, professional mobility, participation in communities, coaching, etc.).

At the aggregate Structural level, the Talent & Performance Management process supports management continuity targets and facilitates monitoring of performance levels and management of the most widespread employee skill gaps in relation to behaviours and/or core role-specific technical competencies. It also supports the planning of productivity-boosting initiatives.

The main initiatives for the year were:

- improve the results of the Talent & Performance Management process, with:
  - analysis of the qualitative and quantitative coverage of Head Office and Consorzio Operativo di Gruppo roles;
  - use of the Development Assessment Centre tool to support resources in acquiring greater awareness of their own behaviours and in self-development processes;
  - management of in-network career paths;
- training of evaluators involved in the Talent & Performance Management process;
- use of job postings to fill specific resource requirements, inspired by the principles of transparency and equal opportunity. Internal resources were selected in various Bank departments (Foreign, CFO, Risk, COO, Internal Audit, Credit, WIDIBA, Consorzio Operativo di Gruppo), with the involvement of 1,159 resources to fill 150 positions; the resources selected went through induction procedures for their new roles, including periodic progress evaluations;
- performance improvement taking a meritocracy approach: the Bank intensified the use of effective targeted initiatives to motivate and reward excellent network resources. For example, contests rewarded sales & distribution performance only if achieved with the proper behaviours and in compliance with regulations (primarily the Mifid Directive and anti-money laundering rules), and especially involved recognition in the form of apprenticeships to gain in-depth specialist knowledge. In addition, also for business roles, a great effort was made to improve the retention of particularly significant Bank resources (for example, a structured engagement model integrated with a non-compete agreement was developed for the private banking sector).

Training

Training was based on the new "MPS Academy" model, which focuses on the following competencies:

- **People**: for managerial and behavioural development - key area which receives the most investment;
- **Business**: for the development and qualification of the professional competencies needed to take on and/or consolidate various company roles - area with greatest impact on the network, taking shape in initiatives focusing on emerging and support needs, particularly for sales and credit strategies;
- **Compliance & safety**: to ensure the coverage of training requirements relating to occupational safety and other topics subject to relevant regulations.

In 2014, 93% of the staff was trained through MPS Academy. Around 930 thousand training hours were provided (averaging 36 hours per capita), of which 41% in the classroom and the rest "on-the-job" (training on-the-job, webinars, multimedia courses). The MPS Faculty ("certified" internal trainers) taught 62% of the courses. Course quality, evaluated by the participants, was 5.1 (on a scale of

1 to 6). Around EUR 2 mln was spent for this activity, part of which was drawn from specific sector funding ("FBA-Fondo Banche e Assicurazioni" and "Fondir-Fondo Paritetico Interprofessionale Nazionale per la formazione dei dirigenti del settore del terziario").

Particular attention was dedicated to strengthening competencies and managerial development for strategic roles. Training was structured based on a specific analysis of emerging needs carried out with the business lines and other company departments, which was then broken down in light of individual development plans, management policies and company reorganisation initiatives.

People

- continuous updating for managerial roles and other opportunities highlighted by the Talent & Performance Management process, including participation in seminars and external specialist training, the value of which was then brought back into the bank through "learning circles";
- availability of a dedicated individual behavioural development platform for all personnel (multimedia courses, lectures, videos, etc.);
- continuation of the managerial career path for newly qualified officers and induction paths for new function managers;
- launch of a training support plan dedicated to new parents upon re-entry from maternity/paternity leave;
- activation of MPS - Home Learning, giving all Group personnel the opportunity to consult the company Library from home, which contains over 200 online multimedia courses on topics ranging from economy to finance to soft skills, which may also be of interest for the studies and/or professional training of other family members.

Business

- launch of the training course for checking and developing competencies in the credit area for all Local Market Managers in collaboration with SDA Bocconi;
- activation of the "Business plan analysis and business plan financial sustainability verification" course for regional functions responsible for making credit decisions;
- ad hoc webinars and newsletters for credit supply chain coordination roles;
- continuation of the "credit academy" training course for newly qualified officers and staff specialised in relations with small business customers;
- implementation of entry and development paths for the various roles, supporting the main Business Plan initiatives;
- activation of the "Private Academy" platform, which focuses on key private banking market topics (asset protection and succession, tax optimisation, etc.).

Compliance & safety

Key topics during the year included: anti-money laundering, Legislative Decree 231/2001, bank transparency, privacy and workplace health and safety.

Enhancement of equal opportunities

The percentage of female staff was 47.6% as at 31/12/2014 (an increase of 9.8 percentage points since 2002).
Other equal opportunity indicators also show improvement. These include: women in managerial positions (approx. 41.7%) and the percentage of female executives (6.1%; it was less than half this amount in 2002).
The personnel selection and hiring policy ensures equal employment opportunities with no discrimination on the basis of gender, nationality, religion, political opinion or personal and social conditions.

Personnel management and development initiatives are also oriented towards equal opportunities, through a range of measures such as:

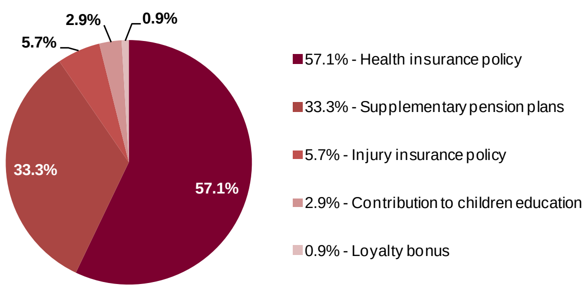
- regarding work-life balance, contractual measures which are additional to and/or improve on those required by law or the national labour agreement (flexible working hours, conversion to part-time, including temporarily, paid and unpaid leaves of absence for child care etc.);
- analysis of Equal Opportunities issues in collaboration with trade unions through an ad hoc Joint Commission;
- reintegration support and retraining for new parents returning to the workplace after maternity/paternity leave.

In this last regard, a specific project has been launched under the name "Mamme (e papà) che lavorano al Monte dei Paschi" ("Moms (and dads) who work at Monte dei Paschi"). The project, developed within the company's Equal Opportunities Commission, involves structured training courses in support of employment reintegration, with training initiatives, structured on-the-job training and customisable multimedia tools. The initiatives are based on the individual's profile and requirements and promote organisational updating as well as the development of capacities that can help to reconcile new needs (for example, time management, effective communications, stress management, teamwork and negotiation skills). The managers of the resources concerned also participate in the initiative through dedicated training events which aim to provide suggestions and points for reflection on how to promote work-life balance within their own organisational units. This year 300 employees participated in the project.

Corporate welfare

The Group's second-level bargaining with trade unions confirms the central role played by welfare within the corporate model, with an offer focusing on the needs of employees, pensioners and their nuclear families. As part of this system, BMPS also contributes to employee associations that promote the use of welfare services and initiatives.

Breakdown of benefits paid in 2014, by type



During the year, supplementary contributions were paid to employees for a total amount of EUR 53.2 mln (EUR 49.3 mln in 2013) through corporate welfare measures that complement the provisions of the national labour agreement with regard to "traditional" social risks, such as: supplementary pension benefits, health care coverage, injury insurance policies, etc.
Additional monetary and non-monetary initiatives addressed "traditional" social risks (lunch vouchers, support for family income continuity by hiring children or spouses of deceased employees, "solidarity and assistance loans" from the employee mutual assistance fund, maternity support, support of participation in cultural, recreational and sports activities through CRAL employee social organisations, loans and other transactions at subsidised rates to meet personal and household needs) as well as "new" risks (support for the employment of women, for example through training courses for the return of new mothers to the workplace, support of buying power through the "Montepaschi Outlet" online money-saving platform, support for the cultural education of employees and their families through the company's physical and virtual library, support for ongoing training on technical topics through MPS Academy).

Structural capital

Distribution channels

Customers are served through an integrated combination of "physical" and "remote" distribution channels.

	31 12 2014	31 12 2013	31 12 2012
Branches in Italy	2,186	2,334	2,671
ATMs	2,921	3,043	3,426
Robberies (no.)	114	184	167
Accident rate*	1.939	1.737	1.797
Accident seriousness ratio*	51.992	55.094	54.675
Energy consumption (GJoule)**	**893,603**	**967,206**	**1,049,683**
Electricity (GJoule)	*570,197*	*625,096*	*707,700*
Natural gas (GJoule)	*258,843*	*268,917*	*263,819*
Diesel oil (GJoule)	*16,415*	*21,974*	*25,530*
Diesel cars (GJoule)	*47,292*	*50,089*	*51,553*
Gasoline cars (GJoule)	*855*	*1,131*	*1,081*
CO2 emissions (T)**	19,725	20,778	21,127
Paper consumption (T)	2,438	2,954	3,480

**Accident rate = (total number of accidents/ total number of worked hours) x 200,000; Accident seriousness ratio = (total work days lost as a result of an accident / total number of worked hours) x 200,000.*

These indicators monitor practices for managing the health and safety of Bank workers. Low accident rates are generally linked to a positive trend in productivity.

***The indicators/ratios measure the quality and eco-efficiency of operations. In particular, CO2 Emissions include "scope 1" and "scope 2" greenhouse gas emissions according to the international GHG Protocol classification.*

Physical channels

As at 31/12/2014, the Group's network in Italy consisted of:

- 2,186 branches (as reported to the Supervisory Authority): 40.2% in the North, 34.4% in Central Italy and 25.3% in the South and islands;
- 279 specialised centres dedicated to SME customers (122), Private/Top Private customers (92), Institutions (65), and 12 branches of the subsidiary company, MPS Leasing & Factoring. Customers belonging to the Large Corporate segment are managed through dedicated resources distributed across the country;
- 595 financial advisors with 118 offices;
- 2,921 ATMs (down 122 from the beginning of the year).

The foreign network includes:

- 4 operational branches (London, New York, Hong Kong and Shanghai);
- 10 representative offices located in various "target areas" of the EU, Central-Eastern Europe, North Africa, India and China;
- 2 banks under foreign law: MP Belgio (8 branches in Belgium) and MP Banque (18 branches in France).

The goal of transforming the distribution model was pursued by updating the Group's regional structure. In 2014, the branch reduction and optimisation plan continued to be implemented (around 150 branches were closed in implementation of the 2013-2017 Business Plan), self-banking became more widespread and evolved with new cash-in ATMs and the highly innovative branch model called "Tolomei 2.0" was tested (in December, the fully reconfigured Siena Piazza Tolomei branch was inaugurated with an innovative lay-out, technological features and self-banking tools that are truly cutting-edge within the Italian banking landscape). 168 branches were structurally renovated and rebranded in order to increase their general quality, reception and appeal to customers.

Remote channels

WIDIBA (WIse-DIalog-Banking), the Group's direct bank that integrates a self-service offer with the competencies of MPS's network of financial advisors, has been operational since September 2014.

The Bank also provides its customers with a continuously updated range of banking services through remote channels, which are also offered in integrated form: the so-called "integrated multi-channel" contracts, which cover internet banking, mobile banking and phone banking services.

As at 31/12/2014, agreements relative to all electronic services totalled 1,925,222 (+6.47% YoY) with 988,137 active users (+7.11% YoY): integrated multichannel and home banking agreements totalled 1,740,727 (+7.20%YoY) with 899,833 active users (+8.02%YoY). There were also 184,495 internet corporate banking agreements (+0.04% YoY), with 88,304 active users (-1.28% YoY).

Operating apparatus and processes

Cost reduction initiatives

The cost optimisation plan, designed to meet the objectives of the Business Plan, continued and achieved savings in 2014 of approx. EUR 148 mln compared to the 2013 baseline, net of extraordinary transactions.
The cost optimisation plan involved the entire cost base and impacted service models and supplier selection, focusing particularly on the Real Estate, ICT, Logistics and Security areas.

- **Real Estate:** actions were implemented to optimise the use of spaces and reduce rental expenses, generating savings of 20%.
- **ICT:** simplifying the software and hardware architecture and renegotiating contracts with suppliers, generating savings of 21%.
- **Logistics:** actions focused on efficiency improvement processes to achieve a "paperless" office, and optimising service contracts, generated savings of 14%.
- **Security:** as part of the overall governance of workplace health and safety risks (the operations of the Bank as well as of the subsidiaries MPS Capital Services and Consorzio Operativo di Gruppo are certified pursuant to OHSAS 18001), the new robbery risk management model is being implemented with the goal of reducing criminal actions (theft and robbery) at branches by 50%. The open architecture Project may lead to other security initiatives, beginning with ATMs, and may support the development of new commercial concepts.

Real estate

- **Optimisation of the use of properties** - actions aimed at reducing the space used and related costs (rental, utilities, maintenance) through space management projects, which in the course of the year resulted in the release of 19 properties rented by third parties and cancellations being sent for an additional 11 lease agreements, which will become effective in 2015.
- **Branch closure project -** Business Plan objectives were achieved with the closure of 154 branches and the return of 41 properties to their respective owners.

ICT

Numerous projects to support the Business Plan have made progress in the areas of credit quality, the sales & distribution model and overall efficiency.

Credit

- Launch of the New IT Debt Collection System, to support the revision of the strategic and operating model for collection activities and updates to information tools for key innovations in the market.
- Roll-out of the new model for issuing and monitoring credit.

Sales & Distribution

- Adoption of the new Retail model (called "Banca 2015"), with the revision of customer service models and the relative portfolio segmentation.
- Preparation of informational content in the company data warehouse to generate sales & distribution quality indicator reporting.

Finance

The 2014-2015 project is underway to introduce the new Murex 3.1 platform, with a complete overhaul in terms of functionality, to support Finance, Credit, the Network (for derivative transactions) and MPS Capital Services.

Risk Management

- Improvement of the efficiency and effectiveness of anti-money laundering and counter-terrorism oversight systems.
- Structured front-to-back funding management

Operational excellence

- Reduction of energy consumption during prime time hours, significant limitation with new services, reduction in batch and electricity consumption by 600,000 KWh/year.
- The "Quattro" project led to a 75% reduction in execution timing for the 10 most common transactions carried out in the network.

WIDIBA Bank startup

- IT support for the launch of the Group's new direct bank.

Security

The new security management model to reduce the risk of robbery is in the final testing phase and involves the following activities:

- installation of branch cash in-cash out and video surveillance to replace security guards, in 460 branches;
- installation of branch cash in-cash out in approx. 140 branches;
- installation of roller cash in approx. 1,000 branches (with the removal of security guards where present);
- installation of alarm systems in branches that do not currently have them and centralising the alarm systems of all branches on the single monitoring system for the entire Bank.

In developing the project, which is expected to be fully implemented in 2015, investments of approx. EUR 43.5 mln were envisaged, with net annual savings of around EUR 18 mln beginning in 2015 (approx. EUR 2 mln in 2014).

Initiatives to improve internal service quality

- The specialised business service structures were further developed with the assignment of service management responsibilities relating to processes outsourced to the new-co Fruendo.
- The project intended to reinforce possible synergies between securities and cash transaction services in the domestic and foreign markets also moved ahead, entailing participation in Target2-Securities (T2S), the new Eurosystem platform for the centralised settlement of securities transactions.
- The Polarisation Support project for the Network continued, with the objective of optimising processes for accounting and account payables, succession, and physical cash.
- "Smart strongbox" product testing began with the goal of improving ATM service levels and decreasing times when cash is unavailable.
- Logistics service costs decreased by around 13%.

Environmental sustainability of operations

Implementation of a global 2013-2014 Operations Sustainability Plan continued in synergy with business initiatives of cost optimisation and organisational efficiency. The environmental performance objectives for 2014 include the following: reducing electrical energy consumption by 20%; reducing use of paper for in-house communications (-50%) and communications to customers (-40%); reducing CO_2 emissions relating to workplace operations (-10%) and business trips (-15%); recycling 100% of waste from office activities (paper, plastic, toners).

The main initiatives underway are: paperless project, consumption containment plan, Zero Waste project and various sustainable mobility initiatives.

(Please refer to the chapter "Sustainability report - EN Environmental performance).

Relationship capital

As part of Group value and performance, it is important to develop effective relationships with stakeholders and succeed in combining the goal of meeting their different expectations with the delivery of business objectives.
These relationships are managed at head office level by a range of company functions and, in most cases, are handled at the operational level in the regions.
Stakeholder input and requests regarding issues subject to the Bank's listening and engagement initiatives are taken into consideration with various degrees of importance and urgency in company decisions.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER	RELATIONSHIP CHANNEL	ISSUES ADDRESSED
Employees	• Sharing of information through internal communications channels and tools.	- Institutional: company performance and relevant events. - People: behaviours (Group DNA), evaluation process, welfare, open positions, training resources (MPS Academy), etc. - Business: work and customer relationship tools, service models, sales & distribution plans, best practices in the branches, etc.
	• Networking and facilitating communities via surveys, blogs, focus groups, conventions, etc.	- Change projects. - Specialised topics by business area. - Product quality and customer satisfaction. - Internal, business and operational service quality. - Working conditions (e.g., work-related stress, sustainable home-to-work mobility).
Unions	• Industrial relations	- Impacts on personnel of headcount reduction measures and the main organisational projects. - Renewal of the collective labour agreement.
	• Periodic meetings of the joint Bank-Union bodies.	- Health and safety, working life quality, equal opportunities, company environmental policies.
Customers	• Thematic focus groups • Customer satisfaction surveys • Specific questionnaires on certain product/service topics sent via direct emailing. • Collecting feedback through the bank's accounts on the main social networks • Email info@banca.mps.it for collecting requests for clarification and immediate assistance with respect to products, services and general activities.	- Advisory services, product and service quality/usefulness, digital and self-service banking, new Montepaschi credit cards, accessory policies linked to loans, bureaucracy and loan response times.
Consumer associations	• ConsumerLab	- Relevant bank-client relationship topics. - Financial education: basic knowledge of bank products and services.

Community stakeholders *(local institutions, business associations, non-profit organisations, etc.)*	• Co-planning with individual industrial groups, trade associations, economic development promotion agencies • Collaboration	- Enhancement of the "made in Italy" brand and quality of the relative production chain. - Business sectors/network synergies and developments (testing in the footwear sector). - SME internationalisation.
Shareholders, investors and analysts	• Shareholders' meetings, meetings at the Bank, road shows abroad, international meetings, conference calls.	- Capital strengthening, accounting impacts of the Asset Quality Review, stress test results and resulting Capital Plan.
Institutions and supervisory authorities	• Meetings and conference calls between institution/authority officials and representatives of the Bank's top executives and management.	- Capital strengthening, Comprehensive Assessment and resulting Capital Plan.

The most well structured and ongoing relationships included in particular: investor relation activities, industrial relations and collaboration with consumer associations (the so-called ConsumerLab).

Investor relations

In managing relationships with the financial community, Investor Relations diversifies its approach based on the party involved, with the objective of ensuring that the information provided to rating agencies, analysts (equity and fixed income), financial operators and institutional and retail investors is symmetrical and balanced. The communication strategy is based on comprehensive sharing of information with management and all price-sensitive communications are promptly announced, in order to create a direct and continual dialogue.

As part of marketing activities, since the beginning of the year top management has met with around 350 institutional investors (equity and fixed income) at the Bank, at road shows (Italy, UK, Spain, Switzerland, United States), international meetings and dedicated conference calls with investors who requested them.

In the first half of the year, the financial community's attention was dedicated to the capital strengthening transaction. In the second half, the areas of interest consisted almost exclusively of the results of the Comprehensive Assessment, particularly the accounting impacts of the Asset Quality Review and execution timing of the Capital Plan, which the Bank submitted to the competent authorities to close the capital deficit detected in the adverse scenario of the stress test.

Industrial relations

Communications with trade unions are oriented towards the best possible management of effects on employees with a view to: (1) protecting employment, (2) developing the professional competencies of resources, (3) enhancing the corporate welfare system.

In 2014, industrial relations were characterised by overcoming existing tensions and the resulting reunification of the union negotiating table, launching a new phase in union relations based on dialogue and communications to search for mutually beneficial solutions to meet operating objectives and needs.

In that context, dialogues continued between the parties to examine the impacts on employees of the 2013-2017 Business Plan projects, particularly delicate topics, first and foremost the Group headcount reduction measures in line with the established structural cost reduction targets. In particular, an agreement was signed with all of the company's union organisations relating to early retirement and the activation of the industry Solidarity Fund for the voluntary exit of more than 1400 resources. In addition, excess requests for participation were also accepted under an additional agreement. All of these actions made it possible to avoid recourse to legal procedures to achieve headcount reduction.

The following procedures were also launched and completed, by entering into specific agreements, pursuant to legal and contractual regulations:

- transfer to WIDIBA of the Bank's business unit for online Bank and financial advisory activities;
- Sales & Distribution network rationalisation project;
- extraordinary incentivised mobility initiative for personnel ("Muoversi in Rete" project);
- 2014 training plan.

Furthermore, the planned information/union dialogue phases were carried out regarding a series of internal organisational review actions (relating to Parent Company and Regional Area structures), the retail customer service model review project and professional development and enhancement initiatives (for example, by activating new job posting initiatives).
In 2014, work was completed at national level to renew the national industry collective labour agreement, subject to annulment by the Italian Banking Association as of 31/12/2014 and effective as of 1/4/2015. Union relations at all levels - company and Group - are currently suspended in the banking industry. In that regard, as a result of the agreement entered into in 2012, the Bank has in any event maintained cost curbing measures for all of 2015 (reduction of the taxable base for staff severance pay and travel cost purposes), and kept its welfare programmes in place unchanged (lunch vouchers, supplementary pension fund contributions, health care policy, long term care policy).

ConsumerLab

The ten-year structural collaboration with consumer associations on relevant bank-client relationship topics (ConsumerLab) focused on financial education once again in 2014, with 11 meetings/lessons at high schools in several Italian cities. Local consumer associations and Bank employees and pensioners also participated in the initiative, named BancAscuola. Since it began in 2011, 2,500 students from 41 schools in 38 Italian communities have taken part in the initiative.
Some in-depth reviews of the "reverse mortgage" were also conducted during the year due to the most recent regulatory developments and the social and generational impacts of this product type.
(www.mps.it/consumer+lab)

Community and local relationships

Apart from the economic function of credit and other typical banking activities, the Group fulfils corporate citizenship duties within its sphere of influence, creating social and economic added value in the community and at times considering short-term profit objectives as secondary. These actions are carried out in the local areas in collaboration with significant stakeholders.

	31 12 2014	31 12 2013	31 12 2012
Financial inclusion *(disadvantaged customers)*			
- Young customers (no.)	494,165	511,396	622,112
- Immigrants (no.)	294,610	281,633	312,444
- Small business (no.)	340,339	321,374	366,996
- Non-profit organisations (no.)	9,967	9,983	9,088
Social welfare			
*- Contributions (millions of euro)**	5.9	18.5	34.9
- Microcredit (no.)	330	851	731
Corporate sustainability			
- Loans for environmental purposes (millions of euro)	71	298	1,044

** Figures include disbursements in the form of sponsorships and donations.*

Products and services with social and environmental objectives

Relationships with institutions and other local social and economic development players generate the main product/service/model innovations that the Bank has incorporated into its product offerings in order to provide customers and local communities with social and environmental benefits exceeding those that may be produced through standard commercial operations.

Social objectives

The main action areas in 2014 included:

- measures to combat the effects of the economic crisis on customers, for example by (1) suspending mortgages and personal loans, with no additional administrative costs, (2) providing financial support to SMEs with temporary cash flow difficulties or which have receivables due from the public administration. From April 2009 to the end of December 2014, more than 80 thousand mortgages benefitted from a moratorium, for a residual debt at the time of suspension of EUR 17 bn. At the end of December 2014, around 10,800 suspensions are still ongoing, for a total exposure of around EUR 2.3 bn;
- bank products and services under accessible conditions that meet the needs of the weakest customer segments. For example: basic current accounts, support to young people and those with unstable work situations for education and to purchase first homes, product range for immigrants and non-profit organisations;
- microcredit, primarily through (1) the work of the Group company "Microcredito di Solidarietà Spa", with 228 loans for a total amount of around EUR 700 thousand, (2) support to families at the time of the birth/adoption of a child (26 loans for EUR 128 thousand), (3) loans governed in Tuscany by Regional Law no. 45/2013 to support households and workers in difficulty (75 loans for EUR 216 thousand).

Environmental objectives

The Group is active in the sector of green finance through:

- investments in the share capital of companies operating in the sector of renewable energies;
- financial advisory, asseverations of financial plans and the financing of plants to produce electricity from renewable energy sources through the subsidiary MPS Capital Services (12 transactions for around EUR 31.5 mln in loans disbursed in 2014);
- a range of products for private citizens, companies and institutions that includes medium to long-term loans, leasing services and personal loans at advantageous rates (160 loans for around EUR 39.5 mln).

Contributions to local welfare and community social development

The Group contributes to the activities of public institutions and non-profit organisations for the protection of basic economic and social rights.
Despite the general administrative cost containment effort, during the year the Group continued to provide a direct contribution to the community with:

- sponsorships totalling around EUR 3.4 mln (approx. 190 initiatives);
- donations towards research, medical and hospital services, social welfare and humanitarian programmes (EUR 0.6 mln);
- contributions towards social projects promoted by local government bodies with whom the Bank has a business relationship (EUR 1.86 mln).

The activity was carried out based on a new strategic policy and a model of relations with institutions and other local stakeholders (named "Banca MPS con i territori" ["Banca MPS with the community"]), which enabled the Bank to pool its assets (skills, structures, relationship network, artistic and cultural assets, etc.) to pursue common social goals in areas such as: social assistance and advancement, training, art and culture, the values of sport. Numerous social initiatives were carried out in local areas, promoted by charitable organisations and civil and religious agencies, which the Bank supported in order to express its solidarity and commitment to social service, with attention on the most vulnerable categories in the communities that have been most deeply affected by the prolonged crisis. In this context, small sponsorships have been the preferred method, highlighting the role of partnership in the event, placing less emphasis on the traditional, classic form of collecting funds from third parties (customers, employees, etc.).

The most significant initiatives include:

- **Social advancement support -** long-term partnerships with "third sector" organisations particularly active in supporting families in serious economic difficulty and in the field of assistance to the ill (Fondazione Maruzza Lefebvre D'Ovidio Onlus, Arciconfraternita di Misericordia ed Istituzioni Riunite in Siena, Città della Speranza in Padua); support for the solidarity work carried out by the district of Siena and active participation in joint social and cultural entertainment events; selective support consistent with the new policy for many small local organisations.
- **Training** - the agreement with the University of Siena to activate the Higher Education and Research Apprenticeship, six-month training apprenticeships and project work within the Bank, Bank Managers' co-teaching of university courses; participation in the "Young Factor" project to promote economic and financial awareness in high schools, in partnership with the Osservatorio Permanente Giovani Editori; collaboration in the Elis Consortium's "Employability 2.1" project for advanced professional training.
- **Art and Culture** - the "Back into the Light (Ritorno alla luce)" project, which made it possible to restore and make available to the general public several works of art from the Bank's collection; participation in the Creative Culture Festival promoted by the Italian Banking Association to make the artistic and cultural beauty of the Bank's historical headquarters accessible to children in a unique manner.
- **Values of sport -** contribution to and pairing of the MPS brand with small sports clubs capable of creating participation and solidarity around the healthy values of sport; sponsorship of certain nationally significant organisations particularly linked to the social fabric of the Group's traditional communities and which are distinctive due to their integrity and dedication to young people (Top Team Volley of Mantua, Petrarca Rugby in Padua, amongst the best teams in the sector in Italy, which are particularly dedicated and attentive to youth training).

Reputational capital

Management Model

The Bank is involved in managing, protecting and improving the identity and image of the company through institutional and commercial communications. It does this with the awareness of brand significance in consumer decisions and its impact on company risks and performance.
The Board of Directors defines the action plans and guidelines for attaining the objectives of strategic management of the brand.
The Communications Area coordinates and monitors, at an operational level, the development of the brand.
Specific internal rules are established to guarantee the efficacy of all communication processes that target customers, the financial markets and stakeholders in general. Communication content and style must be consistent with the Bank's values, and with the values to which it aspires.
The perceptions of customers and public opinion, the quality and personality of the brand, are checked through periodic market and comparative analyses (research for 2014-2015 is currently being developed). The web and social networks are also constantly monitored to detect any critical opinions to be taken into account in a timely manner.

Objectives and key initiatives to protect and enhance the Group's image and brands

In 2014, a great effort was made to recover the Bank's solidarity with local communities. Several meetings were held between the management, local institutions, trade associations and customers; micro brand positioning campaigns were carried out at local level and, during the most significant events, the best media visibility possible was sought out (in particular in the local press and social networks), with generally very satisfactory results.
Some advertising campaigns were also carried out. In particular, one accompanied the share capital increase, with the aim of achieving institutional repositioning; another two promoted important innovative products.

At the same time, the Bank safeguarded its reputation continuously throughout the year. Therefore, dialogue with stakeholders and providing consistent, transparent information were of fundamental importance.

Main recognitions received

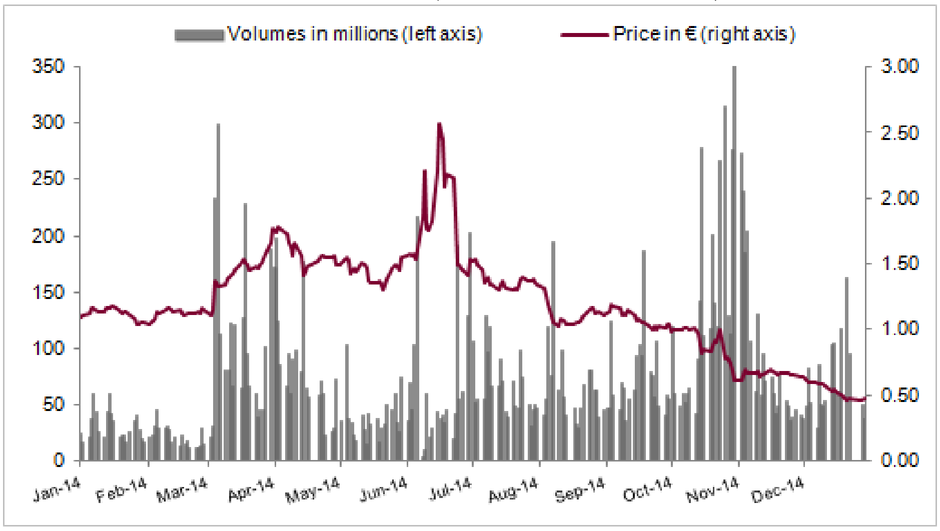
- Milano Finanza Guido Carli Award for "Retail Bank of the Year".
- Milano Finanza Innovation Award in the category of financial services for businesses, for the MPSponsor Minibond product.
- In the Italy Protection Forum & Awards, the Bank was awarded "Best Bank in Protection Sales" and "AXA MPS for the Small Business Segment" was voted best project.
- In the Press & Outdoor Key Award, the Bank was recognised for the advertisement "Aumento di capitale – La Banca ricomincia da qui" ("Share capital increase - the Bank restarts from here").

BMPS share price

Share price and trends

In the fourth quarter of 2014, volatility was on the upswing in the international financial markets, following the repercussions of plummeting oil prices and, in the Eurozone, the announcement of new Greek elections. Of the stock market indices, positive performance was achieved by the S&P 500 (+4.4% QoQ) and the Nikkei (+7.9% QoQ), which benefitted from positive economic trends and extremely expansive monetary policies, respectively. In the Eurozone, the only index with positive quarterly performance was the Dax (+3.5%). The other markets closed the quarter in the red: CAC40 (-3.2%), FTSE 100 (-0.9%), Ibex (-5.0%) and the FTSE MIB (-10.0%).
In terms of annual performance, Milan closed 2014 basically at the same levels as 2013 (+0.23%) due to less than encouraging macroeconomic data. Paris and London also had negative annual performance (-0.5% YoY, 2.7% YoY), while Frankfurt and Madrid closed the year on the positive side, at +2.7% and +3.7% YoY, respectively.
In 2014, the Italian banking sector also experienced rapid fluctuations, and in the last weeks ten-year yields dipped once again, resulting in annual growth of 6.8% in the FTSE Banks index.
BMPS stock closed the quarter at EUR 0.47 (with a negative performance of 57% since the beginning of the year).

BMPS SHARE PRICE (from 31/12/2013 to 31/12/2014)



BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/2013 to 31/12/2014)	
Average	1.19
Lowest	0.46
Highest	2.56

The number of BMPS shares traded during 2014 reached 18,236 mln, with a monthly minimum in February with 428 mln, and a maximum in October of 3,231 mln. Specifically, the average daily number of trades was 72.4 mln, with a minimum of 3.3 mln on 9 June and a maximum of 375 mln on 31 October.

MONTHLY VOLUMES OF SHARES TRADED 2014 volumes summary (€/mln)	
January	676
February	428
March	2,224
April	1,702
May	810
June	1,287
July	1,701
August	1,334
September	1,590
October	3,231
November	1,939
December	1,314

BMPS SHARE RATINGS AS AT 31/12/2014

Neutral/ positive	75%
Negative	25%

Ratings

The ratings given by the rating agencies as at 31/12/2014 are summarised below.

Rating Agencies	Short-term debt	Outlook	Long-term debt	Outlook	Last update
DBRS	R-2 (mid)	Under Review	BBB	Under Review	28/10/14
Moody's Investors Service	NP		B1	Under Review	30/10/14
Fitch Ratings	F-3		BBB	Negative	13/05/14

- On 28 October 2014 DBRS placed the long-term rating at 'BBB' and the short-term rating at 'R-2 (mid)' under review.
- On 30 October 2014 Moody's placed the issuer's long-term 'B1' rating under review.

Sustainability report

The Report provides organic disclosure on the Group's 2014 policies and activities to enhance the quality and sustainability of its performance. It describes the ways in which it acted on the main value factors pertaining to governance and corporate social responsibility (CSR), also in consideration of stakeholders' expectations.
The Report is organised in accordance with the "Sustainability Reporting Guidelines & Financial Services Sector Supplement" defined by the Global Reporting Initiative (GRI) in 2008, and its subsequent amendments (GRI G4). The information already provided in the previous chapters of the Consolidated Report on Operations is duly pointed out, as are references to any additional content available in the "Sustainability" section of the Bank's website: http://www.mps.it/I+Nostri+Valori/.

Strategy and analysis

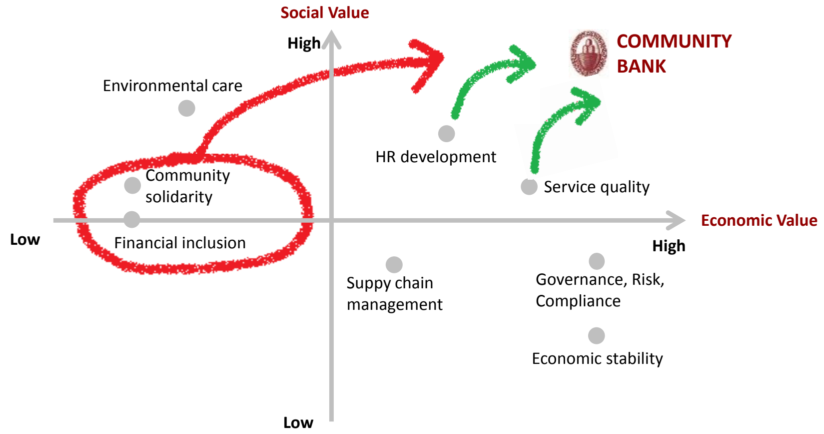
G4-1; G4-2

Given the opportunities identified by the top management and active participation of the first line of managers, a specific project has been undertaken to outline the guidelines for developments to be implemented already starting in 2015 in order to strengthen the concept of social responsibility in support of the business and with the broader goal of generating sustainable value to support the company (economic value), stakeholders and the general public (social value).
This activity made it possible to:

- understand the implications (risks and opportunities) that economic, social and environmental transformation processes are having and will have on the real economy and therefore on the Bank's business;
- understand the perspectives of stakeholders and the management;
- identify priority action areas and the action plans to be pursued in the medium term.

The scenario analysis clearly indicates how much social changes are impacting production, life and consumption models, outlining a new competitive framework for the banking system.
Without prejudice to the urgency of regaining economic stability, the Bank recognises the potential of CSR for the business and its reputation. This being said, and considering the importance that financial analysts place on governance quality to ensure the necessary leadership for long-term objectives, risk governance and compliance with the principles of sound and prudent management, the Bank has made significant efforts to improve its disclosure.
Customers and stakeholders expect continuous attention to be placed on relationships, financial needs and support for local economic development to effectively face the structural impacts of the crisis on households, the weakest members of the population and production systems. Despite this difficult phase, the Bank can count on its historical background and recognised experience in the areas of community solidarity, relationship quality and service levels. To capitalise on the opportunities that may be generated by these distinctive elements, a "community bank" model will be tested which, unlike the local approach of recent years which turned out to be largely ineffective, will be capable of presenting the Bank as a driver for local economic and social development, taking advantage of synergies with the transformation and re-launch objectives established in the Business Plan.

CSR MATERIALITY ASPECTS WITH A VIEW TO SHARED VALUE AND POSITIONING STRATEGY



The positioning strategy will be carried out through:
Social innovations capable of generating significant profit.
Incorporation of the CSR approach into core industrial projects.

The CSR positioning strategy for the coming years will be developed with reference to material aspects for the Group and for communities of local stakeholders:

- **service quality**, with a new central focus on customer needs, and employees, providing them with the tools they need to listen and provide real customer service, including to assist customers in the transition of bank services towards digital and self-service models. There are expected to be both external (customer satisfaction) and internal (employee development/motivation and process efficiency) impacts;
- **community solidarity**, gradually improving the ability to understand the needs of households and businesses, intensifying occasions for interaction and enhancing the databases used in analyses for the improvement of business and social context risk/opportunity assessments. The expected impacts are mostly external (support of local social and economic development);
- **financial inclusion**, by reconsidering current service and product range models. The expected impacts are mostly external (economic and social inclusion of the most disadvantaged segments of the population);
- **development and enhancement of people**, continuing to work on soft management skills to support loyalty to the Bank and the sharing of company objectives (for example, by updating the internal welfare system), overseeing management continuity, performance levels, training gaps regarding behaviours and role-specific skills. The expected impacts are mostly internal (increased employee motivation and productivity).

These development areas constituted the natural point of reference for defining the core reporting scope of this Report relating to the CSR analysis domains.

Organisational Profile

G4-3 - G4-13

See the "Group Profile and business model" chapter

G4-14

The rules of corporate governance and the Group's organisational structure are defined in such a way as to ensure sound and prudent management. In this respect, the following is in place:

- the Code of Ethics, to provide assurance of lawful and proper behaviour at all levels;

- the internal control system – the Internal Audit Function reports directly to the Board of Directors for maximum effectiveness;
- the risk governance system, which is characterised by a clear-cut distinction of roles and responsibilities of the different functions at first, second and third levels of control; the Head of the Risk Division reports directly to the CEO.

G4-15

The Bank supports and is engaged in promoting, within the scope of its responsibility, the corporate sustainability principles indicated by the European Commission and by the United Nations (through the Global Compact initiative).

G4-16

The Bank monitors regulatory developments and the guidelines of collective policies through:

- monitoring law-making activities at the EC, national and local level;
- a transparent relationship with public institutions at EC level (the Bank has been registered in the European Commission's Register of Interest Representatives since its founding in 2011);
- continuous communications between the top managers of the Bank and the Supervisory Authorities;
- participation with its top managers in the Executive Committee of the Italian Banking Association (ABI) and, with its representatives, following the work of committees and issue-based working groups promoted by the ABI, including activities pertaining to corporate sustainability.

Material aspects and scope

G4-17 - G4-23

The topics to be addressed in the Report were identified through the materiality analysis process described in points G4-1; G4-2.

The scope and boundary of the Report is the entire Montepaschi Group, as identified in the Consolidated Financial Statements as at 31/12/2014, with the exclusion of the insurance sector (managed by the AXA Group), asset management (not operationally controlled by the Group) and subsidiaries which, by scale and operations sector, are not considered relevant for the purposes of sustainability reporting. Moreover, unless otherwise indicated, foreign banks and branches are also excluded from the scope of the report.

The data presented in the report are mainly identified through:

- extraction from corporate IT systems: general ledger, management control, loan and product reporting, customer database, complaints application, employee data management platform, electronic procurement procedure, etc.;
- invoices and other statements produced by suppliers, for example in the case of some environmental data such as energy consumption and waste;
- questionnaires and surveys to measure customer satisfaction, employee perception, suppliers' sustainability, etc.

Part of this information, for which there is currently no unified Group management, has been taken from corporate and local sources and then aggregated centrally by the appropriate Parent Company functions.
In order to give an accurate representation of the Group's performance, inclusion of directly measurable information in the Report was preferred, avoiding as far as possible the use of estimates that, where used, were made on the basis of the best available methodologies.

Stakeholder Engagement

G4-24 – G4-27

See the chapter "Analysis of the key non-financial capital - Relationship capital".

(See the website – Sustainability-Approach).

Report Parameters

G4-28 - G4-33

The Report is an integral part of the Consolidated Report on Operations. It is prepared on a yearly basis with reference to the Guidelines of the Global Reporting Initiative (GRI G4). Additional information on the issues discussed in the Report may be requested via email to csr@banca.mps.it.
The information in the Report has been subject to consistency audits by the independent audit firm Reconta Ernst & Young SpA according to the principles and procedures referred to in their Report accompanying these Financial Statements.

Governance

G4-34 - G4-36

The administration and control system follows a traditional model and includes the following: the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting. In addition, there are: the CEO, the Director in charge of the internal control system, the Executive Committee and three Board committees (Control and Risk Committee, Appointments and Remuneration Committee and Committee for Related-party Transactions).

The Management Committee, chaired by the CEO and consisting of all Division managers, is responsible for setting social responsibility guidelines with respect to the Bank's activities, particularly with regard to environmental protection, customer satisfaction and employee professional development, while reconciling the interests of all stakeholders.

G4-37

Any consultation with stakeholders on relevant economic and social topics is generally assigned to the various company departments in line with their areas of responsibility, which, depending on the case, may bring the results of such consultation to the attention of the Board of Directors, which in turn may request that ad hoc activities and analyses be carried out, for example based on shareholder requests.

In particular, shareholders' and employees' participation in business decisions is made possible through provisions including:

- shareholders who, separately or jointly, represent at least one fortieth of the share capital with voting rights may request that items be added to the agenda, specifying the proposed new items in their request;
- shareholders are entitled to representation at the Shareholders' Meeting by granting a proxy, possibly electronically;
- shareholders, including employees holding ordinary shares in the Bank, may speak at Shareholder Meetings about the items on the agenda. In February 2014, a protocol was signed by the Bank and small shareholders with the purpose, inter alia, of identifying any additional measures to facilitate the expression of employee shareholders' vote, as prescribed by Article 137 of the Italian Consolidated Law on Finance.

G4-38 - G4-39

Information on the directors is provided in the "Governance and Control Systems – Governance" chapter.

G4-40

The process of appointing and selecting candidates for the position of director is governed by the Articles of Association and establishes, inter alia, that each list must include at least two names of individuals that fulfil independence requirements and at least the percentage of women required under regulations in force on gender balance.

The professional qualifications of the Bank's directors and a description of the relative appointment and selection process are available from the website,

https://www.mps.it/Investor+Relations/Corporate+Governance/

G4-41

Pursuant to the Italian Civil Code, industry legislation and collective labour agreements, the Bank's directors and employees must behave at all times in such a way as to avoid damaging the company as a result of conflicts of interest.

In particular, with regard to Related Party transactions, the Bank operates in compliance with specific rules, as amended by Consob Regulation no. 17221 of 12 March 2010, through the application of the relative Policy, approved by the Board of Directors on 12 November 2014 and available on the website, https://www.mps.it/Investor+Relations/Corporate+Governance/

G4-42

See G4-34 - G4-36; G4-45 - G4-48.

G4-43

There is a board induction programme consisting of a series of periodic workshops for all members, run by Bank managers rather than external professionals, on topics such as: duties and responsibilities of directors, risks and controls, finance, capital and liquidity, credit, sales and distribution, organisation and network, derivatives, and bancassurance.

G4-44

The Board of Directors carries out a self-assessment on the size, composition and functioning of Board and its Committees on an annual basis with the support of a specialised third-party company. The self-assessment is based on findings emerging from interviews that board consulting experts hold with the directors. The interviews are based on an "Interview guide" agreed upon in advance with the Chairman of the Board of Directors and the Appointments and Remuneration Committee; the directors are asked to provide a quantitative assessment and a qualitative comment for each topic. The operating practices for the functioning of the Board are also compared with best practices, and Board of Directors meeting minutes are reviewed to gain insight into the Board's internal dynamics, the activities carried out, the topics discussed and how often they appear on the agenda, and meeting duration and frequency.

G4-45 - G4-48

The Board of Directors defines and approves strategic guidelines and risk management policies and, at least once a year, quantitatively expresses the Group's overall risk appetite in terms of economic capital.

Without prejudice to the role of the Board of Directors in setting the policy for the risk governance process, any criticalities regarding sustainability issues may be subject to disclosure to the management and, in cases of institutional importance, may be brought to the attention of the Board of Directors.

The management systematically analyses economic and social opportunities and risks throughout all company strategy planning and auditing phases, in relation to the current and developing reference scenario. During those phases and in the course of ordinary and extraordinary business, relationships with institutions, supervisory authorities, shareholders, analysts and other significant stakeholders are carefully managed by the highest company representatives to best understand their expectations.

The Board of Directors reviews and approves the disclosure on sustainability topics as an integral part of the Financial Statements.

G4-49; G4-50

Critical aspects and stakeholder concerns regarding the Bank's actions may arise from the various contact channels and through the continuous relationship systems available: investor relations office, press office, CSR department, HR business partner, the branches and the various customer care channels. In situations that could result in significant risk for the Bank and its image, interdepartmental crisis teams may be formed for the period of time necessary to handle them. This occurred, for example, as a result of recent legal events and intense media exposure.

G4-51 - G455

The Group's remuneration and incentive policies are described every year in the "Remuneration Report", prepared under Article 123-ter of the Consolidated Law on Finance and subject to approval by the Shareholders' Meeting.
(see the website https://www.mps.it/Investor+Relations/Corporate+Governance/)
External advisors are not generally involved in the definition of remuneration policies.

Ethics and integrity

G4-56

The Group's mission and system of values were defined by the Board of Directors in the early 2000s and there is continual training and internal communication activities focused on these values. Subsequently, they were included in the corporate Code of Ethics as a reference base for the corporate social responsibility principles that the Group follows in accordance with the relevant international standards (see the website – Vision).

G4-57; G4-58

The Bank's compliance management system incorporates head office and specialist monitoring of all regulations applicable to banking operations, including those regarding corporate social responsibility, which all company departments may refer to for support if required. In particular, an internal control system is implemented to guarantee the application of the Code of Ethics; any non-conformities or behaviours deemed inconsistent with the Code may be reported by any company department and brought to the attention of the Compliance and Internal Audit functions. In addition, for the matters falling within the scope of the organisational model pursuant to Legislative Decree 231/2001, an email channel is available to all employees to send any alerts to the internal Supervisory Body.

Sector specific social and environmental issues (FS)

Product and service portfolio

FS1; FS2

In carrying out its business activities, the Group also takes account of social and environmental criteria. These criteria are set out in the Code of Ethics and at times, more specifically, in internal policies and procedures (see the website – Vision).

FS3

Customers' social and environmental impacts are verified and checked, particularly in project financing contracts and in loans granted to large businesses. In these cases, specific contractual clauses are provided, differentiating them according to the type of investment, which commit the borrowing firm to comply with the laws and regulations established by local authorities as well as any other standards of quality regarding environmental protection, workplace health and safety, employment agreements and transparency in tender contracts. Compliance with the agreed standards is monitored before, during and after contract performance, using the documentation provided by the customer or through due diligence carried out by external consultants. In the event of failure to comply with these agreements, the Bank is entitled to withdraw the loans. The projects assessed in 2014 by the subsidiary MPS Capital Services (58 transactions with a total value of EUR 607 mln) received a positive or highly positive environmental rating in 86% of the cases.

FS4

Investments are made in training, with the aim of developing and continually upgrading the skills necessary to pursue corporate objectives (see the section "Analysis of the key non-financial capital – Human Capital").
Special attention is devoted to training personnel involved in managing social and environmental policies applicable to the business, including laws on transparency, preventing conflicts of interest, anti-money laundering, corruption prevention (see G4-SO4).

FS5

See G4-27.

FS6

Data relating to the Group's foreign operations (number of employees and turnover generated by the foreign sales & distribution network) are reported in the public disclosure pursuant to article 89 - Country-by-country reporting - of Directive 2013/36/EU (see the Notes to the Consolidated Financial Statements as at 31/12/2014).

Additional information useful for estimating the Bank's potential social and environmental risks include:

- the breakdown of corporate customers by business segment, region and size (see section "Analysis of the key economic-financial indicators - Results by operating segment");
- lending to businesses operating in ethically controversial sectors, which is marginal. In particular, in the arms industry, the total volume of authorised credit amounted to around EUR 772 mln as at 31/12/2014. In accordance with specific company policy, in 2014 no authorisations for new transactions regulated by Law 185/90 were issued;
- loans concentrated in sectors with potentially high environmental impact, to which the Group pays particular attention when assessing credit risk (see FS1, FS2).

FS7; FS8

Market activities in the green finance sector and for financial inclusion are described in the "Analysis of the key non-financial capital - Relationship capital" section. Furthermore, for an overview of the Group's products/services associated with additional social/environmental benefits compared to the standard bank offering, see the website – Financial Inclusion; Environment.

Audit

FS9

The internal control approach is risk-based and the risk management system, structured on three levels, ensures an independent assessment of the effectiveness and efficiency of the processes.
As part of routine audits conducted by the Internal Audit Function and the Compliance Function, attention is also paid to the effective implementation of the commitments contained in the Code of Ethics and internal policies and procedures that focus on topics with significant environmental and social implications.
In particular, in 2014 the Internal Audit Function conducted 648 "routine" audits. An additional 50 internal audits focused on the functioning of the certified management systems: ISO 14001 for the environment and OHSAS 18001 for occupational health and safety.

Active shareholders

FS10

Group subsidiaries have adopted the Code of Ethics and carry out their business in accordance with internal policies and procedures that focus on topics with significant social and environmental implications. The same points of reference are used in dealing with business customers.
The Group holds equity investments in businesses, organisations and associations engaged in regional development and the promotion of social and environmental sustainability. In most cases, the Group participates in the governing bodies of these firms/associations, through a representative, and takes part in the definition of objectives and strategies.

FS11

A range of sustainable investment products named "Azionari sostenibili" ("Sustainable equity") is available, including 14 Funds/UCITS with total AUM of around EUR 1 mln.

FS12

Social and environmental policies for companies in which the reporting organisation exercises voting right:

- no policies more specific than the provisions set forth in the Code of Ethics have been defined with regard to voting rights in investees;
- in the asset management sector, no active shareholder policies have been implemented, because the Group merely places investment products, on which it does not exercise management control.

Local communities

FS13

The Group is present in Italy with an extensive network of branches and ATMs that ensure service coverage, in even sparsely populated or economically disadvantaged areas (small communities, regions with lower growth rate, etc.):

- presence in small towns - fewer than 5 thousand inhabitants (12.4% of branches and 9.4% of ATMs);
- presence in low-growth regions - EU classification: Campania, Basilicata, Puglia, Calabria, Sicily, Sardinia (22.6% of branches and 24.3% of ATMs).

FS14

Initiatives to improve access to financial services for persons with disabilities:

- 96% of ATMs have been equipped with software that allows them to be used by visually-impaired persons;

- 70% of ATMs are accessible to persons with mobility disabilities.

Information about products and services

FS15

To ensure that products are in line with the interests, financial knowledge and risk appetite of customers targeted by the offer, the following points are considered:

- compliance with the provisions of the European MiFID Directive;
- product selection support through an ad hoc service and advisory platform;
- "multi-branded" investment products, partly to protect from potential conflicts of interest;
- specialised training of sales network managers;
- pursuit of customer satisfaction objectives and KPI performance quality monitoring.

FS16

Financial education activities (see the section "Analysis of the key non-financial capital - Relationship capital").

Economic performance (G4-EC)

Policies and Management Approach

According to the Code of Ethics, for the Group, "the foremost responsibility is to create value for shareholders, mainly by establishing a solid and lasting relationship with customers based on the quality of services offered, and to deliver value to all stakeholders, through the payment of salaries to employees, sustaining the savings achieved and fulfilling all tax obligations".
Economic and financial management is achieved through solid planning, control and reporting systems, supervised by the Chief Financial Officer.
The financial impacts on stakeholders and local economic systems are managed according to specific company policies, which include:

- Human resource management (see G4-LA).
- Financial inclusion (see FS7).
- Investments for the economic and social growth of local communities (G4-EC7).
- Environmental protection and combating climate change (see FS8; G4-EC2).
- Supply chain sustainability (see G4-EC6; G4-EN27; G4-HR10 - G4-HR12; G4-SO9 - G4-SO11).

Economic performance

G4-EC1

In 2014, the extraordinarily challenging market environment and the complex company restructuring process significantly influenced the Group's income statement and balance sheet performance. The Economic Value Generated in the year, calculated on the basis of the Financial Statement data through the specific methodology proposed by ABI, amounted to EUR -2.9 billion.
Financial and economic performance was also reflected in part in the Group's ability to deliver value to benefit stakeholders and local economies. Economic Value Distributed also reached high levels (EUR 3.1 bn), up by around EUR 700 mln YoY.

G4-EC2

Financial implications, opportunities and risks for the Bank due to climate change are identified and disclosed every year by completing the Carbon Disclosure Project (CDP) questionnaire, available to the public on the CDP website: https://www.cdp.net/en-US/Results/Pages/Company-Responses.aspx?company=1384

G4-EC3

The Bank provides its employees (in service and retired) with a pension scheme designed to supplement the INPS - Italian National Social Security Institute pension. The scheme consists of two main pension funds, each of which has independent legal status, known as “defined benefit” and “defined contribution” regimes; other minor funds (internal unfunded/funded and external unfunded/funded) and some residual pre-existing supplementary schemes are represented in the balance sheet of the financial statements, under item 120 a) – Pensions and other post retirement benefit obligations, and described in detail in Part B of the Notes to the Consolidated Financial Statements as at 31/12/2014.

The total assets managed by the two main corporate pension funds alone amounts to around EUR 2.3 billion and increases every year by the proceeds from the assets themselves and the company’s contributions and those of the individual participants; cash is invested in consideration of the characteristics and goals of the separate and autonomous asset management entities. The company's contribution is equal to 2.5% of the salary relevant for the purposes of calculating employee severance indemnity of each participant and 4% for new hires with “entry-level professional salary”, for four years starting at the hire date.

Concerning the capital to fund the pension benefits that ensure a given fixed amount to beneficiaries, actuarial reserves are determined according to prudential criteria in compliance with the principles set out by current regulations, as identified in the financial reports prepared by an independent actuary.

The asset allocation policy is inspired by the values of ethical finance and social responsibility in economic initiatives. The investment quality level is measured using financial assessment models that incorporate an ESG (Environment, Social, Governance) score provided by a specialised rating agency.

G4-EC4

In July 2014, EUR 3 bn of New Financial Instruments were redeemed to repay part of the around EUR 4.1 bn in state aid received in the previous year. New significant contributions were not received from the Public Administration (except for training contributions provided by specific sector funds - “FBA-Fondo Banche e Assicurazioni” and “Fondir-Fondo Paritetico Interprofessionale Nazionale per la formazione dei dirigenti del settore del terziario”).
Data regarding tax assets and tax liabilities are reported in Part B of the Notes to the Consolidated Financial Statements as at 31/12/2014.

Market presence

G4-EC5

In accordance with the Collective Labour Agreement for the banking industry, newly hired personnel with entry-level professional salaries receive an additional amount from the company of EUR 60 per month per 13-month salary year and an increased contribution to the supplementary pension scheme.

G4-EC6

The Group does not implement specific policies with regard to hiring personnel in their places of residence.

Indirect economic impacts

G4-EC7

Contributions to local welfare and community social development (see the section “Analysis of the key non-financial capital - Relationship capital”).

G4-EC8
The areas of social added value with an indirect economic impact on which the Group concentrates its efforts include: financial inclusion (see FS7); environmental protection and combating climate change (see FS8; G4-EC2); supply chain sustainability (see G4-EC6; G4-EN27; G4-HR10 - G4-HR12; G4-SO9 - G4-SO11); contributions to community social investments (see G4-EC6).

Supplier management

G4-EC9

The Group has a supply chain that includes approximately 1,250 companies, from which it purchased EUR 997 mln worth of goods and services in 2014 (real estate, ICT, logistics, telecommunications, tax, communications, advisory etc.).
There are 20 strategic suppliers, which account for around 50% of total sales.
All suppliers are based Italy, mostly in the regions of Tuscany, Lombardy and Lazio (approx. 79% of total sales).

Environmental performance (G4-EN)

Management Approach

The Group is committed to the increasingly efficient and organised management of activities that may impact the environment. Since 2002, it has implemented a specific management system certified in accordance with ISO 14001 and incorporated in the company processes of the Bank's Organisational Model pursuant to Legislative Decree 231/2001.

Implementation of a global 2013-2014 Operations Sustainability Plan continued in synergy with business initiatives of cost optimisation and organisational efficiency. The environmental performance objectives for 2014 include the following: reducing electrical energy consumption by 20%; reducing use of paper for in-house communications (-50%) and communications to customers (-40%); reducing CO_2 emissions relating to workplace operations (-10%) and business trips (-15%); recycling 100% of waste from office activities (paper, plastic, toners).

The main initiatives underway are: paperless project, consumption containment plan, Zero Waste project and various sustainable mobility initiatives.

To continuously develop the required internal skills, beginning in 2013 introductory training courses were conducted for newly-hired employees, in addition to refresher courses for personnel more heavily involved in environmental management at operational level (in 2014, an additional 41 branch officers were trained on the job and online courses for all MPS Capital Services personnel continued). Moreover, constant internal communications and employee sensitisation was carried out on the subject of an "environmentally-friendly office".

For a complete overview of the environmental performance KPIs, see the website, under Strategy and performance.

Consumption of materials

G4-EN1

Paper consumption: 2,438 tonnes (-17.5% YoY). In particular 27.3 million sheets of paper were saved (-9.6% YoY; -57% since the start of the Paperless Project).

Some of the key measures taken during the year were:
- increasing use of the "Documenti On Line" service for customer communications (in two years, the number of paper communications decreased by 20 mln, for a total savings of 42.5 mln sheets of paper);
- reviewing the production frequency of form 400 (periodic accounting), saving 500 thousand sheets of paper in the last two months of 2014;
- reviewing documentation consolidation procedures;
- digitising accounting documentation relative to bank counter slips;

- implementing the document management system and digital customer folders;
- installing electronic signature pads;
- digitising active guarantees (3,400 digitally processed guarantee contracts);
- electronic packets for centralised processing (41 thousand packets digitised and used for the centralisation of branch order processing).

G4-EN2

Almost 100% of the paper used is environmentally-friendly, i.e., compliant with FSC requirements and other environmental quality standards.
84% of toners used are regenerated.

Energy

G4-EN3

323,406 GJoules of direct energy were consumed (5.5% less than in 2013): 85% for heating work premises and the remaining 15% in company cars.

570,197 GJoules of indirect energy (electricity) were also consumed, 99.8% from renewable sources. In one year, this consumption decreased by 9%, continuing the trend of 2013.

G4EN5

Per capita energy consumption was 35.2 GJoules.

G4-EN6

Total energy consumption amounted to 893,603 GJoules, down by 7.6% as a result of the Network rationalisation and real estate energy efficiency plans implemented during the year.

Some of the initiatives carried out in 2014 (part of which were launched in 2013) to reduce direct and indirect energy consumption include:

- space management activities (optimisation of spaces within real estate properties with release of a series of offices) as well as the reorganisation of real estate structures (release of a series of properties);
- monitoring and automatic control of consumption and system shutdowns;
- server and work station virtualisation and new computers;
- system configuration and control activities (refrigeration units, splits, heat pumps, air treatment units, cooling towers);
- upgrading of transformer cabinets;
- upgrading of electrical plants and limitation of in-network energy losses;
- replacement of uninterruptible power supply units with high-efficiency units;
- installation of more efficient IT systems in Data Processing Centres.

G4-EN7

See FS8.

Water

G4-EN8

In 2014, 825,352 m^3 of water were used for health and sanitation purposes and, in some premises, for the air-conditioning systems and the irrigation of landscaped areas (-18.3% compared to 2013).

Biodiversity

G4-EN11

The Group's agricultural firm (MPS Tenimenti Poggio Bonelli e Chigi Saracini Spa) owns and operates the company by the same name, located in Castelnuovo Berardenga (Siena), whose activity is concentrated on the production of grapes and wine, olive oil and cereal grains. The firm covers a surface area of approximately 837 hectares in a beautiful natural setting, but not classified as "protected area". The company adopts integrated agriculture cultivation methods (compatible with environmental conservation and food safety, which minimise the use of synthesised chemicals and ensure effective control over the entire production process) and participates in the Tuscany Region programme named Agriqualità. In addition, it has used 2 photovoltaic systems to cover its energy needs since 2011.

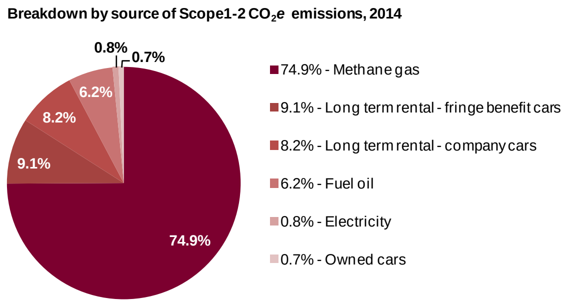
G4-EN12

See FS1; FS2.

Emissions

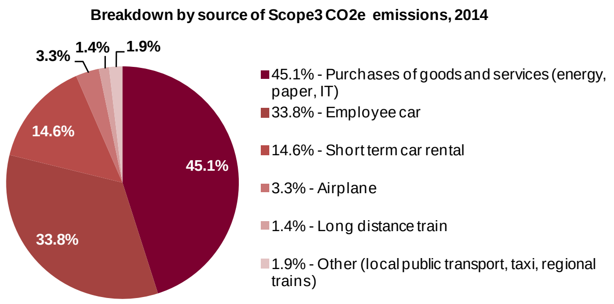
G4-EN15; G4-EN16

19,725 tonnes of CO_2 relating to Scopes 1 and 2 of the GHG Protocol were produced (approximately -5.1% in one year), i.e. 776 kg per employee. In particular, with respect to business mobility with company cars, 169 tonnes were emitted (+2% in one year).



G4-EN17

8,516 tonnes of CO_2 relating to Scope 3 of the GHG Protocol were produced (emissions associated with external production processes of some of the most significant supplies purchased/rented by the Group, such as desktop and laptop computers, paper, fuel for company cars and fuel supply for heating systems, while the remainder were due to business travel carried out using means other than company cars).



Sustainable mobility objectives were pursued in terms of business trips as well as with respect to employee home-work commuting methods.

In particular, specific plans continued to be implemented in the main cities in which the Bank operates (Siena, Florence, Padua, Rome, Milan, Mantua and Lecce) and a new internal survey was conducted to analyse the evolution of employee commuting habits in Siena, Florence and Rome. In this last regard, around 5,500 informational questionnaires were distributed, which highlighted a still rather widespread use of cars, although there has been a decline since previous surveys (66% in Siena, 38% in Rome and 32% in Florence).

Also, to boost bicycle use, a specific agreement has been made to provide 20% discounts for Group employees interested in purchasing regular or electric bicycles.

G4-EN19

Use of electricity from renewable sources (almost 100.0%); implementation of energy efficiency and sustainable mobility plans (see G4-EN6).

G4-EN20

Emissions of ozone-depleting substances: the plan for replacing air conditioning systems using R22-type refrigerant gases continued, and is expected to be completed in 2015; it is estimated that the residual quantity of R22 amounts to around 7 thousand Kg.

Effluents and waste

G4-EN22

Water discharge from the Bank's business are substantially similar to those from homes. Therefore, they flow into urban sewage systems. Volumes and data on their chemical, physical and biological characteristics are not available.

G4-EN23; G4-EN25

In 2013, 354,244 Kg of waste were produced (10,110 Kg of hazardous waste) which in 80% of cases were sent to recovery operations.

In the course of the year, with the continuation of the Zero Waste Project, separate paper collection was implemented in all Bank offices, resulting in a significant reduction in waste sent to specialised companies: recycling bins were distributed, an internal awareness-raising campaign was carried out and a precise monitoring system was defined.

Separate plastic collection is expected to begin in 2015.

Environmental products and services

G4-EN27

The Group's indirect environmental impact is mainly caused by customer and supplier activities.

Customers

- Assessment of environmental components in determining credit risk (see FS2).
- Financial products and services to support the promotion of renewable energy sources and environmental protection (see FS8).
- ESG (Environment, Society, Governance) assessment of mutual investment funds placed through the sales and distribution network (see FS11).
- Internet banking and other direct banking channels allowing customers to perform banking transactions without visiting the branch; there are 988,137 active customers (+7.11% in one year).

Suppliers

Supplier assessment and selection is based on price and factors such as reliability, the supply cost/compliance/quality ratio, time required for completion/delivery, the overall business and financial relationship/commercial and financial reciprocity with the counterparty, and CSR.

Negotiations are carried out by competitive methods: supplier selection, negotiation and assignment steps are managed through a specialised sourcing platforms.

In line with the Code of Ethics, the purchasing process must always assure equal treatment, correct formulation of economic conditions, standard payment conditions, and avoiding excessively burdensome situations for the supplier.

Additionally, for some years the Bank has practiced a policy of control and continuous improvement of the CSR profiles of firms included in its primary supply chain. It implements product and service procurement strategies under competitive economic conditions, ensuring that throughout the relative life cycles environmental impacts are minimised and all possible violations of human and workers' rights rules as well as rules to prevent corruption and conflicts of interest are avoided. Specific assessment parameters are used for that purpose.

A certain group of suppliers is defined via market analysis and competitive bids which give preference to highly environmentally friendly products/services. In 2014 the expenditure for the purchase of "green" supplies (e.g. electricity from renewable sources, environmentally friendly paper and other stationery products, rental of electric cars) reached EUR 38 mln. Specifically, out of a total of 1,471 items available for purchase in the company's e-procurement platform product catalogue, there are 173 "green" categories (around 11.8%). 49% of e-procurement spending in 2014 was concentrated on those products, for a total of around EUR 1.8 mln.

Compliance

G4-EN29

In 2014, there were no significant penalties for non-compliance with environmental regulations.

Transport

G4-EN30

For information on the environmental impacts associated with employee home-work commuting, see G4-EN17.

Environmental protection expenditures

G4-EN31

There is no specific item-by-item accounting. The main expenditure items in 2014 were:

- energy efficiency initiatives;
- Paperless Project investments;
- rental of 6 electric cars (around EUR 42 thousand);
- waste management/disposal (around EUR 7.7 mln, including payment of the waste tax).

Supplier assessment

G4-EN32 - G4-EN34

See G4-EN27.

G4-EN4; G4-EN9; G4-EN10; G4-EN13; G4-EN14; G4-EN21; G4-EN24; G4-EN26; G4-EN28

In view of the business activities carried out and the areas in which the Group is active, these indicators are not deemed relevant.

Human Resources (GR-LA)

Management Approach

See the section "Management of non-financial strategic resources – Human capital"

For a complete overview of the KPIs for human resources management, please refer to the website, under Strategy and performance.

Employment

G4-LA1

In 2014, 155 employees were hired and 1,543 left the bank. Exits include in particular 1173 due to the headcount reduction plan activated during the year and 29 executive exits: since 31/12/2011, a total of 179 executives have left the company, so they accounted for 1.3% of the total headcount (less than the industry average of 2%).
Headcount trends were significantly impacted by the exit of 1,064 resources since 1/1/2014 following the transfer of the back office business unit to the newco Fruendo.
Turnover rates:

- Total terminations = 6.08% (6.83% in 2013).
- Voluntary resignations = 0.61% (0.56% in 2013).

G4-LA2

A range of company welfare measures above and beyond national labour contract requirements is available for the benefit of all employees.
(see the section "Analysis of the key non-financial capital - Human capital").

G4-LA3

The return of employees to the workplace after maternity leave is supported by a targeted coaching programme (broken down into traditional training, on-the-job training and multimedia tools) meant to provide professional updating and favour the development of work-life balance management skills.

In 2014, 1,160 employees returned to work following maternity/paternity leave (1,113 women and 47 men). In only two cases, the employees (both women) decided to terminate their employment in the 12 months after their return.

Industrial relations

G4-LA4

In all reorganisation and/or restructuring plans, the Group observes the provisions of the law and of the National Collective Labour Agreement, which require previous notice to be given to trade unions and bargaining procedures to take place. Unless otherwise agreed beforehand by the parties, said activities are to be carried out within 45 and 50 days, respectively, for reorganisations and/or restructuring of individual companies or of the entire Group.

In cases of company transfers, the provisions of the law are enforced, regardless of the number of employees of the involved companies. This procedure has a total duration of 25 days. (see the section "Analysis of the key non-financial capital - Human capital").

Health & safety in the workplace

G4-LA5 - G4-LA8

Occupational health and safety risk prevention and protection activities are managed in compliance with the OHSAS 18001 standard, which is incorporated in the company processes of the Bank's Organisational Model pursuant to Legislative Decree 231/2001.

In all Group companies, annual meetings are held in accordance with Italian Legislative Decree no. 81/08, with the attendance of corporate representatives (Employer and/or a delegated representative, and the Head of the Prevention and Protection Department), the Company Doctor and the Workers' Safety Representatives (RLS). In 2014, 9 periodic meetings per Article 35 of Legislative Decree no.

81/08 were held, focusing on the following subjects: risk assessment; performance in terms of accidents, occupational diseases and health supervision; decision-making criteria, technical characteristics and effectiveness of personal protection equipment; information and training programmes. 8 meetings pursuant to art. 50 of Legislative Decree 81/08 (consultations with the RLSs) were also held, and there were an additional 25 plenary video conference meetings with all Regional Areas, focusing on the safety project and on the topic of "asbestos risk".

Training
In 2014, around 34 thousand hours of training were provided on occupational health and safety topics, involving approximately 3,600 people. In addition:

- new training support initiatives were launched for workers, such as a training course for parents returning from maternity leave and work-related stress management programmes;
- an e-learning refresher course was provided for employees who work on video terminals;
- information and awareness-raising initiatives for all personnel continued through the company intranet and desktop messaging.

Accidents

- Rates of workplace injury: 1.939 (1.737 in 2013);
- Injury severity score: 51.992 (59.094 in 2013);
- Rate of absence: 6.87 (7.59 in 2013).

In terms of workplace accidents, an analysis of the events in 2014 did not bring to light situations of structural non-compliance that would require particularly significant corrective measures.
In September 2014, an IT procedure for the optimal management of "accident" related obligations began being developed.

Training

G4-LA9 - G4-LA11

See the section "Management of non-financial strategic resources – Human capital"

Equal opportunities

G4-LA12; G4-LA13

Equal opportunity indicators: see the website - Strategy and performance.

Supplier assessment

G4-LA14 – LA16

See G4-HR10; G4-HR3.

Human rights (G4-HR)

Management Approach

Within its scope of responsibility and in compliance with the Code of Ethics:

- The Group has adhered to the United Nations Global Compact since 2002.
- The Group does not tolerate any form of discrimination in its employment practices and guarantees equal opportunities and accessibility for disabled employees. Any form of worker exploitation is prevented and employee health and safety is addressed in compliance with the law and with major health and safety standards, including OHSAS 18001 and SA 8000 (see G4-LA6; G4-LA7; G4-LA12).
- Respect for the rights of workers and management of the social impact of activities are monitored along the supply chain (see G4-HR10 - G4-HR12).

- Within the Group's day-to-day operations, focus is given to the needs of the more vulnerable members of society, with the promotion of financial inclusion, the informed use of credit and the prevention of over-indebtedness (see FS7).
- Controls are applied on the Group's operations in the arms industry (see FS2).
- The Group contributes to the social initiatives of civil and humanitarian institutions and organisations for the protection of basic economic and social rights such as health, housing, education and employment (see G4-EC7).
- Any involvement in the funding of terrorist activities, including money laundering, is avoided (see FS2).

For a complete overview of the KPIs for the promotion of human rights, please refer to the website, under Strategy and performance.

Investment

G4-HR1

The Group mostly finances firms operating in Italy, where the protection of human rights is assured by applicable laws.
The credit policy lines ensure that loans are always used with integrity and in a correct manner, and that they are allocated to useful and sustainable purposes. In this sense, the Credit Committee has carried out its own assessments taking into account, inter alia, the potential impact of credit on the employment levels of the recipient firms and their connected industries.
Ethical analysis criteria and special internal regulations, often more far-reaching than those provided by law, are applied, inter alia, in project financing (see FS3) and in brokerage transactions linked to the production and marketing of weapons (see FS2).

G4-HR2

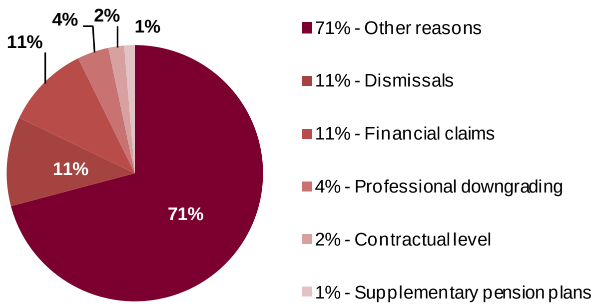
The most important training activities with the greatest impact on the promotion of human rights include:
- Protection of health and safety in the workplace (see G4- LA7).
- Anti-money laundering and the fight against international terrorism: in 2014, 1,679 employees received training, totalling 5,541 hours.

Non-discrimination

G4-HR3

The Bank and trade unions meet regularly as part of a specific Corporate Observatory to verify the quality of working life through the analysis of relevant data (e.g. promotions, terminations and their reasons). During the year:
- 151 new claims were initiated by employees (140 in 2013) for compensation, damages and to appeal disciplinary measures;
- 136 disciplinary actions were taken (165 in 2013) against employees for negligent behaviour in violation of regulations and/or breach of trust; of these, 28 were dismissals due to embezzlement, irregularities in work performance, anomalies in risk management, etc.

Labour disputes against the Group in 2014, by reasons



Supplier assessment

G4-HR10 - G4-HR12

Upon award of service contracts, all suppliers must sign a written agreement to comply with the legal and ethical requirements set out in the Bank's Code of Ethics and in the SA 8000 standard. Any non-compliance results in the suspension or termination of the business relationship.

G4-HR4 - G4-HR8; G4-HR9

In view of the business activities carried out and the countries where the Group is active, these indicators are not deemed relevant.

Society (G4-SO)

Management Approach

Compliance with the law, fairness and professional ethics are prerequisites in each of the Group's undertakings.
Regulatory areas having the greatest impact on the Group's activities include: anti-usury, transparency in banking transactions, protection of privacy (Legislative Decree 196/2003), administrative liability and the fight against corruption (Legislative Decree 231/2001), management of conflicts of interest and related-party transactions, market abuse, investment services and the application of European Directive MiFID, anti-money laundering and counter-terrorism (Legislative Decree 231/2007), consumer protection.
In order to manage these areas, the suitable organisational monitoring and specific procedures have been identified and their effective application is verified through risk assessments and internal controls (see section "Group Profile and business model - Governance & Control systems").
In carrying out its activities, the Group also takes account of business ethics criteria, in compliance with relevant international standards (e.g., the UN Global Compact). These standards are set out in the Code of Ethics and at times, more specifically, in internal policies and procedures (see Code FS2).

For a comprehensive overview of the KPIs relating to the impacts in society, please refer to the website, under Strategy and performance.

Local communities

G4-SO1

For a description of transactions carried out by the Group in 2014 that required specific analysis of their social and environmental impact in the reference communities see FS7; FS8; G4-EC7 (positive impacts) and FS2; FS10 (negative impacts).

G4-SO2

In view of the business activities carried out and the countries where the Group is active, the indicator is not deemed relevant.

Anti-corruption

G4-SO3

In line with the principles of the Code of Ethics, the Bank manages corruption risk by implementing its Organisational Model on the administrative liability of companies (prepared pursuant to Legislative Decree 231/2001) and is committed to complying with anti-corruption laws in force in the foreign countries in which it operates.
In particular, every company department is required to follow specific control protocols relating to the following areas of activity:

- the exercise of powers of signature by Bank officers in relations with external counterparties. New, stricter rules were laid out in 2014 to prevent Bank employees from committing crimes: the types of deeds and levels/roles with powers of signature were reviewed, and in certain cases restrictions were imposed on the exercise of that power, such as joint signature, amount limits and geographical limits;
- management of general spending requirements of the Bank's various structures;
- management of expenses borne by the Bank and incurred by executives in carrying out their respective duties.

The analysis of corruption risk is an intrinsic part of internal control activities with particular reference to the offences under Italian Legislative Decree 231/2001 within the scope of the Bank's administrative liability.
During the year, 648 "routine" audits were conducted:

- 8 on Group companies;
- 39 on the processes/units of the Bank's Head Offices;
- 7 IT Audits on the Consorzio Operativo di Gruppo;
- 497 on sales & distribution network units (including foreign branches);
- 97 on financial advisors.

In line with external regulations and the Internal Controls System, the Internal Audit Function conducts specific audits and in-depth analyses as part of some types of audit activities on the basis of instructions received from the internal Supervisory Body. Audits of this type were carried out during the year in the following operating areas:

- equity investment management process;
- supervisory reporting process;
- related-party and associated party transactions.

A follow-up audit on cyber crime was also launched.

G4-SO4

Training on anti-corruption procedures (anti-money laundering, organisational model under Italian Legislative Decree no. 231/2001, MiFID Directive) has been administered for several years through intensive programmes and continual refresher courses on regulatory changes. In 2014, the activity involved 20,377 employees for a total number of 61,635 hours, with the consequent further increase in the proportion of personnel trained on such issues.
In addition:

- directors are in line with internal rules and regulations on this matter;
- information and updates are available in a dedicated section of the company intranet;
- suppliers are notified of expected behaviours, which they must comply with if they wish to continue their relationship with the Bank.

G4-SO5

The audits carried out in accordance with Legislative Decree no. 231/2001 did not uncover any significant findings. Moreover, no violations of the Code of Ethics were observed.

Public policy

G4-SO6

Based on the provisions of the Code of Ethics, the assumption of commitments and the management of relations with institutions are reserved to the dedicated corporate functions and/or to other authorised personnel. These relations must be developed in compliance with applicable laws and regulations; the company's reputation and integrity must be protected according to the rules of behaviour prescribed by the Organisational Model per Italian Legislative Decree no. 231/2001. In terms of ethics, donations to movements or organisations whose purpose is exclusively political are not allowed. The opportunity to participate in promotional and marketing actions, as part of initiatives promoted by political parties and union organisations, is governed in compliance with current laws and must ensure the utmost transparency. In 2014, no financial contributions were provided, within the transactions permitted by the Code of Ethics.

The Bank follows very attentively the regulatory developments for the industry and the evolution of relevant collective/public policies for banking activities, in particular through:

- monitoring law-making activities at the EC, national and local level;
- reports and continuous communications between the top managers of the Bank and the Supervisory Authorities (Bank of Italy, Consob, etc.);
- participation in the Executive Committee of the Italian Banking Association.

Anti-competitive behaviour

G4-SO7

For a description of the main legal and arbitration proceedings in progress, see Part E of the Notes to the Consolidated Financial Statements as at 31/12/2014.

Compliance

G4-SO8

Sanction proceedings were initiated or sanctions were imposed on the Bank or company officers in the following regulatory areas:

- provision of investment services - Consob imposed administrative fines totalling EUR 45 thousand on company officers in office at the time of the inspections (2012) for violations of the "issuers" regulations and of the "brokers" regulations;
- regulation on bank transparency and on fairness in the sale of products and services (see G4-PR9);
- privacy regulation (see G4-PR8).
-

Supplier assessment

G4-SO9 - G4-SO11

See G4-EN27.

Product liability (G4-PR)

Policies and Management Approach

For the protection of customers, social responsibility in business activities is adopted at several levels:

- Responsible product planning and selling (see FS15).
- Safety of products and services (see G4-PR1)
- Information about products and services (see G4-PR3).
- Financial education of consumers (see FS16).

For a comprehensive overview of the KPIs relating to product liability aspects, please refer to the website, under Strategy and performance.

Consumer health and safety

G4-PR1; G4-PR2

- Investment instruments - risk class determined through a multi-variable risk assessment methodology is assigned to all financial products and instruments in customer portfolios/dossiers.

- Protection of personal data - specific indicators are used as part of the risk assessment compliance process (see G4-PR8).
- Risk of robbery - recognised and managed as part of the Health & Safety Management System, certified according to OHSAS 18001; in 2014, the Bank was the victim of a significantly lower number of robberies (114 vs. 184 in 2013, totalling EUR 2.3 mln).
- Risk of fraud - included under operational risks, for which a specific internal management regulation is in place in addition to measurement and control models validated by the Bank of Italy. In particular, in 2014 remote banking security systems were further improved (new functions analysing customer behaviour and reporting suspicious transactions and transactions with higher risk of fraud); mobile phone authentication system whereby "PasKey aziendaonline" users may access the platform only by calling a specific number from their own phone.

Information about products and services

G4-PR3; G4-PR4

To ensure that customers are given clear and comprehensive information on product/service characteristics:

- layouts and styles of information sheets, contracts and periodic reporting concerning current account transactions and other products and services activated by customers are continuously developed to facilitate comprehension;
- comparable cost-performance indicators for all products are displayed;
- in collaboration with consumer associations, financial education and communications initiatives are carried out, and occasions are created for Bank-customer dialogue regarding basic banking topics and the respective rights and duties;
- product adequacy is checked with respect to customer characteristics, banking experience and risk appetite;
- a detailed product and service approval process is followed to ensure compliance with all regulatory requirements.

Non compliance: the Bank of Italy imposed an administrative fine on the Bank's former General Manager and the Compliance Function Manager for gaps in the organisation and controls regarding transparency and fairness in customer relations.

G4-PR5

Practices relating to customer care and satisfaction (see the section "Analysis of the key non-financial capital – Customer Base").

Marketing and communications

G4-PR6; G4-PR7

Advertising is carried out centrally by the Communications Function that, as necessary, liaises with the Legal and Compliance Functions in order to ensure compliance with applicable law at all times. Each advertising product (materials and marketing communications addressed to customers, service communications, etc.) is evaluated in terms of consistency of communication and compliance with applicable legislation (Italian Civil Code and consumer codes, the Consolidated Law on Banking, the Consolidated Law on Finance, Isvap regulations) or voluntary codes (Advertising Code of Conduct sponsored by the Institute of Advertising Self-Governance).

The suitability and compliance of communications to customers and the market are verified by the Communication Function, even in cases when the Group banks operate as intermediaries for products provided by third party companies.

Non compliance: in 2014, there were no issues raised by the Institute for Advertising Self-Governance, nor penalties or warnings by the Authority for Fair Competition and the Market (AGCM) related to deceptive or comparative advertising.

Customer privacy

G4-PR8

In 2014, the Guardia di Finanza - Special Privacy Unit served the Bank with two penalties totalling EUR 24 thousand due to the absence of video surveillance disclosures at two Bank branches.

Compliance

G4-PR9

The Group's activities were, in some cases, found to be non-compliant with regulations regarding the sale of products and services, leading to a total outlay of EUR 5.19 mln for final decisions. Moreover, as a result of subsequent changes in the procedures for managing payments, during the period ordinary/definitive outlays totalling an additional EUR 17.08 mln were made in relation to decisions that are not yet final with respect to pending cases.

Lastly, 11,814 complaints were settled for a total outlay of EUR 6.5 mln (EUR 12.7 million in 2013).

Annexes

Credit structured products

Management Model

The Group allocates a part of its capital to equity investments, with the following objectives:

- attain a risk-adjusted return that is significantly higher than the cost of allocated capital so as to create value for shareholders;
- diversify risks with respect to other risks that are typical of its business;
- maintain in-depth and up-to-date knowledge of financial market trends, which inevitably affect the domestic markets in which the Group mainly operates.

The activity is overseen by the Strategic Risk Governance Service and by the Credit Trading desk of MPSCS.

Investments in Credit Structured Products are made in accordance with the principle of diversification. The investment process starts with the bottom up analyses carried out by traders and is part of the overall monitoring of risk at portfolio level. As with all equity market operations, these investments are subject to risk limits set by the Board of Directors and monitored daily by Risk Management. The Bank defines Stop Loss, risk and nominal limits for maximum exposure for major issuer categories, broken down by rating.

The data reported in this section refer to the entire Group and cover a broad category of Credit Structured Products: from investments in securities issued by special-purpose vehicles and not included in the information on consolidated "Special Purpose Entities" to structured credit derivatives.

In particular:

- positions in securities have a total book value of EUR 100.43 mln, accounting for 0.05% of consolidated assets, broken down as follows: EUR 49.89 mln (50%) to Item 60 "Loans to banks" and Item 70 "Loans to customers"; EUR 49.51 mln (49%) to Item 20 "Financial assets held for trading" and EUR 1.03 mln (1%) to Item 40 "Financial assets available for sale". Note that no Credit Structured Products have embedded credit derivatives that need to be separated from their host cost contract for IAS/IFRS purposes.
- Derivative positions, held in several types of credit derivatives, have a total book value of EUR -82.23 mln. This analysis includes single-name CDSs, which were not present in previous analyses. Therefore this analysis is not directly comparable with previous reports.

Securities Positions

As at 31/12/2014, the securities positions on credit structured products amounted to a nominal value of EUR 102.66 mln, for a total book value of EUR 100.43 mln.

The significant difference compared to 31/12/2013 (-92% in nominal terms) derives from the sale of assets as part of a broader medium/long-term financial asset optimisation strategy as set forth in the Capital Plan.

The positions are fairly allocated to the Banking Book (book value of EUR 50.92 mln; 51% of total) with a predominant portion in CDOs (98%).

Investments in the Regulatory Trading Book, for a book value of EUR 49.51 mln (49% of total), consist of ABSs (95%) and CLOs (5%).

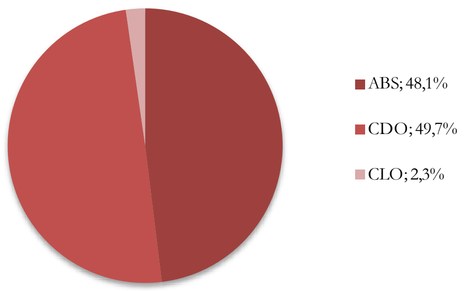
2014 transactions generated a positive income statement impact of EUR 2.61 mln for profits from trading (item 100).

Credit Structured product exposures - Securities Positions
(values in EUR mln as at 31/12/2014)

Classification	Instrument Category	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
Banking Book	ABS	1.16	1.03	0.20	0.06	0.08
	CDO	50.00	49.89	(4.14)	-	-
	CLN	-	-	(3.78)	-	-
	Leveraged Finance	-	-	0.74	-	-
	Banking Book Total	**51.16**	**50.92**	**(6.98)**	**0.06**	**0.08**
Trading Book	ABS	49.16	47.24	2.15	(0.81)	-
	CDO	-	-	7.42	-	-
	CLO	2.34	2.27	0.02	-	-
	Trading Book Total	**51.50**	**49.51**	**9.59**	**(0.81)**	**-**
Structured Credit products total - 31.12.2014		**102.66**	**100.43**	**2.61**	**(0.75)**	**0.08**
Structured Credit products total - 31.12.2013		1,217.51	1,097.54	29.51	(9.75)	1.43

The data are divided into macro categories of credit structured products, and indicate the nominal value, risk exposure and the realised and unrealised profit or loss at 31/12/2014. In particular, the "risk exposure" of securities positions shows the book value because it is representative of the loss in case of default, with the highly conservative hypothesis of zero recovery value. "Realised Profit/Loss" consists in results from trading in the reference period. "Gains and losses recognised in the Income Statements" show the change in book value directly posted to P&L. In the case of instruments classified as Available For Sale (AFS), "Effect on Equity" shows the change in book value posted under equity reserve.

Credit Structured product exposures - Breakdown by type
(values in EUR mln as at 31/12/2014)



Credit Structured product exposures - Breakdown by rating class
(values in EUR mln as at 31/12/2014)

Rating	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
AA+	23.42	23.47	0.03	0.01	-
AA	-	-	0.05	-	-
AA-	-	-	0.74	-	-
A+	5.00	5.43	-	-	-
A	15.65	15.61	0.26	-	-
A-	1.65	1.65	-	-	-
BBB+	-	-	7.17	-	-
BBB	-	-	(2.07)	-	-
BBB-	50.00	49.89	-	-	-
B	1.16	1.03	(5.02)	0.06	0.08
CCC	0.50	0.31	-	(0.05)	-
CCC-	-	-	0.06	-	-
Not Rated	5.28	3.04	1.39	(0.77)	-
Total	**102.66**	**100.43**	**2.61**	**(0.75)**	**0.08**

93% of nominal exposures are made up by investment grade securities (with rating up to BBB-) with subinvestment grade and unrated securities making up the remaining 7%.

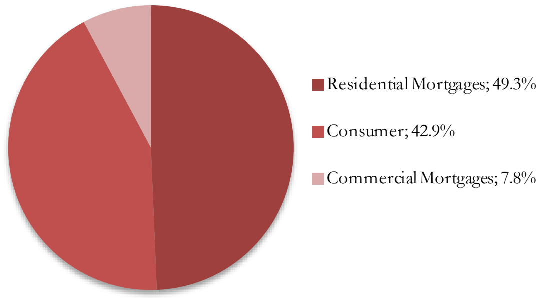
ABS Exposures

Breakdown by type and tranche seniority
(values in EUR mln as at 31/12/2014)

Classification	Seniority	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Equity
CMBS	SENIOR	3.84	2.68	0.62	0.06	0.08
CMBS	MEZZANINE	0.50	0.31	0.02	(0.05)	-
CMBS	JUNIOR	1.91	0.77	0.02	(0.77)	-
CONSUMER	SENIOR	20.67	20.69	-	-	-
CONSUMER	MEZZANINE	-	-	0.09	-	-
RMBS	SENIOR	23.40	23.82	1.60	0.01	-
Total		**50.32**	**48.27**	**2.35**	**(0.75)**	**0.08**

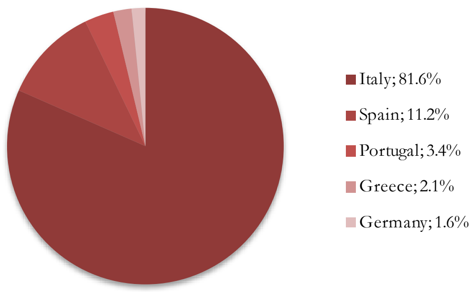
Senior tranches account for approximately 98% of the entire ABS portfolio.

Breakdown of underlying assets by segment



57% of the book value refers to financial instruments with an underlying pool of mortgages.

Breakdown of underlying assets by geographic area



In terms of book value, 82% of exposures are associated with Italian underlying assets, and the rest with those of EMU area countries.

CDO Exposures

Breakdown by type and tranche seniority
(values in EUR mln as at 31/12/2014)

Classification	Seniority	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
CDO di ABS	SENIOR	50.00	49.89	(4.14)	-	-
Managed CDO	MEZZANINE	-	-	1.35	-	-
Managed CDO	SENIOR	-	-	6.07	-	-
Total		50.00	49.89	3.28	-	-

CLO Exposures

Breakdown by type and tranche seniority
(values in EUR mln as at 31/12/2014)

Classification	Seniority	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
CLO	MEZZANINE	2.34	2.27	0.02	-	-
Total		2.34	2.27	0.02	-	-

Credit Derivative Positions

Credit Derivative Positions
(values in EUR mln as at 31/12/2014)

Index	Nominal	Risk Exposure	Profit/Loss
Itraxx Financial Senior	25.00	0.40	0.76
CDX Investment grade	36.18	0.10	1.39
Itraxx Europe Crossover	-	0.02	0.83
Itraxx Sovereign EMEA	-	-	(0.15)
Itraxx Hivol	-	(0.01)	0.01
Itraxx Sovereing WE	-	(0.01)	0.15
Itraxx Europe	14.83	(0.05)	(2.49)
Itraxx Financial Sub	(10.00)	(1.32)	1.13
Synthetic cdo tranche	(8.93)	(10.10)	(1.38)
Default swaps	567.67	(71.26)	107.42
Total	**624.75**	**(82.23)**	**107.67**

All exposures comprise various types of credit derivatives (single-name CDS, standardised credit indices and synthetic tranches) and are all attributable to the Trading Book.

Positions with a negative nominal value mitigate the overall portfolio risk since they benefit from the deterioration of creditworthiness of underlying assets, as represented by the expansion of related credit spreads. Positions with a positive nominal value are added to the securities portfolio, in terms of risk exposure.

Overall, derivative exposures came to a notional amount of EUR 624.75 mln for a book value of EUR -82.23 mln as at 31/12/2014. Credit derivative positions in the portfolio at 31/12/2014 generated profit of EUR 107.67 mln. This analysis includes single-name CDSs, which were not present in previous analyses. Therefore this analysis is not directly comparable with previous reports.

Reconciliation between reclassified accounts and statutory accounts

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 31 December 2014 and related accounting tables

	Accounts in the Profit and Loss Statement - Montepaschi Group	Accounting	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Impairment of goodwill, intangibles	Restructuring costs (early retirement incentives/provisions)	Restructuring costs (branches closure)	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	5.213,3	-	-	-	-	-	-	29,2	-	
20	Interest expense and similar charges	(3.079,0)	-	-	-	-	-	-	-	-	
30	**Net interest income**	**2.134,3**	**-**	**-**	**-**	**-**	**-**	**-**	**29,2**	2.163,5	Net interest income
40	Fee and commission income	2.087,1	-	-	-	-	-	-	-	-	
50	Fee and commission expense	(389,3)	-	-	-	-	-	-	-	-	
60	**Net fee and commission income**	**1.697,7**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	1.697,7	Net fee and commission income
										3.861,2	**Income from banking activities**
70	Dividends and similar income	36,9	(20,5)	104,5	-	-	-	-	-	120,9	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	80,7	20,5	-	-	-	-	-	-	-	
100	Gains/losses on disposal/repurchase of:	159,0	-	-	-	-	-	-	-	-	
	a) loans	*(39,6)*	-	-	-	-	-	-	-	-	
	b) financial assets available for sale	*209,1*	-	-	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	-	-	
	d) financial liabilities	*(10,4)*	-	-	-	-	-	-	-	-	
110	Net profit (loss) from financial assets and liabilities designated at fair value	1,8	-	-	-	-	-	-	-	-	
										262,0	Net profit (loss) from trading
90	Net profit (loss) from hedging	(15,8)	-	-	-	-	-	-	-	(15,8)	Net profit (loss) from hedging
120	**Net interest and other banking income**	**4.094,8**	**-**	**104,5**	**-**	**-**	**-**	**-**	**29,2**	**4.228,4**	**Income from financial and insurance activities**
130	Net impairment losses(reversals) on	(8.025,3)	-	-	-	-	-	-	-	(8.025,3)	Net impairment losses (reversals) on:
	a) loans	*(7.821,4)*	-	-	-	-	-	-	-	(7.821,4)	a) loans
	b) financial assets available for sale	*(60,5)*	-	-	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	-	-	
	d) other financial transactions	*(143,3)*	-	-	-	-	-	-	-	-	
										(203,8)	b) financial assets
140	**Net income from banking activities**	**(3.930,5)**	**-**	**104,5**	**-**	**-**	**-**	**-**	**29,2**	**(3.796,9)**	
150	Net premiums	-	-	-	-	-	-	-	-	-	
160	Other income/expenses (net) from insurance activities	-	-	-	-	-	-	-	-	-	
170	**Net income from financial and insurance activities**	**(3.930,5)**	**-**	**104,5**	**-**	**-**	**-**	**-**	**29,2**	**(3.796,9)**	**Net income from financial and insurance activities**
180	Administrative expenses:	(3.220,4)	-	-	-	342,5	33,4	330,2	-	(2.514,4)	Administrative expenses
	a) personnel expenses	*(2.052,3)*	-	-	-	342,5	-	-	-	(1.709,9)	a) Personnel expenses
	b) other administrative expenses	*(1.168,1)*	-	-	-	-	33,4	330,2	-	(804,5)	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	(158,2)	-	-	-	-	-	-	-	-	
210	Net adjustments to (recoveries on) intangible assets	(149,1)	-	-	39,0	-	-	-	27,6	-	
										(240,7)	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets
230	**Operating expenses**	**(3.527,8)**	**-**	**-**	**39,0**	**342,5**	**33,4**	**330,2**	**27,6**	**(2.755,2)**	**Operating expenses**
										(6.552,0)	**Net operating income**
190	Net provisions for risks and charges	(176,6)	-	-	-	-	-	-	-	-	
220	Other operating expenses/income	333,8	-	-	-	-	-	(330,2)	-	-	
										(172,9)	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	194,3	-	(104,5)	-	-	-	-	-	89,9	Gains (losses) on investments
		-	-	-	-	(342,5)	(33,4)	-	-	(375,8)	Restructuring charges
260	Impairment on goodwill	(661,8)	-	-	661,8	-	-	-	-	(0,0)	Impairment on goodwill
270	Gains (losses) on disposal of investments	84,7	-	-		-	-	-	-	84,7	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**(7.683,7)**	**-**	**-**	**700,8**	**-**	**-**	**-**	**56,8**	**(6.926,1)**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	2.336,5	-	-	(12,9)	-	-	-	(18,8)	2.304,9	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**(5.347,3)**	**-**	**-**	**687,9**	**-**	**-**	**-**	**38,1**	**(4.621,3)**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-	-	-	-	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**(5.347,3)**	**-**	**-**	**687,9**	**-**	**-**	**-**	**38,1**	**(4.621,3)**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	4,4	-	-	-	-	-	-	-	4,4	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**(5.342,9)**	**-**	**-**	**687,9**	**-**	**-**	**-**	**38,1**	**(4.616,9)**	**Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding**
		-	**-**	**-**	**-**	**-**	**-**	**-**	**(38,1)**	(38,1)	PPA (Purchase Price Allocation)
		-	**-**	**-**	**(687,9)**	**-**	**-**	**-**	**-**	(687,9)	Impairment on goodwill, intangibles and writedown of investment in AM Holding
		(5.342,9)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5.342,9)**	**Parent company's net profit (loss) for the period**

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 31 December 2013 and related accounting tables

	Accounts in the Profit and Loss Statement - Montepaschi Group	Accounting	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Restructuring costs	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	5.982,3	-	-	-	-	31,8	-	
20	Interest expense and similar charges	(3.857,9)	-	-	-	-	-	-	
30	**Net interest income**	**2.124,4**	**-**	**-**	**-**	**-**	**31,8**	2.156,2	Net interest income
40	Fee and commission income	2.119,5	-	-	-	-	-	-	
50	Fee and commission expense	(462,0)	-	-	-	-	-	-	
60	**Net fee and commission income**	**1.657,5**	**-**	**-**	**-**	**-**	**-**	1.657,5	Net fee and commission income
		-						**3.813,7**	**Income from banking activities**
70	Dividends and similar income	17,3	(12,4)	124,9	-	-	-	129,9	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	75,5	12,4	-	-	-	-	-	
100	Gains/losses on disposal/repurchase of:	(83,9)	-	-	-	-	-	-	
	a) loans	*(62,6)*	-	-	-	-	-	-	
	b) financial assets available for sale	*(115,0)*	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	
	d) financial liabilities	*93,8*	-	-	-	-	-	-	
110	Net profit (loss) from financial assets and liabilities designated at fair value	10,1	-	-	-	-	-	-	
		-						14,1	Net profit (loss) from trading
90	Net profit (loss) from hedging	7,0	-	-	-	-	-	7,0	Net profit (loss) from hedging
120	**Net interest and other banking income**	**3.807,9**	**-**	**124,9**	**-**	**-**	**31,8**	**3.964,7**	**Income from financial and insurance activities**
130	Net impairment losses(reversals) on	**(2.823,2)**	**-**	**-**	**-**	**-**	**-**	(2.823,2)	Net impairment losses (reversals) on:
	a) loans	*(2.749,6)*	-	-	-	-	-	(2.749,6)	a) loans
	b) financial assets available for sale	*(59,2)*	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	
	d) other financial transactions	*(14,3)*	-	-	-	-	-	-	
		-						(73,5)	b) financial assets
140	**Net income from banking activities**	**984,8**	**-**	**124,9**	**-**	**-**	**31,8**	-	
150	Net premiums	-	-	-	-	-	-	-	
160	Other income/expenses (net) from insurance activities	-	-	-	-	-	-	-	
170	**Net income from financial and insurance activities**	**984,8**	**-**	**124,9**	**-**	**-**	**31,8**	**1.141,5**	**Net income from financial and insurance activities**
180	Administrative expenses:	(2.978,3)	-	-	24,5	295,7	-	(2.658,1)	Administrative expenses
	a) personnel expenses	*(1.743,3)*	-	-	24,5	-	-	(1.718,8)	a) Personnel expenses
	b) other administrative expenses	*(1.235,0)*	-	-	-	295,7	-	(939,3)	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	(85,5)	-	-	-	-	-	-	
210	Net adjustments to (recoveries on) intangible assets	(100,8)	-	-	-	-	27,6	-	
		-						(158,7)	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets
230	**Operating expenses**	**(3.164,6)**	**-**	**-**	**-**	**-**	**27,6**	**(2.816,8)**	**Operating expenses**
		-						**(1.675,2)**	**Net operating income**
190	Net provisions for risks and charges	(29,9)	-	-	-	-	-	-	
220	Other operating expenses/income	93,5	-	-	-	(295,7)	-	-	
		-						(232,1)	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	67,1	-	(124,9)	-	-	-	(57,9)	Gains (losses) on investments
		-	-	-	(24,5)	-	-	(24,5)	Restructuring charges
260	Impairment on goodwill	-	-	-	-	-	-	-	Impairment on goodwill
270	Gains (losses) on disposal of investments	1,4	-	-	-	-	-	1,4	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**(2.047,8)**	**-**	**-**	**-**	**-**	**59,5**	**(1.988,4)**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	666,8	-	-	-	-	(19,6)	647,2	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**(1.381,1)**	**-**	**-**	**-**	**-**	**39,8**	**(1.341,2)**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	(51,2)	-	-	-	-	-	(51,2)	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**(1.432,3)**	**-**	**-**	**-**	**-**	**39,8**	**(1.392,4)**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	(2,0)	-	-	-	-	-	(2,0)	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**(1.434,3)**	**-**	**-**	**-**	**-**	**39,8**	**(1.394,5)**	**Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding**
		-	**-**	**-**	**-**	**-**	**(39,8)**	(39,8)	PPA (Purchase Price Allocation)
		-	**-**	**-**	**-**	**-**	**-**	-	Impairment on goodwill, intangibles and writedown of investment in AM Holding
		-	**-**	**-**	**-**	**-**	**-**	**(1.434,3)**	**Parent company's net profit (loss) for the period**

Balance-sheet Items - Assets	31/12/14	31/12/13	Reclassified balance-sheet items - Assets
	1.007	**877**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	1.007	877	
			Loans and receivables
	119.676	**130.598**	**a) Loans to customers**
Item 70 – Loans to customers	119.676	130.598	
	7.723	**10.485**	**b) Loans to banks**
Item 60 – Loans to banks	7.723	10.485	
	39.776	**42.919**	**Held to maturity investments**
Item 20 – Financial assets held for trading	16.929	19.239	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	22.848	23.680	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-	-	
	1.014	**970**	**Investments**
Item 100 – Equity investments	1.014	970	
	-	-	**Reinsurers' technical reserves**
Item 110 – Reinsurers's technical reserves	-	-	
	3.229	**4.046**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	2.787	2.884	
Item 130 – Intangible assets	442	1.162	
	11.019	**8.566**	**Other assets**
Item 80 – Hedging Derivatives	613	398	
Item 90 – Change in value of macro-hedged financial assets (+/-)	179	160	
Item 140 – Tax assets	7.562	5.515	
Item 150 – Non-current assets held for sale and discontinued operations	22	80	
Item 160 – Other assets	2.643	2.412	
Total Assets	**183.444**	**198.461**	**Total Assets**

Balance-sheet Items - Liabilities	31/12/14	31/12/13	Reclassified balance-sheet items - Liabilities
			Deposits
	126.224	**129.836**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	93.145	85.286	
Item 30 – Debt securities issued	30.455	36.562	
Item 50 – Financial liabilities designated at fair value	2.624	7.988	
	27.648	**37.279**	**b) Deposits from banks**
Item 10 – Deposits from banks	27.648	37.279	
	13.702	**16.410**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	13.702	16.410	
			Provisions for specific use
Item 110 – Provision for employee severance pay	271	261	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	66	61	
Item 120 - Provisions for risks and charges - b) other provisions	1.085	1.066	
	8.459	**7.367**	**Other liabilities**
Item 60 – Hedging Derivatives	4.112	3.422	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Item 80 – Tax liabilities	164	186	
Item 90 – Liabilities associated to disposal groups held for sale	-	18	
Item 100 – Other liabilities	4.184	3.742	
	-	**-**	**Insurance reserves**
Item 130 – Insurance Reserves	-	-	
	5.965	**6.147**	**Group portion of shareholders' equity**
Item 140 – Valuation reserves	(685)	(1.056)	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	3	3	c) Capital instruments
Item 170 – Reserves	(496)	1.175	d) Reserves
Item 180 – Share premium reserve	2	-	e) Share premium reserves
Item 190 – Share Capital	12.484	7.485	f) Share capital
Item 200 – Treasury shares (-)	(0)	(25)	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	(5.343)	(1.434)	h) Profit (loss) for the period
	24	**33**	**Non-controlling interests in shareholders' equity**
Item 210 – Non-controlling interests (+/-)	24	33	
Total liabilities and shareholders' equity	**183.444**	**198.461**	**Total liabilities and shareholders' equity**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

	Assets	31 12 2014	31 12 2013*
10	Cash and cash equivalents	1,006,586	877,276
20	Financial assets held for trading	16,928,788	19,238,566
40	Financial assets available for sale	22,847,582	23,680,249
60	Loans to banks	7,722,753	10,485,195
70	Loans to customers	119,676,132	130,597,727
80	Hedging derivatives	612,957	397,933
90	Change in value of macro-hedged financial assets (+/-)	178,613	159,889
100	Equity investments	1,013,899	970,378
120	Property, plant and equipment	2,787,083	2,883,820
130	Intangible assets	441,693	1,162,056
	of which: goodwill	*7,900*	*669,692*
140	Tax assets	7,562,419	5,515,357
	a) current	*1,875,789*	*1,347,311*
	b) deferred	*5,686,630*	*4,168,046*
	under Law 214/2011	*4,404,780*	*3,113,519*
150	Non-current assets and groups of assets held for sale and discontinued operations	21,805	80,108
160	Other assets	2,643,513	2,412,251
	Tatal assets	**183,443,823**	**198,460,805**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

follows: Consolidated balance sheet

	Liabilities and Shareholders' Equity	31 12 2014	31 12 2013*
10	Deposits from banks	27,647,671	37,278,667
20	Deposits from customers	93,144,981	85,286,115
30	Debt securities issued	30,455,439	36,561,566
40	Financial liabilities held for trading	13,701,789	16,409,678
50	Financial liabilities designated at fair value	2,623,620	7,988,199
60	Hedging derivatives	4,112,108	3,421,635
80	Tax liabilities	163,510	185,521
	a) current	*97,461*	*26,562*
	b) deferred	*66,049*	*158,959*
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	17,821
100	Other liabilities	4,183,569	3,742,304
110	Provision for employee severance pay	271,434	261,390
120	Provisions for risks and charges:	1,151,049	1,127,312
	a) post-employment benefits	*65,915*	*61,063*
	b) other provisions	*1,085,134*	*1,066,249*
140	Valuation reserves	(685,460)	(1,055,910)
160	Equity instruments	3,002	3,002
170	Reserves	(496,120)	1,174,651
180	Share premium	2,291	-
190	Share capital	12,484,207	7,484,508
200	Treasury shares (-)	-	(24,532)
210	Non-controlling interests (+/-)	23,625	33,195
220	Profit (loss) (+/-)	(5,342,892)	(1,434,317)
	Total Liabilities and Shareholders' Equity	**183,443,823**	**198,460,805**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

Consolidated income statement

	Items	31 12 2014	31 12 2013*
10	Interest income and similar revenues	5,213,287	5,982,295
20	Interest expense and similar charges	(3,079,016)	(3,857,941)
30	**Net interest income**	**2,134,271**	**2,124,354**
40	Fee and commission income	2,087,059	2,119,485
50	Fee and commission expense	(389,328)	(461,956)
60	**Net fee and commission income**	**1,697,731**	**1,657,529**
70	Dividends and similar income	36,944	17,302
80	Net profit (loss) from trading	80,738	75,458
90	Net profit (loss) from hedging	(15,759)	7,032
100	Gains/(losses) on disposal/repurchase of:	159,001	(83,894)
	a) loans	*(39,625)*	*(62,638)*
	b) financial assets available for sale	*209,072*	*(115,047)*
	d) financial liabilities	*(10,446)*	*93,791*
110	Net profit (loss) from financial assets and liabilities designated at fair value	1,832	10,144
120	**Net interest and other banking income**	**4,094,758**	**3,807,925**
130	Net impairment (losses)/reversals on	(8,025,266)	(2,823,167)
	a) loans	*(7,821,435)*	*(2,749,648)*
	b) financial assets available for sale	*(60,525)*	*(59,204)*
	d) other financial transactions	*(143,306)*	*(14,315)*
140	**Net income from banking activities**	**(3,930,508)**	**984,758**
180	Administrative expenses:	(3,220,412)	(2,978,313)
	a) personnel expenses	*(2,052,344)*	*(1,743,314)*
	b) other administrative expenses	*(1,168,068)*	*(1,234,999)*
190	Net provisions for risks and charges	(176,551)	(29,942)
200	Net adjustments to/recoveries on property, plant and equipment	(158,220)	(85,482)
210	Net adjustments to/recoveries on intangible assets	(149,137)	(100,844)
220	Other operating expenses/income	333,845	93,512
230	**Operating expenses**	**(3,370,475)**	**(3,101,069)**
240	Gains (losses) on investments	194,328	67,059
260	Impairment on goodwill	(661,792)	-
270	Gains (losses) on disposal of investments	84,701	1,412
280	**Profit (loss) before tax from continuing operations**	**(7,683,746)**	**(2,047,840)**
290	Tax (expense)/recovery on income from continuing operations	2,336,479	666,783
300	**Profit (loss) after tax from continuing operations**	**(5,347,267)**	**(1,381,057)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	(51,224)
320	**Profit (loss)**	**(5,347,267)**	**(1,432,281)**
330	Profit (loss) attributable to non-controlling interests	(4,375)	2,036
340	**Parent company's net profit (loss)**	**(5,342,892)**	**(1,434,317)**
		31 12 2014#	**31 12 2013***
	Basic Earnings per Share (Basic EPS)	**(1.985)**	**(0.123)**
	of continuing operations	(1.985)	*(0.119)*
	of groups of assets held for sale and discontinued operations	-	*(0.004)*
	Diluted Earnings per Share (Diluted EPS)	**(1.985)**	**(0.123)**
	of continuing operations	(1.985)	*(0.119)*
	of groups of assets held for sale and discontinued operations	-	*(0.004)*

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*
 # Basic and diluted earnings per share shows the effect of the reverse split of the Parent Company's ordinary shares at a ratio of 1 new ordinary share for every 100 shares held.

Consolidated statement of comprehensive income

	Items	31 12 2014	31 12 2013*
10	**Profit (loss)**	**(5,347,267)**	**(1,432,281)**
	Other comprehensive income after tax not recycled to profit and loss	**(31,150)**	**(34,933)**
40	Actuarial gains (losses) on defined benefit plans	(31,072)	(34,942)
60	Share of valuation reserves of equity-accounted investments	(78)	9
	Other comprehensive income after tax recycled to profit and loss	**355,859**	**1,309,189**
80	Exchange differences	5,553	(2,081)
90	Cash flow hedges	16,365	80,977
100	Financial assets available for sale	330,513	1,174,855
110	Non current assets held for sale	(27,021)	28,786
120	Share of valuation reserves of equity-accounted investments	30,449	26,652
130	**Total other comprehensive income after tax**	**324,709**	**1,274,256**
140	**Total comprehensive income (Item 10+130)**	**(5,022,558)**	**(158,025)**
150	Consolidated comprehensive income attributable to non-controlling interests	(4,356)	2,031
160	**Consolidated comprehensive income attributable to Parent Company**	**(5,018,202)**	**(160,056)**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

As at 31 December 2014, the Group's comprehensive loss for the period amounted to EUR 5,018.2 mln, registering a decrease of EUR 4,858.1 mln as compared to the previous year. The figure includes a loss for the year of EUR 5,347.3 mln and an increase in valuation reserves primarily owing to the valuation reserve for available-for-sale financial assets, which decreased by EUR 844.3 mln compared to the previous year due to greater decreases, resulting from declining interest rates, in hedging derivatives associated with Italian government debt securities.

Consolidated Statement of changes in equity – 2014

	Balance as at 31 12 2013*	Change in opening balances	Balance as at 01 01 2014	Allocation of profit from prior year: Reserves	Allocation of profit from prior year: Dividends and other payout	Changes during the year: Changes in reserves	Shareolders'equity transactions: Issue of new share	Shareolders'equity transactions: Purchase of treasury shares	Shareolders'equity transactions: Extraordinary distribution of dividends	Shareolders'equity transactions: Change in equity instruments	Shareolders'equity transactions: Treasury shares derivatives	Shareolders'equity transactions: Stock options	Shareolders'equity transactions: Changes in equity investments	Total comprehensive income for 31 12 2014	Total equity as at 31 12 2014	Group equity as at 31 12 2014	Non-controlling interests as at 31 12 2014
Share capital:	7,498,052	-	7,498,052	-	-	-	4,999,698	-	-	-	-	-	(130)	-	12,497,620	12,484,207	13,413
a) ordinary shares	7,498,052	-	7,498,052	-	-	-	4,999,698	-	-	-	-	-	(130)	-	12,497,620	12,484,207	13,413
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	5,159	-	5,159	-	-	(4,944)	2,291	-		-	-	-	-	-	2,506	2,291	215
Reserves:	1,185,887	-	1,185,887	(1,432,382)	-	(45,506)	(191,495)	-	-	-	-	-	510	-	(482,986)	(496,120)	13,134
a) from profits	1,259,932	-	1,259,932	(1,432,382)	-	-	(14,966)	-	-	-	-	-	-	-	(187,416)	(200,550)	13,134
b) other	(74,045)	-	(74,045)	-	-	(45,506)	(176,529)	-	-	-	-	-	510	-	(295,570)	(295,570)	-
Valuation reserves	(1,054,690)	-	(1,054,690)	-	-	45,759	-	-	-	-	-	-	-	324,709	(684,222)	(685,460)	1,238
Equity instruments	3,002	-	3,002	-	-	-	-	-	-	-	-	-	-	-	3,002	3,002	-
Treasury shares	(24,532)	-	(24,532)	-	-	-	24,532	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	(1,432,280)	-	(1,432,280)	1,432,382	(102)	-	-	-	-	-	-	-	-	(5,347,267)	(5,347,267)	(5,342,892)	(4,375)
Total equity	6,180,598	-	6,180,598	-	(102)	(4,691)	4,835,026	-	-	-	-	-	380	(5,022,558)	5,988,653	5,965,028	23,625
Group equity	6,147,403	-	6,147,403	-	-	291	4,835,026	-	-	-	-	-	510	(5,018,202)	5,965,028	5,965,028	X
Non-controlling interests	33,195	-	33,195	-	(102)	(4,982)	-	-	-	-	-	-	(130)	(4,356)	23,625	X	23,625

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

As at 31 December 2014, the total equity including non-controlling interests and profit for the period had decreased by EUR 191.9 mln, amounting to EUR 5,988.6 mln, as compared to EUR 6,180.6 mln as at 31 December 2013.

The most significant phenomena impacting equity, in addition to the EUR 5,347.3 mln loss for the year, were:

1. In July 2014, the share capital increase was completed for a total value of EUR 4,999.7 mln, involving an increase in the "Share capital" item by EUR 4,999.7 mln, a decrease in "Reserves - other" by EUR 176.5 mln due to costs, net of the relative taxes, incurred for the transaction and an increase in "Share Premium Reserve" by EUR 2.3 mln relating to the proceeds on the sale of 178,555 option rights not exercised during the offering period, which were subsequently sold in the market;
2. Treasury shares fell by EUR 24.5 mln; profit (loss) from trading in treasury shares (EUR -15.0 mln) is included under "Reserves from profits" which were also affected by the capitalisation of loss recognised as at 31.12.2013, amounting to EUR 1,432.3 mln;
3. Valuation reserves registered an overall change of + EUR 324.7 mln, which included + EUR 330.5 mln in valuation reserves of assets "available for sale", + EUR 30.4 mln in valuation reserves for Equity investments consolidated at equity method, - EUR 31.1 mln in valuation reserves for actuarial losses arising from defined benefit plans; + EUR 16.4 mln in valuation reserves for "cash flow hedges", + EUR 5.6 mln in valuation reserves for foreign exchange differences, - EUR 31.1 mln in valuation reserves for actuarial losses on defined benefit plans and finally - EUR 27.0 mln in valuation reserves on non-current assets held for sale;
4. The "Changes in reserves" column includes on line:
    a. "Share premium reserve": the decrease in non-controlling interests due to the purchase by the Parent Company of 92.1% of the voting shares of Perimetro Gestione Proprietà Immobiliari S.C.p.A. in April 2014;
    b. "Reserves - other": the EUR 45.8 mln reduction due to the cancellation of revaluation reserves pursuant to law of the former subsidiary MPS Immobiliare S.p.A, absorbed into the Parent Company during the year, which were previously included under "Reserves - other" and then added in the same amount to "Valuation reserves";
5. Non-controlling interests decreased by EUR 9.6 mln due to the information provided in point 4 a) and the loss for the year of around EUR 4 mln of the company Costruzioni Ecologiche Moderne S.p.A.

Consolidated Statement of changes in equity – 2013

	Balance as at 31 12 2012*	Changes in opening balances	Balance as at 01 01 2013	Allocation of profit from prior year		Changes during the year									Total equity as at 31 12 2013	Group equity as at 31 12 2013	Non-controlling interests as at 31 12 2013
							Shareolders'equity transactions										
				Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Purchase of treasury share	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Changes in equity investments	Total comprehensive income for 31 12 2013			
Share capital:	7,485,339	12,354	7,497,693	-	-	-	-	-	-	-	-	-	359	-	7,498,052	7,484,508	13,544
a) ordinary shares	7,485,339	12,354	7,497,693	-	-	-	-	-	-	-	-	-	359	-	7,498,052	7,484,508	13,544
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	255,311	-	255,311	(255,100)	-	-	-	-	-	-	-	-	4,948	-	5,159	-	5,159
Reserves:	4,076,945	(1,651)	4,075,294	(2,889,440)	-	7	-	-	-	-	-	-	26	-	1,185,887	1,174,651	11,236
a) from profits	4,150,990	(1,651)	4,149,339	(2,889,440)	-	7	-	-	-	-	-	-	26	-	1,259,932	1,248,696	11,236
b) other	(74,045)	-	(74,045)	-	-	-	-	-	-	-	-	-	-	-	(74,045)	(74,045)	-
Valuation reserves	(2,283,567)	-	(2,283,567)	(45,379)	-	-	-	-	-	-	-	-	-	1,274,256	(1,054,690)	(1,055,910)	1,220
Equity instruments	3,002	-	3,002	-	-	-	-	-	-	-	-	-	-	-	3,002	3,002	-
Treasury shares	(24,532)	-	(24,532)	-	-	-	-	-	-	-	-	-	-	-	(24,532)	(24,532)	-
Net profit (loss)	(3,189,821)	-	(3,189,821)	3,189,919	(97)	-	-	-	-	-	-	-	-	(1,432,281)	(1,432,280)	(1,434,317)	2,036
Total equity	6,322,677	10,703	6,333,380	-	(97)	7	-	-	-	-	-	-	5,333	(158,025)	6,180,598	6,147,403	33,195
Group equity	6,319,821	(12,362)	6,307,459	-	-	-	-	-	-	-	-	-	-	(160,056)	6,147,403	6,147,403	X
Non-controlling interests	2,856	23,065	25,921	-	(97)	7	-	-	-	-	-	-	5,333	2,031	33,195	X	33,195

** The column "Changes in opening balances" is reflective of changes as at 31.12.2012 described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

As at 31 December 2013, the Group's total equity including non-controlling interests and profit for the period had decreased by EUR 142.12 mln, amounting to EUR 6,180.6 mln, as compared to EUR 6,322.7 mln as at 31 December 2012.

The decrease was primarily due to an imbalance in the following two components:

- a loss for the year 2013, amounting to EUR 1,432.3 mln, recognised in column "Total comprehensive income for 31.12.2013", line "Net profit (loss)";
- an increase by EUR 1,274.3 mln recognised in column "Total comprehensive income for 31.12.2013", line "Valuation reserves", mainly due to revaluation of Italian government bonds classified in the "Available For Sale" portfolio;

The amounts shown in the column "Changes in equity investments" refer to the impact of non-controlling interests from the consolidation of Perimetro.

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	31 12 2014	31 12 2013*
1. Cash flow from operations	**419,394**	**(110,113)**
profit (loss) (+/-)	(5,347,267)	(1,432,281)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(763,332)	(930,160)
net profit (loss) from hedging	15,759	(7,032)
net impairment losses/reversals	8,572,308	2,721,697
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	307,357	186,326
net provisions for risks and charges and other costs/revenues (+/-)	190,954	61,363
tax espense (recovery) on income from continuing operations	(2,403,438)	(666,783)
other adjustments	(152,947)	(43,243)
2. Cash flow from (used in) financial assets	**12,062,957**	**19,631,151**
financial assets held for trading	3,253,509	5,152,956
financial assets available for sale	2,789,681	2,556,807
loans to banks: on demand	2,768,638	726,123
loans to customers	3,221,155	8,750,396
other assets	29,974	2,444,869
3. Cash flow from (used in) financial liabilities	**(17,420,210)**	**(21,042,671)**
deposits from banks: on demand	(9,630,996)	(6,120,288)
depostits from customers	7,858,865	3,983,431
debt securities issued	(6,106,128)	(4,641,013)
financial liabilities held for trading	(2,840,317)	(5,162,739)
financial liabilities designated at fair value	(5,412,549)	(6,331,301)
other liabilities	(1,289,085)	(2,770,761)
Net cash flow from (used in) operating activities	**(4,937,859)**	**(1,521,633)**

B. INVESTMENT ACTIVITIES		
1. Cash flow from	**399,665**	**141,576**
sales of equity investments	194,597	-
dividends collected on equity investments	162,803	110,152
sales of property, plant and equipment	39,269	18,256
sales of intangible assets	2,996	13,168
2. Cash flow used in	**(167,419)**	**(175,449)**
purchase of property, plant and equipment	(73,574)	(90,862)
purchase of intangible assets	(93,845)	(84,587)
Net cash flow from (used in) investment activities	**232,246**	**(33,873)**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	4,835,025	-
dividend distribution and other	(102)	(98)
Net cash flow from (used in) funding activities	**4,834,923**	**(98)**
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE YEAR	**129,310**	**(1,555,604)**

Reconciliation

Accounts	31 12 2014	31 12 2013*
Cash and cash equivalents at beginning of period	877,276	2,432,880
Net increase (decrease) in cash and cash equivalents	129,310	(1,555,604)
Cash and cash equivalents at end of period	1,006,586	877,276

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

For further information on the net cash flow generated/absorbed during the year, please refer to the section "Liquidity Risk" in Part E "Information on Risks and hedging policies".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)

Changes in accounting standards

2014 has seen the first-time application of the following principles (for more detailed information please refer to Part A "Accounting Policies" of these Notes to the Consolidated financial statements):

a) the new accounting principles governing consolidation (**IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interest in Other Entities"**) and amendments to these standards contained in the document "**Investment Entities**",

b) the amendment to **IAS 32 "Offsetting Financial Assets and Financial Liabilities"**, which introduces a few paragraphs in the application guidance to clarify the application of the existing requirements (under paragraph 42 of IAS 32) for offsetting financial assets and financial liabilities in the balance sheet.

The entry into force of the new standards governing consolidation referred to in sub-paragraph a), with particular reference to IFRS 10 and IFRS 11, resulted in the following:

- the shareholding in Integra Spa, a jointly controlled company according to both previously applicable rules and under existing rules, has been consolidated using the equity method rather than the proportional one, in compliance with the new IFRS 11;
- the shareholding in Costruzioni Ecologiche Moderne SpA, classified as an interest subject to significant influence according to previously applicable rules and as a controlling interest under existing rules, has been consolidated on a line by line basis as opposed to using the equity method;
- the shareholding in Marinella SpA, classified as an interest subject to significant influence according to previously applicable rules and an interest subject to joint control under existing rules, has not seen any changes to the method of consolidation applied, which continues to be the equity one;
- three structured entities (Patagonia Finance SA, Stichting Monte 2008-1 and Nota Italia – Corsair Ireland Serie n. 15) have been included in the scope of consolidation and consolidated on a line by line basis.

Application of the new standards did not result in the deconsolidation of any entities previously consolidated under the former IAS 27/SIC 12.

Regarding the first-time adoption of the new standards on consolidation, the document **"Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"**, issued by the IASB on 17 May 2012, clarifies that the date of initial application of IFRS 10 coincides with the beginning of the annual reporting period in which IFRS 10 is applied for the first time (1 January 2014 for EU entities whose financial year coincides with the calendar year). The same document also clarifies that at the date the IFRS 10 is first applied, an entity is not required to make adjustments to the previous accounting statements for entities which would have been consolidated with both IFRS 10 and the previously applied IAS 27/SIC 12 or which would not have been consolidated with either IFRS 10 or IAS 27/SIC 12. As for entities included in the scope of consolidation following the entry into force of IFRS 10, the same document specifies that IFRS 10 should be applied retrospectively, by adjusting the annual reporting period prior to the date of initial application or the initial equity for such period if control (as defined in IFRS 10) was obtained before the beginning of the annual reporting period prior to the date of initial application.

As at 1 January 2013, the application of the new accounting standards on consolidation resulted in a negative impact of EUR 12.4 mln on the Group's equity and a positive impact of EUR 23.1 mln on non-controlling interests, net of tax; as at 31 December 2013, the impact, net of tax, totalled - EUR 7.9 mln on the Group's equity and + EUR 25 mln on non-controlling interests.

The entry into force of the amendment to **IAS 32 "Offsetting financial assets and liabilities"**, referred to in sub-paragraph b), resulted in the balance sheet netting of financial assets and liabilities generated by OTC derivatives cleared through Clearing Houses, for a total of EUR 1,470.8 and EUR 628.2 mln respectively as at 1 January 2013 and 31 December 2013, with no impact on the Group's equity.

In compliance with the provisions of IAS 1 "Presentation of financial statements" this section contains:

- balance sheet statements at the beginning and at the end of the previous year, re-stated to retrospectively reflect the changes introduced by the adjustment described in this chapter;
- the income statement as at 31 Decembet 2013, restated to reflect the impacts from the adjustments described in this chapter.

The statement of comprehensive income is not included since no adjustments have been made to the valuation reserves.

BALANCE SHEET

	Assets	01 01 2013	Impact FTA IFRS 10/11	Impact FTA offsetting	01 01 2013 Restated
10	Cash and cash equivalents	2,432,880	1	-	2,432,881
20	Financial assets held for trading	23,514,204	(76,435)	(1,470,783)	21,966,986
40	Financial assets available for sale	25,648,741	-	-	25,648,741
60	Loans to banks	11,224,989	656,574	-	11,881,563
70	Loans to customers	142,015,161	(689,887)	-	141,325,274
80	Hedging derivatives	551,093	-	-	551,093
90	Change in value of macro-hedged financial assets (+/-)	119,157	-	-	119,157
100	Equity investments	1,040,102	(17,010)	-	1,023,092
120	Property, plant and equipment	1,334,479	125,701	-	1,460,180
130	Intangible assets	1,191,502	(4)	-	1,191,498
	of which: goodwill	*669,701*	-	-	*669,701*
140	Tax assets	6,126,580	2,466	-	6,129,046
	a) current	*912,438*	*(86)*	-	*912,352*
	b) deferred	*5,214,142*	*2,552*	-	*5,216,694*
	under Law 214/2011	*2,796,915*	*(176)*	-	*2,796,739*
150	Non-current assets and groups of assets held for sale and discontinued operations	12,461	-	-	12,461
160	Other assets	3,674,725	4,050	-	3,678,775
	Total Assets	**218,886,074**	**5,456**	**(1,470,783)**	**217,420,747**

	Liabilities and Shareholders'Equity	01 01 2013	Impact FTA IFRS 10/11	ImpactFTA offsetting	01 01 2013 Restated
10	Deposits from banks	43,398,956	-	-	43,398,956
20	Deposits from customers	81,302,685	(77,555)	-	81,225,130
30	Debt securities issued	39,939,624	(50,968)	-	39,888,656
40	Financial liabilities held for trading	21,516,900	(2,817)	(1,470,783)	20,043,300
50	Financial liabilities designated at fair value	14,427,858	-	-	14,427,858
60	Hedging derivatives	5,574,798	125,113	-	5,699,911
80	Tax liabilities	163,229	6,436	-	169,665
	a) current	*114,030*	*1,109*	-	*115,139*
	b) deferred	*49,199*	*5,327*	-	*54,526*
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
100	Other liabilitis	4,473,433	(5,472)	-	4,467,961
110	Provisions for employee severance pay	317,352	15	-	317,367
120	Provisions for risks and charges	1,448,563	-	-	1,448,563
	a) post-employment benefits	*47,971*	-	-	*47,971*
	b) other provisions	*1,400,592*	-	-	*1,400,592*
140	Valuation reserves	(2,284,793)	-	-	(2,284,793)
160	Equity instruments	3,002	-	-	3,002
170	Reserves	4,054,772	(12,361)	-	4,042,411
180	Share premium	255,100	-	-	255,100
190	Share capital	7,484,508	-	-	7,484,508
200	Treasury shares (-)	(24,532)	-	-	(24,532)
210	Non-controlling interests (+/-)	2,856	23,065	-	25,921
220	Profit (loss) (+/-)	(3,168,237)	-	-	(3,168,237)
	Total liabilities and Shareholders' Equity	**218,886,074**	**5,456**	**(1,470,783)**	**217,420,747**

	Assets	31 12 2013	Impact FTA IFRS 10/11	Impact FTA offsetting	31 12 2013 Restated
10	Cash and cash equivalents	877,274	2	-	877,276
20	Financial assets held for trading	19,937,317	(70,556)	(628,195)	19,238,566
40	Financial assets available for sale	23,680,249	-	-	23,680,249
60	Loans to banks	9,913,984	571,211	-	10,485,195
70	Loans to customers	131,218,395	(620,668)	-	130,597,727
80	Hedging derivatives	397,934	-	-	397,934
90	Change in value of macro-hedged financial assets (+/-)	159,889	-	-	159,889
100	Equity investments	988,841	(18,463)	-	970,378
120	Property, plant and equipment	2,761,702	122,118	-	2,883,820
130	Intangible assets	1,162,055	1	-	1,162,056
	of which: goodwill	*669,692*	-	-	*669,692*
140	Tax assets	5,517,128	(1,772)	-	5,515,356
	a) current	*1,347,406*	*(96)*	-	*1,347,310*
	b) deferred	*4,169,722*	*(1,676)*	-	*4,168,046*
	under Law 214/2011	*3,113,718*	*(199)*	-	*3,113,519*
150	Non-current assets and groups of assets held for sale and discontinued operations	80,108	-	-	80,108
160	Other assets	2,411,030	1,221	-	2,412,251
	Total Assets	**199,105,906**	**(16,906)**	**(628,195)**	**198,460,805**

	Liabilities and Shareholders'Equity	31 12 2013	Impact FTA IFRS 10/11	Impact FTA offsetting	31 12 2013 Restated
10	Deposits from banks	37,278,667	-	-	37,278,667
20	Deposits from customers	85,346,340	(60,225)	-	85,286,115
30	Debt securities issued	36,628,753	(67,187)	-	36,561,566
40	Financial liabilities held for trading	17,037,873	-	(628,195)	16,409,678
50	Financial liabilities designated at fair value	7,988,199	-	-	7,988,199
60	Hedging derivatives	3,324,711	96,924	-	3,421,635
80	Tax liabilities	180,448	5,073	-	185,521
	a) current	*26,603*	*(41)*	-	*26,562*
	b) deferred	*153,845*	*5,114*	-	*158,959*
90	Liabilities associated with non-current assets held for sale and discontinued operations	17,821	-	-	17,821
100	Other liabilitis	3,750,932	(8,628)	-	3,742,304
110	Provisions for employee severance pay	261,371	19	-	261,390
120	Provisions for risks and charges	1,127,312	-	-	1,127,312
	a) post-employment benefits	*61,063*	-	-	*61,063*
	b) other provisions	*1,066,249*	-	-	*1,066,249*
140	Valuation reserves	(1,055,910)	-	-	(1,055,910)
160	Equity instruments	3,002	-	-	3,002
170	Reserves	1,187,240	(12,589)	-	1,174,651
180	Share premium	-	-	-	-
190	Share capital	7,484,508	-	-	7,484,508
200	Treasury shares (-)	(24,532)	-	-	(24,532)
210	Non-controlling interests (+/-)	8,214	24,981	-	33,195
220	Profit (loss) (+/-)	(1,439,043)	4,726	-	(1,434,317)
	Total liabilities and Shareholders' Equity	**199,105,906**	**(16,906)**	**(628,195)**	**198,460,805**

INCOME STATEMENT

	Items	31 12 2013	Impact FTA IFRS 10/11	31 12 2013 Restated
10	Interest income and similar revenues	5,987,364	(5,069)	5,982,295
20	Interest expense and similar charges	(3,865,818)	7,877	(3,857,941)
30	**Net interest income**	**2,121,546**	**2,808**	**2,124,354**
40	Fee and commission income	2,119,572	(87)	2,119,485
50	Fee and commission expense	(462,015)	59	(461,956)
60	**Net fee and commission income**	**1,657,557**	**(27)**	**1,657,529**
70	Dividends and similar income	17,302	-	17,302
80	Net profit (loss) from trading	70,714	4,744	75,458
90	Net profit (loss) from hedging	7,238	(206)	7,032
100	Gains/(losses) on disposal/repurchase of	(83,895)	-	(83,894)
	a) loans	*(62,638)*	-	*(62,638)*
	b) financial assets available for sale	*(115,047)*	-	*(115,047)*
	d) financial liabilities	*93,791*	-	*93,791*
110	Net profit (loss) from financial assets and liabilities designated at fair value	10,144	-	10,144
120	**Net interest and other banking income**	**3,800,606**	**7,320**	**3,807,925**
130	Net impairment (losses)/reversals on	(2,823,293)	126	(2,823,167)
	a) loans	*(2,749,774)*	*126*	*(2,749,648)*
	b) financial assets available for sale	*(59,204)*	-	*(59,204)*
	d) other financial transactions	*(14,315)*	-	*(14,315)*
140	**Net income from banking activities**	**977,313**	**7,446**	**984,758**
180	Administrative expenses:	(2,976,705)	(1,607)	(2,978,313)
	a) personnel expenses	*(1,743,210)*	*(104)*	*(1,743,314)*
	b) other administrative expenses	*(1,233,495)*	*(1,504)*	*(1,234,999)*
190	Net provisions for risks and charges	(29,942)	-	(29,942)
200	Net adjustments to/recoveries on property, plant and equipment	(81,834)	(3,648)	(85,482)
210	Net adjustments to/recoveries on intangigle assets	(100,849)	5	(100,844)
220	Other operating expenses/income	82,519	10,993	93,512
230	**Operating expenses**	**(3,106,812)**	**5,743**	**(3,101,069)**
240	Gains (losses) on investments	68,512	(1,453)	67,059
260	Impairment on goodwill	-	-	-
270	Gains (losses) on disposal of investments	1,412	-	1,412
280	**Profit (loss) before tax from continuing operations**	**(2,059,576)**	**11,736**	**(2,047,840)**
290	Tax (expense)/recovery on income from continuing operations	671,877	(5,094)	666,783
300	**Profit (loss) after tax from continuing operations**	**(1,387,699)**	**6,642**	**(1,381,057)**
310	Profit (loss) after tax from groups af assets held for sale and discontinued operations	(51,224)	-	(51,224)
320	**Profit (loss)**	**(1,438,923)**	**6,642**	**(1,432,281)**
330	Profit (loss) attibutable to non-controlling interests	120	1,916	2,036
340	**Parent company's net profit (loss)**	**(1,439,043)**	**4,727**	**(1,434,317)**

It should be noted that the retrospective application of new IFRS 10 and IFRS 11 does not have a significant impact on basic and diluted earnings per share as at 31 December 2013.

Disclosure on changes in accounting estimates

Pursuant to paragraphs 39-40 of IAS 8, considering the downturn in the macroeconomic scenario in 2014 and the adjustments reported and views expressed by the ECB during the Comprehensive Assessment, and particularly within the Asset Quality Review, in the course of 2014 the Group updated the processes and parameters for the classification and impairment of loans by adopting a new accounting policy.

Updating the new accounting policy allowed to reflect the worsening macroeconomic scenario in the credit valuation procedures, by making reference to the experience gained during the Comprehensive Assessment. In fact, the methods developed for regulatory pourposes are intended to raise the qualitative valuation standards by making them increasingly conservative; without prejudice to its compliance with international accounting standards, the Group has therefore deemed it appropriate to make reference to these methodologies as well in formulating its new accounting policy.

The impact of these changes, amounting to EUR 5,963 mln, is reported in the 2014 income statement as changes in estimates, in compliance with the provisions of IAS 8.

For additional information, please refer to the information provided at the end of these notes, pursuant to art. 114 paragraph 5 of Legislative Decree 58/1998.

Part A – Accounting policies

A.1 – General

Section 1 - Statement of compliance with international accounting principles

Pursuant to Legislative Decree no. 38 of 28 February 2005, these consolidated accounts were prepared in accordance with the international accounting principles issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission, pursuant to EC Regulation no. 1606 of 19 July 2002 which was effective as at 31 December 2014.

The international accounting principles were applied following the indications set forth in the "Framework for the Preparation and Presentation of Financial Statements" (the Framework).

Failing a principle or an interpretation specifically applicable to a certain transaction, event or circumstance, the Bank's Management used its own judgment in developing and applying the accounting principles for the purpose of providing a report which is:

- relevant for the purpose of economic decision-making by the users;
- reliable so that the Financial Statements:
  - result in a true and fair view of the Group's assets, financial position, profit and loss and cash flows;
  - reflect the economic substance -and not merely the juridical form- of transactions, other events and circumstances;
  - are neutral, that is with no prejudice;
  - are conservative;
  - are complete in all relevant respects.

In its judgment, the Bank's Management made reference to and took account of the enforceability of the following provisions, listed in a hierarchically decreasing order:

- the provisions and implementation guidance contained in the principles and interpretations dealing with similar or related cases;
- the definitions, recognition and measurement criteria for the accounting of assets, liabilities, income and expenses contained in the Framework.

In delivering its judgment, the Bank's Management may also take account of:

- the most recent provisions set forth by other entities in charge of establishing the accounting principles which use a conceptually similar Framework for the purpose of developing the accounting principles;
- other accounting literature;
- consolidated practices of the banking industry.

In compliance with art. 5 of Legislative Decree no. 38 of 28 February 2005, if – in exceptional cases – the application of a provision set forth in the international accounting principles proved to be non-compliant with a true and fair view of the Group's balance-sheet, financial situation and income statement, then such provision would not be applied. The reasons for deviation and its impact on the representation of the balance-sheet, financial situation and income statement, would in such case be explained in the notes to the financial statements.

In the consolidated financial statements, any profits arising from this deviation are posted to a reserve which is only distributable in proportion to the value recovered.

Section 2 - Preparation Criteria

The Consolidated Financial Statements have been prepared in accordance with the IAS/IFRS International accounting standards issued by the International Accounting Standards Board (IASB) including the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union and mandatorily applied in the 2014 financial year. The provisions contained in Circular Letter No. 262 issued by the Bank of Italy concerning the layout and rules for preparing separate and consolidated financial statements for the banks and the Group were also applied, as amended by the third addendum of 22 December 2014.

The consolidated financial statements consist of the:

- Consolidated Balance Sheet;
- Consolidated Income Statement;
- Consolidated Statement of Comprehensive Income;
- Consolidated Statement of Changes in Equity;
- Consolidated Cash Flow Statement;
- Notes to the Consolidated Financial Statements.

The Consolidated Financial Statements are integrated with the Directors' Report on the operations and situation of the Group.

The Consolidated Financial Statements are prepared with transparency and provide a true and fair view of the balance-sheet, financial position and income statement for the year.

The notes to the consolidated financial statements contain all information required by the international accounting standards and provisions contained in Bank of Italy Circular Letter no. 262, together with other non-mandatory information deemed necessary to provide a true and fair, relevant, reliable, comparable and intelligible view of the Group's performance.

The consolidated balance sheet, profit and loss and comprehensive income statements consist of items (marked with numbers), sub-items (marked with letters) and further details (under "including/of which" in the items and sub-items). Items, sub-items and their details constitute the accounts.

Each item in the balance-sheet, profit and loss account and statement of consolidated comprehensive income also indicates previous year's amounts. If the items cannot be compared, the items in relation to the previous year are reclassified; non-comparability, reclassification or impossible reclassification are pointed out and commented in the notes to the financial statements.

Assets and liabilities, expenses and income cannot be mutually offset, unless this is permitted or required by the international accounting standards or the provisions set forth in Circular no. 262 of the Bank of Italy.

The consolidated balance-sheet, profit and loss account and statement of consolidated comprehensive income do not indicate the items which do not show any amounts for the year of reference of the financial statements or previous year. If an item of the assets or liabilities is part of several items of the balance-sheet, the notes to the financial statements indicate – whenever this is necessary for the purpose of intelligibility – that this component may also be referred to items other than the one it is posted to.

Income is posted with no sign in the income statement and the respective section of the notes, whereas expenses are indicated in brackets. Negative amounts are indicated in brackets in the statement of comprehensive income.

In compliance with the provisions of art. 5 of Legislative Decree no. 38 of 28 February 2005, the financial statements have been prepared using the Euro as the accounting currency: the tables in the consolidated financial statements and in the consolidated notes are denominated in thousands of Euro.

The consolidated financial statements have been prepared based on a going concern assumption, according to the generally accepted principles of accrual accounting, relevance and materiality of information, priority of substance over form and with a view to encouraging consistency with future statements.

Items of a different nature or with different allocation were recognised separately, unless they were considered irrelevant. All amounts shown in the financial statements were adjusted so as to reflect any events subsequent to the date of closing which, according to IAS 10, make it mandatory to make an adjustment (adjusting events). Non-adjusting events reflecting circumstances that occurred after the reporting date should be disclosed as part of the Notes to the Financial Statements, section 4, if they are of such importance that non-disclosure would affect the ability of users to make proper evaluations and decisions.

Section 3 – Scope and methods of consolidation

1. Investments in associates

	Name	Headquarters	Registered Office	Type of relationship (*)	Ownership Relationship		Available votes % (**)
					Held by	Shareholding %	
A	**Companies**						
A.0	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena	Siena				
	A.1 Companies consolidated on a line-by-line basis						
A.1	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	Florence	1	A.0	99.921	
A.2	MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	Siena	1	A.0	100.000	
A.3	MONTE PASCHI FIDUCIARIA S.p.a.	Siena	Siena	1	A.0	100.000	
A.4	CONSUM.IT S.p.a.	Calenzano (FI)	Calenzano (FI)	1	A.0	100.000	
A.5	WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1	A.0	100.000	
A.6	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Castelnuovo Berardenga (SI)	Castelnuovo Berardenga (SI)	1	A.0	100.000	
A.7	G.IMM ASTOR S.r.l.	Lecce	Lecce	1	A.0	52.000	
A.8	AIACE REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.9	ENEA REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.10	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	Siena	1	A.0	99.760	99.910
					A.1	0.060	
					A.2	0.030	
					A.4	0.030	
					A.5	0.030	
A.11	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Siena	Siena	1	A.0	98.893	98.691
					A.1	0.120	0.142
					A.2	0.049	0.057
					A.3	0.012	0.014
					A.4	0.022	0.025
					A.10	0.905	1.072
A.12	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	Mantua	1	A.0	100.000	
A.13	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE S.p.a.	Rome	Rome	4	A.0	40.197	
A.14	BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	Bruxelles	1	A.0	99.900	100.000
					A.1	0.100	
A.15	MPS PREFERRED CAPITAL I LLC	New York	Delaware	1	A.0	100.000	
A.16	MPS PREFERRED CAPITAL II LLC	New York	Delaware	1	A.0	100.000	
A.17	MPS CAPITAL TRUST I	New York	Delaware	4			
A.18	MPS CAPITAL TRUST II	New York	Delaware	4			
A.19	MONTE PASCHI BANQUE S.A.	Paris	Paris	1	A.0	100.000	
19.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR	Paris	Paris		A.19	100.000	
19.2	IMMOBILIERE VICTOR HUGO S.C.I.	Paris	Paris		A.19	100.000	
A.20	MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	Luxembourg	1	A.0	99.200	100.000
					A.19	0.80	
A.21	ANTONVENETA CAPITAL L.L.C. I	New York	Delaware	1	A.0	100.00	
A.22	ANTONVENETA CAPITAL L.L.C. II	New York	Delaware	1	A.0	100.000	
A.23	ANTONVENETA CAPITAL TRUST I	New York	Delaware	1	A.0	100.000	
A.24	ANTONVENETA CAPITAL TRUST II	New York	Delaware	1	A.0	100.000	
A.25	MPS COVERED BOND S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.26	MPS COVERED BOND 2 S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.27	CIRENE FINANCE S.r.l.	Conegliano	Conegliano	1	A.0	60.000	
A.28	MANTEGNA FINANCE II S.r.l. (in liquidazione)	Conegliano	Conegliano	1	A.0	100.000	
A.29	CONSUM.IT SECURITISATION S.r.l.	Conegliano	Conegliano	1	A.0	100.000	
A.30	SIENA MORTGAGES 07-5 S.p.a.	Conegliano	Conegliano	4	A.0	7.000	
A.31	SIENA MORTGAGES 09-6 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.32	SIENA MORTGAGES 10-7 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.33	SIENA SME 11-1 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.34	SIENA LEASE 11-1 S.r.l.	Conegliano	Conegliano	1	A.0	100.000	
A.35	SIENA CONSUMER S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.36	CASAFORTE S.r.l.	Rome	Rome	4	A.0		
A.37	PATAGONIA FINANCE S.A.	Luxembourg	Luxembourg	4	A.0		

(*) Type of relationship:
1 = majority of voting rights at ordinary shareholders’ meetings
2 = dominant influence at ordinary shareholders’ meetings
3 = agreements with other shareholders
4 = other forms of control
5 = unified management under art. 26.1. of Leg. Decree 87/92
6 = unified management under art. 26.2. of Leg. Decree 87/92
(**) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential

2. Significant assessments and assumptions for determining the scope of consolidation

Scope of consolidation

The consolidated financial statements include the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company’s core business, of their being going concerns or wound-up companies, or of whether the equity investment consists of a merchant banking transaction.

The scope of consolidation includes all types of entities, regardless of nature, for which the new concept of control introduced by IFRS 10 applies.

The new concept of control is based on the simultaneous presence of three elements:

- power to direct the relevant activities, i.e., the activities that affect the investee's returns: the power arises from substantive rights that give the investor the power to direct the relevant activities; to be substantive, the rights must be exercisable when decisions about the direction of the relevant activities need to be made;
- exposure to variability of returns deriving from the investee’s activities, which may increase or decrease.
- exercise of power to influence returns.

Structured entities are also consolidated when the requirement of actual control recurs, even if there is no stake in the entity.

More specifically, IFRS 12 defines structured entities as “entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity”, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. Examples of structured entities include securitisation vehicles, asset-backed financings and some investment funds.

The scope of consolidation may also include parts of a structured entity with no independent legal status, or so-called “deemed separate entities”. In essence this is a group of well identified assets and liabilities within a company, characterised by both the fact that: the assets represent the only source of payment for those specific liabilities and that; third parties cannot claim rights to those specific assets or on the cash flows they generate.

Equity investments and equity securities

Equity investments and equity securities are considered subject to control if the Group directly or indirectly holds the absolute majority of voting rights and such rights are substantive, and the relative majority of voting rights if the other voting rights are held by widely-dispersed shareholders. Control may also exist in situations in which the Group does not hold the majority of voting rights, but holds sufficient rights to have the practical ability to unilaterally direct relevant activities of the investee or in the presence of:

- substantive potential voting rights through underlying call options or convertible instruments;
- rights deriving from other contractual arrangements which, combined with voting rights, give the Group the de facto ability to direct production processes, other operating or financial activities able to significantly influence the investee’s returns;

- power to influence, through rules of the articles of association or other contractual arrangements, governance and decision-making procedures regarding relevant activities;
- majority of voting rights through contractual arrangements formalised with other holders of voting rights (i.e., shareholders' agreements).

Structured entities - investment funds

The Group takes the following positions with respect to funds:

- subscriber of units, held for long-term investment purposes or for trading,
- counterparty in derivatives.

A relationship of control exists when the following situations are present:

- the Group, as a subscriber of units, is able to remove the investment fund manager without just cause or for reasons associated with fund performance, and such rights are substantive;
- existence of provisions in the fund regulation envisaging the establishment within the fund of committees, in which the Group participates, that influence the governance of relevant activities and have the legal and/or de facto right to control the activities of the fund manager;
- existence of other relations with the fund, such as the presence within the fund of personnel with strategic responsibilities associated with the Group and the presence of contractual relations that subject the fund to the Group for the subscription or placement of units.

Structured entities - securitisation vehicles

In checking for the fulfilment of requirements of control over securitisation vehicles, both the possibility of exercising power over relevant activities for its own benefit and the end purpose of the transaction are taken into consideration, as well as the investor/sponsor's involvement in the structuring of the transaction.

For autopilot entities, the subscription of the substantial entirety of the notes by Group companies is considered an indicator of the presence, particularly during the structuring phase, of the power to manage relevant activities to influence the economic returns of the transaction.

Methods of consolidation

With reference to the consolidation methods, subsidiaries are consolidated on a line-by-line basis, interests in jointly controlled companies and investments in companies subject to the Group's "significant influence" are consolidated with the condensed equity method.

Line-by-line consolidation consists in the line-by-line acquisition of the balance-sheet and income statement aggregates of the subsidiaries. After the assignment to third parties, under a separate account, of their shares of equity and profit/loss, the value of the investment is eliminated against the recognition of the value of the subsidiary's equity.

Intragroup assets, liabilities, income and expenses are eliminated.

The income and expenses of a subsidiary purchased during the period are included in the consolidated financial statements as of the date of purchase.

On the other hand, the income and expenses of a subsidiary sold are included in the consolidated financial statements up to the date of disposal, i.e. when the Parent ceases to control the subsidiary. At the date when control is lost, the controlling entity:

- derecognises the assets (including any goodwill) and liabilities of (and non-controlling interests in) the former subsidiary at their carrying amounts;
- recognises the fair value of the consideration received and of any investment retained in the former subsidiary;
- reclassifies to consolidated profit or loss any amounts previously recognised in the subsidiary's statement of other comprehensive income as if the assets or liabilities had been transferred;
- recognises any resulting difference in consolidated profit or loss.

Interests in jointly controlled companies and investments in companies subject to the Group's "significant influence" (associates) are consolidated with the condensed equity method.

This method contemplates the initial posting of the investment at cost. This value is subsequently adjusted to reflect:

- the Group's share of gains/losses on the investment for the period is recognised under item 240 "Gains (losses) on equity investments" of the consolidated income statement;
- the Group's share of changes recognised in the Statement of Consolidated Comprehensive Income.

If an investor's share of losses in an associate equals or exceeds the interest's carrying value, the investor discontinues recognising its share of further losses unless the investor has incurred specific legal obligations or made payments in favour of the associate.

Profits resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Losses resulting from transactions between the Group and its associates are eliminated as well, unless the transaction provides evidence of an impairment of the asset transferred.

As regards the impact on the scope of consolidation of the first-time application of the new IFRS 10 and IFRS 11 accounting standards, please refer to the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)".

In the course of fiscal year 2014, the following changes were made to the scope of consolidation:

- the structured entity Consum.it Securitisation Srl was included in the scope of consolidation;
- the following companies were removed from the scope of consolidation:
    a) Monte Paschi Ireland Ltd and MPS Immobiliare, following their merger by absorption into the Parent Company, with no impact on the consolidated balance sheet and income statement;
    b) the structured entity Nota Italia – Corsair Finance Ireland n. 6 Ltd Serie n. 15, due to the unwinding of the transaction in the last quarter of the year, with no impact on the consolidated balance sheet and income statement;
    c) the structured entity Stichting Monte 2008-1, following the loss of control due to the disposal of the Parent Company's interests in the last quarter of the year (with a positive economic impact of EUR 0.9 mln).

As regards point (b), please note that the unwinding was carried out through the advance repayment of the liability issued by the vehicle, fully subscribed by the Parent Company, against the assignment to the Parent Company of all underlying assets. This transaction was recognised, as were the transactions pursuant to point (a), as a business combination between entities under common control, by applying the pooling of interest method with reference to the consolidated financial statements, as set forth in the preliminary guidance from the Italian Association of Auditors "Accounting treatment of business combinations of entities under common control in separate and consolidated financial statements" (OPI no. 1), with no impact on the consolidated balance sheet and income statement.

3. Investments in associates and joint ventures with significant non-controlling interests

This section has not been completed as there are no investments of this type.

4. Significant restrictions

Listed below are the significant restrictions on the Group's ability to access or use assets and to extinguish liabilities:

Regulatory restrictions

The Parent Company and the subsidiaries (MPSL&F, MPSCS, MPS Banque, MP Belgio and Widiba) with assets and liabilities prior to intercompany eliminations amounting to EUR 232,062.4 mln as at 31.12.2014 (EUR 243,392.6 mln as at 31.12.13) are subject to compliance with minimum capital requirements and prudential supervision exercised by the Authorities present in the respective countries of residence and by the European Central Bank. The credit institutions in question are required to comply with prudential requirements regarding capital, securitisations, limits on large exposures, liquidity, financial leverage and reporting and public disclosure of information regarding these aspects.

In particular, some of the particularly significant powers assigned to the ECB pursuant to regulation (EU) 1024/2013, on prudential supervision policies, are to require the use of net profit to strengthen own funds and to restrict or prohibit distributions by the institution to shareholders, members or holders of Additional Tier 1 instruments where the prohibition does not constitute an event of default of the institution. Please note that, as part of the Supervisory Review and Evaluation Process (SREP), the ECB placed a specific restriction on the Parent Company against distributing dividends. This restriction is valid until revoked. For further details, please refer to the qualitative information provided in Part F, section 2.3 "Capital adequacy" of these Notes to the consolidated financial statements.

The subsidiaries MPS Capital Trust I, MPS Capital Trust II, MPS Preferred Capital I LLC, MPS Preferred Capital II LLC, Antonveneta Capital Trust I, Antonveneta Capital Trust II, Antonveneta Capital I LLC, Antonveneta Capital II LLC and Montepaschi Luxembourg are entities under foreign law incorporated between 2000 and 2003, through which the Parent Company carried out capital strengthening transactions in compliance with supervisory provisions through public issues of preference shares, counted, pursuant to prudential regulations in force *pro tempore*, for the purposes of calculating the own funds of the Bank and the Group.

Legal restrictions

The Parent Company and the Italian subsidiaries other than securitisation vehicles are required, in compliance with statutory provisions, to deduct 5% of annual net profit to form the legal reserve, until it has reached 20% of the share capital. If it decreases for any reason, this reserve must be replenished.

Contractual restrictions

Encumbered assets

The Group holds assets not available to it in that they are used to guarantee financing transactions (e.g., repurchase or securitisation transactions).

Information on on-balance sheet and off-balance sheet encumbered assets is provided in section 1.3 Liquidity risk of Part E "Information on risks and hedging policies", which should be referred to for further details.

Group Assets relating to securitisation transactions

At the reporting date, the item loans to customers includes EUR 3,509.4 mln (EUR 4,148.0 mln as at 31 December 2013) relating to loans that have not been derecognised, which were sold with the securitisations Siena Mortgages 10-7 and Siena Consumer Srl. As an offsetting entry for the cashflows arising from this disposal, the Parent Company and the subsidiary Consum.it have recognised a liability with the vehicles that issued the senior notes (subject to final sale to a leading bank as part of the same securitisations) equal to EUR 964.7 mln (EUR 1,087.2 mln as at 31 December 2013). Against this liability, the creditors' entitlement to repayment is limited to cashflows arising from the assets underlying senior notes sold (please refer to table E.3 of the Notes to the consolidated financial statements Part E - Information on risks and hedging policies).

Other restrictions

The Group's banks are required to hold a compulsory reserve at national Central Banks. The compulsory reserve, included in the "Loans to Banks" portfolio at the Bank of Italy, amounts to EUR 2,195.3 mln as at 31 December 2014 (EUR 3,729.9 mln as at 31 December 2013).

5. Other information

The financial statements processed for line-by-line consolidation of the subsidiaries include the financial statements as at 31 December 2014, as approved by the Boards of Directors of the respective companies.

Section 4 – Events after the Reporting Period

In February the Supervisory Authority informed the Parent Company that its target ratios for Total Capital and CET 1 have been set at 10.9% and 10.2%, respectively. In order to create a buffer with respect to the required CET1 threshold, the Parent Company's Board of Directors resolved to submit a proposal to the Shareholders' Meeting to increase the amount of the share capital issue up to a maximum of EUR 3 billion.

In February, DBRS lowered the issuer's ratings by one notch, keeping them at investment grade level. In particular, it placed the long-term rating at "BBB(low)" (previously "BBB") and the short-term rating at "R-2(low)" (previously "R-2(mid)"). The outlook remained "under review negative".

As a result of the loss for the year in 2014, the Parent Company, pursuant to the prospectus, cannot pay the interest accrued for the New Financial Instruments in monetary form. Therefore, the Parent Company will pay such interest to the Ministry of Economy in the form of shares.

Section 5 – Other Matters

This Annual Report was prepared based on a going concern assumption.

With regard to the indications contained in Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and IVASS, and following amendments, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated annual report based on the assumption of business continuity since the uncertain climate arising from the current economic scenario and the results of the Comprehensive Assessment affords no doubt as to the company's ability to continue operating as a going concern.

In particular, the Comprehensive Assessment conducted by the ECB in 2014 revealed a capital shortfall of EUR 2.1 bn. The Parent Company is required to cover that shortfall within the 9 months subsequent to 26 October 2014 and once that amount is covered, to comply with the Total Capital and CET 1 target ratios of 10.9% and 10.2%, respectively. In order to create a buffer with respect to the required CET 1 threshold, the Parent Company's Board of Directors decided to propose a share capital increase for up to a maximum of EUR 3 billion to the Shareholders' Meeting.

In this regard, a pre-underwriting agreement was entered into with UBS and other banks who have committed to guaranteeing the subscription of any shares remaining unsubscribed at the end of the offering period, for up to a maximum of EUR 3 billion. The pre-underwriting agreement is valid until the 30 June 2015 and is subject to the terms and conditions that are typical of such transactions.

In addition to the capital strengthening measures, additional planned managerial actions will be taken to improve the effectiveness of the Restructuring Plan, with particular reference to the improvement of asset quality and productivity in order to accelerate the Parent Company's return to profitability. These measures will include specific initiatives such as further de-risking in the financial statements and pro-active management of doubtful loans (portfolio sales, reorganisation of processes and internal teams, commercial agreements/joint ventures with specialised platforms or operators).

It should, however, be noted that owing to the loss for the period, the Parent Company falls within the conditions provided for by the article 2446 of the Italian Civil Code since BMPS's share capital, amounting to EUR 12,484,206,649 as at 31 December 2014, had decreased by more then one third.

List of key IAS/IFRS international accounting principles and related SIC/IFRIC interpretations for mandatory application as of the 2014 financial statements

Reported below are the key amendments to the accounting standards and interpretations which are mandatorily effective as of financial year 2014. It is noted that these amendments did not have any significant impact on the preparation of the present financial statements.

The new accounting principles **IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements"** and **IFRS 12 "Disclosure of Interests in Other Entities"** are applied for the first time. The publication of IFRS 10 was intended to combine into a converged standard the consolidation principles previously contained in IAS 27 and SIC 12 for Special Purpose Entities; IFRS 10 requirements now apply to all entities. IFRS 10 introduces a new concept of control: an investor has control over an entity when he has exposure, or rights, to variable returns from the activities of the entity in which he has invested and has the ability to use his power over the investment to affect the amount of returns received. IFRS 10 led to the revision of IAS 27 "Consolidated and Separate Financial Statements" (reissued as IAS 27 "Separate Financial Statements"), which now sets the accounting standards and disclosure requirements for separate financial statements to be applied to investments in subsidiaries, joint ventures and associates. IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures", the standard requires an entity to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the joint arrangement; if the entity is involved in a joint venture, it shall recognise and account for its investment in the joint venture using the equity method in accordance with IAS 28, reissued as "Investments in Associates and Joint Ventures". Proportionate consolidation is no longer permitted for joint ventures. The new standards, IFRS 10, IFRS 11 and IFRS 12, and revised standards IAS 27 and IAS 28, in conjunction with withdrawal of IAS 31, were endorsed by the European Commission with Regulation no. 1254/2012 on 11 December 2012.

With regard to the publication of the new standards on consolidation illustrated above, on 17 May 2012 the IASB published **"Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"**, which provides additional clarification on issues concerning the first-time adoption of IFRS 10, IFRS 11 and IFRS 12. The most significant clarifications set out in the Transition Guidance are described below:

a) the date of initial application of IFRS 10 coincides with the beginning of the annual reporting period in which IFRS 10 is applied for the first time (1 January 2014 for EU entities whose financial year coincides with the calendar year);
b) at the date of initial application of IFRS 10, an entity is not required to make retrospective changes to its previous accounting for its involvement in entities which:
    a. would have been consolidated under both IFRS 10 and under IAS 27/SIC 12;
    b. would not have been consolidated under IFRS 10 and IAS 27/SIC 12;
c) should an investor conclude that, at the date of initial application of IFRS 10, it needs to consolidate an investee that was previously unconsolidated under IAS 27/SIC 12, IFRS 10 should be applied retrospectively, by adjusting the annual reporting period prior to the date of initial application or the initial net assets for such period if control (as defined in IFRS 10) was obtained before the beginning of the annual reporting period prior to the date of initial application;
d) should an investor conclude that, at the date of initial application of IFRS 10, it needs to deconsolidate an investee that was previously consolidated under IAS 27/SIC 12, the interest in the (former) subsidiary should be recognised at the value at which it would have been measured had IFRS 10 been effective when the investor made the investment. When the investment was made at a date earlier than the beginning of the period immediately preceding the date of initial application, the annual reporting period prior to the date of initial application or the initial equity for such period shall be adjusted by the difference between the previously recognised amount and the carrying amount of assets, liabilities and non-controlling interests as at the date of first application;
e) should the above requirements be impracticable (as defined in IAS 8), simplifications are in place that allow for the application of new IFRS 10 at the beginning of the earliest period in

which the above requirements are practicable (which may even be the initial-application period).

The amendment was endorsed by the European Commission with Regulation 313/2013 on 4 April 2013.

In October 2012, the IASB also published **"Investment Entities"**, containing amendments to IFRS 10, IFRS 12 and IAS 27. The document introduces the definition of 'investment entity' to refer to an entity that obtains funds from third investors for the purpose of providing them with investment services, commits to its investors that its business purpose is to invest funds for returns from capital appreciation and investment income and measures the performance of substantially all of its investments on a fair value basis. An exemption from consolidation of subsidiaries is provided for these entities. In particular, the amendment requires these entities to measure their controlling interests at fair value through profit or loss in both their consolidated and separate financial statements. The document also introduces amendments to IFRS 12 and IAS 27 on information to be disclosed. The amendment was endorsed by the European Commission with Regulation no. 1174/2013 on 20 November 2013 and is mandatorily to be applied for annual periods beginning on or after 1 January 2014.

The impacts on the balance-sheet and financial position, income statement and own funds deriving from the first-time adoption of the new IFRS 10 and IFRS 11 in 2014 are of little relevance, and are described in Section **"Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)"** of the Notes.

2014 has also seen the first-time application of the **amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"**, published by the IASB in December 2011. The amendment introduces a few paragraphs in the application guidance to clarify the application of the existing requirements (under paragraph 42 of IAS 32) for offsetting financial assets and financial liabilities in the balance sheet. The amendment was endorsed by the European Commission with Regulation 1256/2012 on 13 December 2012. The application of the amendment as of 1 January 2014 entailed the net presentation of certain types of derivative instruments cleared through central counterparties, with no impact on the Group's balance-sheet and financial position, income statement or own funds.

The **amendment to IAS 36 "Recoverable amount disclosures for non-financial assets"**, published by the IASB in May 2013, also must be applied for the first time in 2014. The amendment clarifies that recoverable amount disclosure for assets which have been subject to impairment loss only applies to those assets whose recoverable amount is based on fair value less costs of disposal; in this case, information is to be disclosed on fair value hierarchy, the valuation techniques used and the key assumption used to measure levels 2 and 3. The amendment was endorsed by the European Commission with Regulation 1374/2013 on 19 December 2013.

The **amendment to IAS 39 "Novation of derivatives and continuation of hedge accounting"**, published by the IASB in June 2013, must be adopted for the first time as of 2014. The amendment clarifies that there would be no need to discontinue hedge accounting if a hedging derivative was novated to a central party as a result of laws or regulations. The amendment, endorsed by the European Commission with Regulation 1375/2013 on 19 December 2013, was issued as part of the regulatory changes which are taking place in several jurisdictions involving the novation of over-the-counter derivative trades to central parties.

IAS/IFRS international accounting standards and related SIC/IFRIC interpretations endorsed by the European Commission, the application of which is mandatory as of 31 December 2014.

In November 2013, the IASB published the amendment to IAS 19 **"Employee contributions to defined benefit plans"**. The amendment clarifies the accounting of contributions from employees (or third parties) to defined benefit plans. More specifically, it outlines the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service, with a view to simplifying the accounting of contributions which are not dependent on the number of years of service, but which, for example, are determined as a fixed percentage of salary. The amendment was endorsed by the European Commission with Regulation no. 2015/29 on 17 December 2014 and is mandatorily to be applied for annual periods beginning on or after 1 February 2015.

"Improvements to the international accounting standards" (2010-2012). Within the scope of this project, on 12 December 2013 the IASB issued a set of amendments to the IFRSs, briefly summarised as follows:

a) **IFRS 2 "Share-based payments"** The definitions of "vesting condition" and "market condition" were amended and definitions "performance condition" and "service conditions" (which were previously part of the definition of "vesting condition") were added.
b) **IFRS 3 "Business combinations"** The amendment clarifies that contingent consideration that is classified as asset or a liability shall be measured at fair value at each reporting date subsequent to first-time recognition.
c) **IFRS 8 "Operating segments"** The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.
d) **IFRS 13 "Fair value measurement"** The amendment clarifies that amending IAS 39 and IFRS 9 following the publication of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
e) **IAS 16 "Property, plant and equipment"** The amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
f) **IAS 24 "Related party disclosures"** The amendment clarifies that an entity providing key management personnel services to the reporting entity is a related party of the reporting entity.
g) **IAS 38 "Intangible assets"** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The document was endorsed by the European Commission with Regulation no. 2015/28 on 17 December 2014 and is mandatorily to be applied for annual periods beginning on or after 1 February 2015.

"Improvements to the international accounting standards" (2011-2013). Within the scope of this project, on 12 December 2013 the IASB issued a set of amendments to four IFRSs, briefly summarised as follows:

a) **IFRS 1 "First-time adoption of IFRS"** The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. The entity is required to apply the same version of the IFRS throughout the periods covered by the first IFRS financial statements.
b) **IFRS 3 "Business combinations"** The amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
c) **IFRS 13 "Fair value measurement"** The amendment clarifies that the scope of the portfolio exception defined in paragraph 48 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9 regardless of whether they meet the definition of financial assets or liabilities as defined in IAS 32.
d) **IAS 40 "Investment property"** The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and investment property as defined in IAS 40 requires the separate application of both standards independently of each other.

The document was endorsed by the European Commission with Regulation no. 1361/2014 on 18 December 2014 and is mandatorily to be applied for annual periods beginning on or after 1 January 2015.

In May 2013, the IASB published the interpretation **IFRIC 21 – "Levies"**, which applies to all levies except those outflows of resources that are within the scope of other standards and fines or other penalties that are imposed for breaches of the legislation.

The interpretation deals with accounting for a liability to pay a levy if the liability is subject to IAS 37 as well as accounting for a liability to pay a levy the amount and timing of which are uncertain.

In particular, IFRIC 21 clarifies that:

- an entity recognises a liability for a levy when the event triggering payment, as identified by the legislation, takes place;
- a liability to pay a levy is recognised progressively only if the obligating event occurs over a period of time;
- if an obligation to pay a levy is triggered when a minimum threshold is reached, no liability is recognised before such minimum threshold is reached.

IFRIC 21 was endorsed by the European Commission with Regulation 634/2014 on 13 June 2014. The obligatory application indicated in the interpretation is 2014; for companies operating in the EU, obligatory application starts with annual periods beginning on or after 17 June 2014. Retrospective application is permitted in accordance with the requirements of IAS 8 for changes in accounting standards.

IAS/IFRS international accounting standards and related SIC/IFRIC interpretations issued by the IASB and still awaiting approval from the European Commission

On 24 July 2014, the IASB issued the final version of **IFRS 9 "Financial instruments"**. This document incorporates the results of the phases regarding classification and measurement, derecognition, impairment and hedge accounting of the IASB project to replace IAS 39.

As is well-known, in response to requests to simplify accounting standards applicable to financial instruments from both political organisations and international institutions, in 2009 the IASB has launched a project to replace the current IAS 39. The project in question has been broken down into three broad phases: 1) classification and measurement of financial instruments, 2) impairment, 3) hedge accounting.

With regard to the first phase, on 12 November 2009, the IASB issued the accounting standard **"IFRS 9 – Financial instruments"**. The new accounting standard relates to the classification and measurement of financial assets. Portfolio categories were reduced to three (amortised cost, fair value with changes to profit and loss, and fair value with changes through other comprehensive income). HTM and AFS categories were removed. Rules for classifying the three categories in question were changed, including those relating to the Fair Value Option (FVO). IFRS 9 uses a unique method to determine whether a financial asset should be measured at amortised cost or at fair value. The method is based on the entity's business model and on the contractual features of the cash flow of the financial assets.

On 28 October 2010, the International Accounting Standards Board (IASB) completed IFRS 9 with a section on classification and measurement of financial liabilities. The IASB substantially decided to maintain the existing framework of IAS 39. It therefore maintained the existing requirement for separate accounting of derivatives embedded in a financial host. For instruments other than derivatives, measurement of all fair value changes through profit or loss only applies to financial liabilities held for trading. For financial liabilities designated under the fair value option, the amount of change in the fair value that is attributable to changes in the credit risk of the liability, shall be presented directly in other comprehensive income, unless it creates/increases an accounting mismatch, in which case the entire change in fair value shall be presented within profit and loss. The amount that is recognised in other comprehensive income is not transferred from OCI to income statement ("recycled") when the liability is settled or extinguished.

As for phase 3 "Hedge accounting", in November 2013 the IASB published **"IFRS 9 – Financial instruments: hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39"**. The document contains a substantial overhaul to the rules governing hedge accounting and will allow entities to better reflect their risk management activities in the financial statements. The document also contains an amendment which allows for the own-credit requirements included in IFRS 9 to be applied in isolation (recognition of changes in the fair value of liabilities under the fair value option to "other comprehensive income"). Finally, the 1 January 2015 was removed as mandatory effective date for the first-time application of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

With the publication of the final text of IFRS 9 in July 2014, phase 2) "impairment" was also completed. IFRS 9 establishes a prospective model requiring the immediate recognition of credit losses on loans expected over the life of the financial instrument; a trigger event is not required for the recognition of credit losses. The model requires credit losses to be estimated on the basis of supportable information that is available without undue cost or effort, and that includes historical, current and forecast information.

The same impairment model applies to all financial instruments, i.e., financial assets measured at amortised cost, those measured at fair value through other comprehensive income, lease receivables and trade receivables.

IFRS 9 also requires improved disclosure about expected credit losses and credit risk. In particular, entities are required to provide information that explains the basis for their expected credit loss calculations and how they assess changes in credit risk.

Following its publication in July 2014, IFRS 9 is to be considered complete. The macro hedging aspect has not yet been addressed. However, this matter does not fall within the scope of application of IFRS 9, and the IASB has started a separate project for it.

The new standard, which replaces previous versions of IFRS 9, must be applied for annual periods beginning on or after 1 January 2018.

On 30 January 2014 the IASB issued IFRS 14 **"Regulatory Deferral Accounts"**, the interim standard associated with the Rate-regulated activities project. IFRS 14 permits only first-time adopters of IFRS to continue to account for regulatory deferral account balances in accordance with their previous GAAP. To improve comparability with entities that already apply IFRS and do not recognise these balances, the standard requires regulatory deferral account balances to be presented separately from other items.

This standard applies as of 1 January 2016, but early adoption is permitted.

On 6 May 2014, the IASB issued some amendments to IFRS 11 "**Joint Arrangements"** regarding accounting for the acquisition of a joint operation if such operation possesses a business. The amendments require the application of IFRS 3 Business Combinations relating to the recognition of the effects of a business combination to recognise the acquisition of a joint operation in which the activity constitutes a business.

The amendments apply as of 1 January 2016, but early adoption is permitted.

On 12 May 2014, the IASB published **Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)**, in order to clarify that a revenue-based amortisation method is not considered to be appropriate as it only reflects the revenue generated by the asset and not the method of consumption of economic benefits incorporated in the asset.

On 18 May 2014, the IASB published IFRS 15 **"Revenue from Contracts with Customers"** which replaces previous standards on revenue: IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue – Barter Transactions Involving Advertising Services".

The new standard applies to all contracts with customers (except for those subject to other specific standards) and proposes a model according to which an entity must recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In this regard, the standard establishes five steps:

1. identify the contract with the customer, defined as an agreement (written or verbal) with commercial substance between two or more parties that generates legally enforceable rights and obligations with the customer;
2. identify the performance obligations (individually distinct) in the contract;
3. determine the transaction price, i.e., the amount to which an entity expects to be entitled in exchange for the transfer of goods and services in line with the techniques set forth in the standard and on the basis of any presence of financial components;
4. allocate the transaction price to the performance obligations in the contracts;
5. recognise revenue when (or as) the entity satisfies a performance obligation, taking into consideration that services may be rendered either over time or at a point in time.

IFRS 15 applies to annual periods beginning on or after 1 January 2017. Early application is permitted.

On 12 August 2014, the IASB issued the document **"Equity Method in Separate Financial Statements - Amendments to IAS 27"**, introduced the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. As a result, an entity may recognise such investments in its separate financial statements based on one of the following methods:

- at cost; or
- according to IFRS 9 (or IAS 39); or
- using the equity method.

The amendments apply as of 1 January 2016. Early application is permitted.

On 11 September 2014, the IASB issued the document "**Sales or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28"** in order to resolve a regulatory conflict between IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements".

The amendments clarify the accounting treatment in the case of loss of control of a subsidiary (governed by IFRS 10) and in the case of downstream transactions governed by IAS 28, depending on whether the transaction concerns a business, as defined by IFRS 3. If the transaction concerns a business, profit must be recognised in full in both cases (i.e., loss of control and downstream transactions), but if the transaction does not concern a business, in both cases only the profit of non-controlling interests must be recognised.

The amendments will become effective on 1 January 2016, but early adoption is permitted.

On 25 September 2014, the IASB issued the document "**Annual Improvements to IFRSs: 2012-2014 Cycle**". The amendments must be applied for annual periods beginning on or after 1 January 2016. They regard the matters briefly summarised below:

- **IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations":** the amendment regards specific cases in which an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution or vice versa, or when an asset can no longer be classified as held for distribution. The amendments clarify that:
  - these reclassifications should not be considered a change in a plan to sell or a distribution plan, and the same classification and measurement criteria remain in force;
  - assets that no longer fulfil held-for-distribution classification criteria should be treated in the same way as assets for which held-for-sale accounting is discontinued.
- **IFRS 7 Financial Instruments: Disclosure**: the amendment provides additional guidance to clarify the following aspects:

- whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.
- offsetting disclosures are not explicitly required for all interim financial statements, although they could be necessary to comply with the requirements established by IAS 34 if this information is significant.

- **IAS 19 Employee Benefits:** high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The depth of the market for high quality corporate bonds should be assessed at currency level.
- **IAS 34 Interim Financial Reporting:** if the required disclosure is presented in the interim financial report but outside of the interim financial statements, the disclosure must be incorporated in the interim financial statements by cross-reference to other parts of the interim financial report. This document is provided to users of financial statements in the same manners and with the same timing as the interim financial statements.

On 18 December 2014 the IASB issued "**Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception**". The changes regard the application of the consolidation exception for investment entities.

The document is meant to clarify the following aspects:

- the exemption from preparing consolidated financial statements for "intermediate" parent companies applies if the parent company is an investment entity, even if that entity measures all subsidiaries at fair value;
- a subsidiary that provides services related to the investment activities of the parent company should not be consolidated if the subsidiary itself is an investment entity;
- the exemption from application of the equity method to associates or joint ventures by a non-investment entity investor is extended, in addition to unlisted entities whose parent company publishes consolidated IFRS financial statements, to entities whose parent company publishes IFRS financial statements in which the subsidiaries are measured at fair value through profit or loss pursuant to IFRS 10;
- an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

Also on 18 December 2014 the IASB issued "**Amendments to IAS 1: Disclosure Initiative**" which has the clear objective of encouraging the use of professional judgement in determining the information to be included in the disclosure.

The following aspects are clarified in that document:

- as regards the materiality of information, the disclosure should not be compromised by aggregation or the presentation of irrelevant information; the assessment of materiality applies to the entire financial statements and prevails even when a specific disclosure is required by a standard.
- in the income statement, statement of comprehensive income and statement of financial position, specific items may be separated and combined as a pertinent and additional guide to the statement subtotals;
- the entity may define the order of presentation of the notes in order to facilitate understanding and comparison.

The IASB also eliminated the instructions and examples for identifying significant accounting policies.

The amendments introduced in this document are mandatorily to be applied as of 1 January 2016. Early application is permitted.

A.2 – The main items of the accounts

Accounting standards

This chapter contains the accounting standards in relation to the main assets and liabilities in the balance sheet, which were adopted for the preparation of the consolidated financial statements as at 31 December 2014.

1 Financial assets held for trading

a) recognition criteria

Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.

Upon initial recognition, financial assets held for trading are recognised at fair value, which usually corresponds to the amount paid, without considering transaction costs or revenues directly attributable to the instrument, which are directly recognised in the income statement.

Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of a derivative are recognised separately from the host contract at fair value.

The applicable accounting criteria are administered to the primary contract.

b) classification criteria

This category includes debt securities and equities purchased mainly for the purpose of obtaining short-term profits arising from price changes and the positive value of derivative contracts, including expired and impaired derivatives not subject to early settlement as part of a master netting agreement. Contracts designated as hedging instruments are excluded. Derivative contracts include those embedded in combined financial instruments which were subject to separate accounting.

c) measurement criteria

After initial recognition, financial assets held for trading are recorded at fair value, with value changes recognised in profit or loss.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.4.3 Fair Value Hierarchy" of this Part A.

Equity instruments and derivatives indexed to such equity instruments, for which it is not possible to determine a reliable fair value according to the guidelines listed above, keep being measured at cost less impairment. Such impairment losses are not reversed.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred. Securities received within the scope of a transaction that contractually provides for subsequent sale are not recorded in the financial statements, and securities delivered within the scope of a transaction that contractually provides for subsequent buyback are not derecognised from the financial statements. Consequently, in the case of securities acquired with an agreement for resale, the amount paid is recorded in the financial statements as loans to customers or banks, while in the case of securities transferred with an agreement for repurchase, the liability is recorded under deposits from banks or deposits from customers.

e) revenue recognition criteria

Gains and losses arising from any changes in the fair value of a financial asset are recognised in profit and loss under item “80 Net trading income (expenses)”, except for gains and losses on derivative assets linked with the fair value option which are classified under item “110 Net profit / loss from financial assets and liabilities designated at fair value”.

2 Financial assets available for sale

a) recognition criteria

Financial assets are initially recognised on the date of settlement, with reference to debt or equity instruments, and on the date of disbursement, with reference to loans and receivables.

On initial recognition, the assets are measured at their fair value which normally corresponds to the price paid, inclusive of transaction costs or income directly attributable to the instrument. If recognition occurs following the reclassification from assets held to maturity, the recognition value is the fair value as at the time of transfer. In the case of debt instruments, any difference between the initial value and the value of repayment is spread out over the life of the debt instrument in accordance with the method of amortised cost.

b) classification criteria

This category includes non-derivative financial assets which are not classified as loans, financial assets designated at fair value through profit and loss or financial assets held to maturity.

In particular, this category also comprises strategic equity investments which are not managed for trading purposes and cannot be defined as controlling interest, significant influence and joint control, and bonds which are not subject to trading. Such investments may be transferred for any reason, such as liquidity requirements or variations in interest rates, exchange rates, or stock price.

c) measurement criteria

After initial recognition, financial assets available for sale are measured at fair value, with interest being recognised in the income statement as resulting from the application of the amortised cost and with appropriation to a specific equity reserve of the gains or losses arising from changes in fair value net of the related tax effect, except losses due to impairment. Foreign exchange fluctuations in relation to equity instruments are posted to the specific equity reserve, whereas changes in loans/receivables and debt instruments are allocated to profit and loss. Equity instruments, for which it is not possible to determine a reliable fair value, are maintained at cost, adjusted for any impairment losses.

Financial assets available for sale are reviewed for objective evidence of impairment at each balance sheet and interim reporting date. Indicators of a likely impairment include but are not limited to: significant financial difficulty of the issuer, non-fulfilment or defaults in payments of interest or principal, possibility that the borrower is declared bankrupt or submitted to other forms of insolvency proceedings, disappearance of an active market for the assets. In particular, as far as equity instruments that have a quoted market price in an active market are concerned, a market price as at the date of the financial statements lower than the original purchasing cost of at least 30% or a market value lower than the cost lasting more than 12 months are considered an objective evidence of value reduction. If further reductions take place in subsequent financial years, these are charged directly to the income statement.

With regard to debt securities, regardless of whether or not these are listed on active markets, any impairment loss is recognised in the income statement strictly in relation to the issuer's ability to fulfil its obligations and therefore make the necessary payments and repay capital at maturity. Therefore, it needs to be established whether there are indications of a loss event which could have a negative impact on estimated future cash flows. Where there are no actual losses, no loss is recognised on the stock, and any capital loss is recognised in the negative equity reserve.

The amount of any value adjustment shown following the impairment test is recorded in the income statement as an expense for the year. Should the reasons for impairment cease to exist, following an event which occurred after recognition of impairment, reversals are recognised in equity in the case of equity instruments, and through profit and loss in the case of debt securities.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/rewards are transferred.

Securities received within the scope of a transaction that contractually provides for subsequent sale are not recognised in the financial statements, and securities delivered within the scope of a transaction that contractually provides for subsequent repurchase are not derecognised from the financial statements. Consequently, in the case of securities acquired with an agreement for resale, the amount paid is recognised in the financial statements as loans to customers or banks, while in the case of securities transferred with an agreement for repurchase, the liability is shown under deposits from customers or deposits from banks.

e) revenue recognition criteria

Upon disposal, exchange with other financial instruments or measurement of a loss of value following impairment testing, the fair value results accrued to the reserve for assets available for sale are reversed to profit and loss under:

- item "100 – Gains/Losses on purchase/disposal of: b) financial assets available for sale", in the case of disposal;
- item "130 - Net impairment losses/reversals on: b) financial assets available for sale", in the case of recognition of impairment.

If the reasons for impairment cease to exist, following an event which occurred after the impairment was recognised, the impairment loss is reversed: through profit and loss in the case of loans or debt securities, and through equity in the case of equity instruments.

3 Financial assets held to maturity

The Group does not use this portfolio.

4 Loans

a) recognition criteria

Recognition in the financial statements occurs:

- for a receivable:
  - on the date of disbursement;
  - when the creditor acquires the right to payment of the amounts contractually agreed upon;
- for a debt security:
  - on the date of settlement.

The initial value is determined on the basis of the fair value of the financial instrument (which is normally equal to the amount disbursed or price of underwriting), inclusive of the expenses/income directly related to the individual instruments and determinable as of the transaction date, even if such expenses/income are settled at a later date. This does not include costs which have these characteristics but are subject to repayment by the debtor or which can be encompassed in ordinary internal administrative expenses.

Swaps and repo contracts under agreement to re-sell are posted as lending transactions. In particular, the latter are reported as receivables in the sum of the spot amount paid.

b) classification criteria

Receivables include loans to customers and banks, whether disbursed directly or purchased from third parties, with fixed or determinable payments, which are not quoted in an active market and were not initially classified among available-for-sale financial assets and financial assets at fair value through profit or loss.

They also incorporate trade receivables, repurchase agreements, receivables arising from finance lease transactions and securities purchased in a subscription or private placement, with fixed or determinable payments, not quoted in active markets. Also included among receivables are junior securities coming from own securitisations completed prior to first-time adoption.

c) revenue recognition criteria

After initial recognition, receivables are valued at amortised cost, which is the initial recognition amount decreased/increased by principal repayments, write-downs/write-backs and the amortisation – calculated using the effective interest rate method – of the difference between the amount disbursed and the amount repayable upon maturity, typically attributable to the costs/income directly charged to each receivable. The effective interest rate is the interest rate which makes the current value of future flows of the receivable, in principal and interest, estimated over the expected life of the receivable, equal to the amount disbursed, inclusive of any costs/income attributable to the receivable. Therefore, the economic effect of costs and income is spread over the expected residual life of the receivable.

The amortised cost method is not used for short-term receivables, for which the effect of applying a discounting logic is negligible. Similar valuation criteria are adopted for receivables with no specific maturity or subject to revocation.

Non-performing exposures (e.g. doubtful, substandard, restructured and past-due loans) are classified into different risk categories in accordance with the regulations issued by the Bank of Italy, supplemented with internal provisions which set automatic criteria and rules for the transfer of receivables between different risk categories.

With regard to the restructuring of loans, three different categories have been identified:

- loan restructurings (as defined in Circular 272 of the Bank of Italy);
- loan renegotiations;
- debt settlement via borrower substitution or debt-for-equity swap.

In line with Bank of Italy's regulations, debt (loan) restructuring is understood as a transaction whereby the Bank, for economic reasons, makes a concession to the borrower in light of his financial difficulties, which it would not have made under other circumstances and which causes a loss to the lender. The Bank's concession consists in its waiver of certain contractually defined rights, which translates into an immediate or deferred advantage for the borrower, who benefits from the waiver, and a corresponding loss for the lending bank. The effects of the waiver are measured by the negative (positive) change in the economic value of credit (debt) as compared to the book value of credit (debt) prior to restructuring.

The renegotiation of loans granted by the Bank to performing customers is substantially equated with the opening of a new position, if it is granted essentially for commercial reasons rather than for the borrower's economic-financial difficulties and provided that the interest rate applied is a market rate as at the date of renegotiation.

As an alternative to the previously described options (restructurings and re-negotiations), the Bank and the borrower may, agree on settlement of the original debt via:

- novation or assumption of the loan by another borrower (release from debt liability);
- substantial modification of loan terms involving a debt-equity swap.

Said events, involving a substantial modification of contractual terms, provide for cancellation of the pre-existing loan agreement from an accounting standpoint, and consequent booking of the new agreement at fair value, recognising through profit or loss an amount corresponding to the difference between the fair value of assets received and the book value of the cancelled loan.

Substandard loans include loans that have been past due for over 270 days.

Classification is carried out by the relevant units independently, except for loans more than 90 days past due and substandard loans more than 270 days past due, which are measured using automated procedures.

In order to determine adjustments to the carrying value of receivables, and taking into account the different impairment levels, analytical or collective valuation is used, as outlined hereunder.

Doubtful, substandard and restructured loans are subject to analytical valuation; loans more than 90 days past due, loans subject to country risk and performing loans are subject to collective valuation. In accordance with the Bank of Italy's recent amendment to Circular 262/2005, however, data for loans more than 90 days past due are subject to analytical valuation in the tables in the notes to the financial statements.

For loans subject to analytical assessment, the amount of value adjustment for each loan is equal to the difference between the loan book value at the time of measurement (amortised cost) and the current value of estimated future cash flows, as calculated by applying the original effective interest rate. In the case of restructured loans, estimation of future cash flows takes account of the effects from changes in the contractual terms and conditions following restructuring.

Expected cash flows take account of the expected repayment schedule, the expected recovery value of collaterals, if any, as well as the costs expected to be incurred for the recovery of the credit exposure.

The value adjustments are booked to the income statement to item "130 - Net impairment losses (reversals)". The adjustment component attributable to the discounting of cash flows is calculated on an accrual basis in accordance with the effective interest rate method and posted under reversals.

If the quality of the non-performing receivable has improved to such a point that there is reasonable certainty of timely recovery of the principal and interest, its initial value is recycled in the following years to the extent in which the reasons determining the adjustment disappear, provided that such valuation can be objectively linked with an event which occurred after the adjustment. The reversal is posted to the income statement and may not in any case exceed the amortised cost that the receivable would have had without previous adjustments.

Receivables with no objective evidence of loss are subject to a collective assessment of impairment. Such assessment, developed on the basis of a risk management model, is carried out by category, with receivables grouped together according to credit risk, and the relative loss percentages are estimated taking into account time-series based on elements observed on the date of assessment which allow the value of latent loss in each category to be estimated.

The model, for this type of valuation, involves the following steps:

- Segmentation of the loan portfolio by:
    - client segment (turnover);
    - economic sectors of activity;
    - geographical location;
- determination of the loss rate of individual portfolio segments, using the historical experience of the Group as reference.

Value adjustments determined collectively are posted to the income statement. Any additional write-downs or write-backs are recalculated on a differential basis, at year-end or on the dates of interim reports, with reference to the entire loan portfolio on the same date.

d) derecognition criteria

Any receivables sold are derecognised from the assets on the balance sheet only if their disposal implied the substantial transfer of all associated risks and rewards. However, if the risks and rewards associated with the receivables sold have been maintained, they continue to be posted among the assets on the balance sheet, even if legal ownership has been transferred.

If it is not possible to ascertain a substantial transfer of all risks and rewards, the receivables are derecognised when control of the assets has been surrendered. If such control has been maintained, even partly, the receivables should continue to be recognised to the extent of residual involvement, as measured by the exposure to the changes in value of the receivables sold and to the changes in their cash flows.

Finally, receivables sold are derecognised if the contractual rights to receive the cash flows from the assets are maintained and a contractual obligation to pay only said flows to third parties is simultaneously undertaken (pass through arrangements).

5 Financial assets designated at fair value

a) recognition criteria

Financial assets are initially recognised on the date of settlement, with reference to debt or equity instruments, and on the date of disbursement, with reference to loans and receivables.

Upon initial recognition, financial assets are measured at fair value, which usually equals the consideration paid, without adding directly attributable transaction costs or fees earned, which are posted to profit and loss.

The Fair Value Option (FVO) applies to all financial assets and liabilities which would have caused misrepresentation on the income statement and balance sheet had they been otherwise classified, and to all instruments which are managed and measured using a fair value approach.

b) classification criteria

This category includes the financial assets intended for measurement at fair value through profit or loss (except for equity instruments with no reliable fair value) when:

1. the determination of fair value allows for the elimination or reduction of significant misrepresentations of the financial instruments in the income statement and balance sheet; or
2. the management and/or measurement of a group of financial assets at fair value through profit or loss is consistent with an investment or risk management strategy documented as such by senior management; or
3. a host instrument embeds a derivative which significantly modifies the cash flows of the host and should otherwise be accounted for separately.

c) measurement criteria

Subsequent to initial recognition, the assets are measured at fair value.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.4.5 Fair Value Hierarchy" of this Part A.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/rewards are transferred.

Securities received within the scope of a transaction that contractually provides for subsequent sale are not recognised in the financial statements, and securities delivered within the scope of a transaction that contractually provides for subsequent repurchase are not derecognised from the financial statements. Consequently, in the case of securities acquired with an agreement for resale, the amount paid is recognised in the financial statements as loans to customers or banks, while in the case of securities transferred with an agreement for repurchase, the liability is shown under deposits from customers or deposits from banks.

e) revenue recognition criteria

Gains and losses resulting from any changes in the fair value of the financial assets linked with the Fair Value Option are posted under item 110 "Net profit / loss from financial assets and liabilities designated at fair value".

6 Hedging transactions

a) recognition criteria – purpose

Risk-hedging transactions are aimed at offsetting any potential losses on a certain element or group of elements that may arise from a specific risk, with the profits made on a different element or group of elements, should that particular risk occur.

b) classification criteria – types of hedging

IAS 39 provides for the following types of hedging:

- fair value hedges, which are intended to hedge the exposure to changes in fair value of a recognised asset or liability, that are attributable to a particular risk;
- cash flow hedges, which are intended to hedge the exposure to variability in future cash flows attributable to particular risks associated with a recognised asset or liability;
- hedges of a net investment in a foreign operation, which refers to hedging the risks of an investment in a foreign operation denominated in a foreign currency.

To conclude the chapter on the accounting principles, a specific section is added to provide further insight into the application issues and policies adopted by the Group with regard to hedging transactions. These issues are also addressed in section E of the notes to the financial statements relating to risk management, as well as in sections B and C relating to the balance sheet and income statement. The hedging policies adopted by the Group are explained, with a special focus on the applicability of the "natural hedges" provided for by the Fair Value Option as an alternative to hedge accounting in some major instances. In particular, Fair Value Option and cash flow hedging were adopted mainly to account for hedges of liabilities, while Fair Value Hedging was adopted mainly to account for hedges of assets, i.e. both micro-hedges on fixed-rate debt securities/mortgages and macro-hedges on fixed-rate loans.

c) revenue recognition criteria

Hedging derivatives are measured at fair value. In particular:

- in the case of fair value hedging, the changes in the fair value of the hedged asset are offset by the changes in the fair value of the hedging instrument. Offsetting gains and losses are recognised in profit or loss under item 90 "Net profit (loss) from hedging" through recognition of value changes, with reference both to the hedged item (as regards changes produced by the underlying hedged risk factor) and the hedging instrument. Any difference, i.e. partial ineffectiveness of the hedging derivatives, reflects their net income statement impact;
- in the case of cash flow hedging, the changes in fair value of the derivative are posted to a specific shareholders' equity reserve with reference to the effective portion of the hedge, and are posted to the income statement under item 90 "Net profit (loss) from hedging" only when the changes in fair value of the hedging instrument do not offset the changes in the cash flows of the hedged item;
- hedges of foreign currency investments are accounted for similarly to cash flow hedges.

A hedging transaction should be reflective of a pre-determined risk management strategy and consistent with risk management policies in use. In addition, a derivative is designated as a hedging instrument if the relationship between the hedged item and the hedging instrument is formally documented, and provided that the hedging relationship is -and is expected to be- effective both at inception and, prospectively, throughout its life.

Hedge effectiveness depends on the extent to which changes in the fair value or expected cash flows of the hedged item are offset by corresponding changes in the hedging instrument. Therefore, effectiveness is measured by comparing said changes, while taking into account the company's intent at hedge inception.

With reference to the hedged risk, the hedging is effective (within the 80% to 125% window) when the changes in fair value (or in the cash flows) of the hedging instrument offset the changes in the hedged item almost entirely.

Effectiveness is assessed at year-end by using:

- prospective tests, which justify continuing hedge accounting since they show its expected effectiveness;

- retrospective tests, which show how effective the hedging relationship has been in the period under review.

Derivatives which are considered as hedging instruments from an economic viewpoint because they are operationally linked with financial liabilities measured at fair value (Fair Value Option) are classified among trading derivatives; the respective positive and negative differentials or margins accrued until the end of the reporting period are recognised, in accordance with their hedging purpose, as interest income and interest expense, while valuation gains and losses are posted under item 110 of the income statement, "Net profit (loss) from financial assets and liabilities designated at fair value".

d) derecognition criteria – ineffectiveness

If tests do not confirm hedge effectiveness, both retrospectively and prospectively, hedge accounting is discontinued and, unless it has expired or has been terminated, the hedging derivative contract is reclassified as a held-for-trading instrument, whereas the hedged item reverts to the accounting treatment based on its original classification.

If a fair value hedge relationship is discontinued, any positive or negative adjustments made to the carrying amount of the hedged item until the last date on which compliance with hedge effectiveness was demonstrated are recycled into profit and loss. In particular, if the hedged item has not been derecognised, transfer to profit or loss is made using the effective interest method over the remaining life of the hedged instrument; if discontinuation of the hedge relationship leads to derecognition of the hedged item (for example due to early redemption), any gain or loss shall be entirely classified to profit or loss when the hedged item is derecognised.

Any amounts accumulated in cash flow hedge reserves are recycled to profit or loss when the hedged item affects profit or loss. Conversely, if the hedged item is discharged, cancelled or expires the reserve is immediately recycled to profit or loss upon derecognition of the hedged item.

7 Equity investments

a) recognition criteria

The account includes equity investments held in associates and joint ventures; the investments are initially recognised at purchase cost.

b) classification criteria

Please refer to item 10.6 "Key considerations and assumptions to determine the existence of joint control or significant influence" in Part B – "Assets" of these Notes to the financial statements.

c) revenue recognition criteria

In consideration of the above, this item broadly contains the valuation of equity investments using the equity method; this method provides for initial recognition of the investment at cost and its subsequent adjustment on the basis of the share of the investee's profits and losses made after the date of purchase. The pro-rata amount of the profit/loss for the period of the investee is posted to item 240 "Gains/losses on investments" in the consolidated income statement.

If evidence of impairment indicates that there may have been a loss in value of an equity investment, then the recoverable value of the investment (which is the higher of the fair value, less costs to sell, and the value in use) should be estimated. The value in use is the present value of the future cash flows expected to be derived from the investment, including those arising from its final disposal.

Should the recoverable value be less than its carrying value, the difference is recognised immediately in profit or loss under item "240 - Gains (losses) on investments".

Should the reasons for impairment no longer apply as a result of an event occurring after the impairment was recognised, reversals of impairment losses are credited to the same account in profit and loss.

The profit related to the equity investments is booked to profit and loss of the Parent Company regardless of whether it was generated by the investee before or after the date of purchase. In the consolidated financial statements, dividends received are deducted from the investee's book value; should, after dividend recognition, the investee's book value in the separate financial statements exceed the book value (in the consolidated financial statements) of the investee's net assets, including goodwill, or should dividend payout exceed the investee's total profit, then the Group will determine the recoverable value of the investment to verify whether there has been a loss in its value.

When a subsidiary becomes an associate because the Parent Company has lost control over it following changes in the percentage of interest, the residual investment will have to be posted to the item "Equity investments" at its fair value as at the loss of control date; this value then becomes the starting value for using the equity method.

d) derecognition criteria

Investments are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/rewards are transferred.

If a company is committed to a plan to sell a subsidiary that involves loss of control over said subsidiary, all the subsidiary's assets and liabilities should be reclassified as assets held for sale, regardless of whether the company will retain a non-controlling interest after the sale.

8 Property, plant and equipment

a) recognition criteria

Property, plant and equipment are originally recognised at cost, which includes the purchase price and any additional charges directly attributable to the purchase and installation of the assets.

Non-recurring expenditures for maintenance which involve an increase in future economic rewards are booked as an increase in the value of the assets, while expenses for ordinary maintenance are booked to the income statement. Financial expenses are recorded in accordance with IAS 23.

b) classification criteria

Fixed assets include land, operating properties, investment properties, systems, furnishings and fixtures, and equipment of any type.

Operating properties are properties owned by the Group and used in production and in the supply of services or for administrative purposes, whereas investment properties are those owned by the Group for the purpose of collecting rents and/or held for appreciation of capital invested.

This item also includes any assets used in financial lease contracts, although their legal ownership rests with the leasing company, and any improvements and incremental expenses incurred in relation to third-party assets when they refer to identifiable and separable property, plant and equipment from which future economic rewards are expected. As regards real estate, components relating to land and buildings are separate assets for accounting purposes and are measured separately upon acquisition.

c) revenue recognition criteria

Property, plant and equipment, including non-operating real estate, are valued at cost less any accrued depreciation and impairment.

They are systematically depreciated over their useful life on a straight-line basis, except for land and works of art which have an indefinite useful life and cannot be depreciated. The useful life of the fixed assets subject to depreciation is periodically reviewed and, in the event of any adjustments to the initial estimate, a change is also made in the related depreciation rate. The depreciation rates and subsequent useful life expected for the main categories of assets are reported in the specific sections of the notes to the financial statements.

The presence of any signs of impairment, or indications that assets might have lost value, shall be tested at the end of each reporting period.

Should there be indications of impairment of value, a comparison is made between the book value of the asset and the asset's recoverable value, i.e. the higher of the fair value, less costs to sell, and the value in use, which is the present value of the future cash flows generated by the asset. Any adjustments are posted to the income statement under item 170 “Net impairment losses/reversals on property, plant and equipment”. Periodic depreciation is reported in the same item.

Where the reasons for impairment cease to exist, a reversal is made, which shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in previous periods.

d) derecognition criteria

Property, plant and equipment are derecognised from the balance sheet upon their disposal or when the assets are permanently withdrawn from use and no future economic rewards are expected as a result of their disposal.

9 Intangible assets

a) recognition criteria

Intangible assets are identifiable, non-monetary assets without physical substance that are held for use over several years or indefinitely. They are recognised at cost, adjusted by any additional charges only if it is probable that the future economic rewards that are attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably. The cost of intangible assets is otherwise posted to the income statement in the reporting period it was incurred.

Relevant intangible assets for the Group include:

- Technology-related intangible assets including software licenses, internal capitalised costs, projects and licenses under development; in particular, internally incurred costs for software project development are intangibles recognised as assets if, and only if : a) the cost for development can be measured reliably, b) the entity intends and is financially and technically able to complete the intangible asset and either use it or sell it, c) the entity is able to demonstrate that the asset will generate future economic rewards. Capitalised costs for software development only include the expenses that are directly attributable to the development process.
- Customer relationship intangible assets, represented by the value of assets under management/custody and core deposits in the event of business combinations;
- marketing-related intangible assets consisting in the value of trademarks in business combinations.

Goodwill is posted among assets when it results from a business combination transaction in accordance with the principles of determination indicated by IFRS 3, as a residual surplus between the overall cost incurred for the transaction and the net fair value of the assets and liabilities purchased (i.e. companies or business units).

Should the cost incurred be less than the fair value of the assets and liabilities acquired, the difference (badwill) is directly recognised in profit or loss.

b) revenue recognition criteria

The cost of intangible fixed assets is amortised on a straight-line basis over their useful life. An intangible asset with an indefinite useful life should not be amortised but assessed for impairment periodically. Intangible assets arising from an internally developed software purchased from third parties are amortised on a straight-line basis starting from completion and roll-out of the applications based on their useful life. Intangible assets reflective of customer relationships or associated with trademarks, which are taken over during business combinations, are amortised on a straight-line basis.

Where there is evidence of impairment, the recoverable amount of the assets is estimated at year-end. The amount of the loss recognised in profit and loss is equal to the difference between the carrying value and the recoverable amount of the assets.

The goodwill recognised is not subject to amortisation, but its book value is tested annually (or more frequently) when there are signs of impairment. To this end, the cash flow generating units to which goodwill is attributable are identified.

The amount of the impairment loss is determined by the difference between the book value of goodwill and its recoverable amount, if lower. Said recoverable amount is the higher of the cash-generating unit's fair value, less costs to sell, and its value in use. Value in use is the present value of future cash flows expected to arise from the years of operation of the cash-generating unit and its disposal at the end of its useful life. The resulting value adjustments are posted to the income statement under item 210 “Net adjustments to (recoveries on) intangible assets”. Periodic depreciation is reported in the same item. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

c) derecognition criteria

Intangible assets are derecognised from the balance sheet upon disposal and when no future economic rewards are expected.

10 Non-current assets held for sale

a) recognition criteria

Non-current assets held for sale and discontinued operations are initially valued at the lower of the book value and the fair value less costs to sell.

b) classification criteria

This item includes non-current assets held for sale and discontinued operations when the book value is to be recovered mainly through a highly likely sale rather than continuous use.

c) revenue recognition criteria

Following initial recognition, non-current assets held for sale and discontinued operations are valued at the lower of the book value and the fair value net of selling costs. Related income and expenses, net of tax, are shown in the income statement under a separate item if they relate to discontinued operations.

In this specific case (discontinued operations), it is also necessary to disclose again the same economic information in a separate item for the previous periods presented in the financial statements, reclassifying the income statements as a result.

Amortisation is discontinued at the date the non-current asset is classified as a non-current asset held for sale.

d) derecognition criteria

Non-current assets held for sale and discontinued operations are derecognised from the balance sheet upon disposal.

11 Current and deferred tax

a) recognition criteria

The effects of current and deferred taxation calculated in compliance with Italian tax laws are recognised on an accrual basis, in accordance with the measurement methods of the income and expenses which generated them, by administering the applicable tax rates.

Income taxes are posted to profit and loss, excluding those relating to items directly credited or charged to equity.

Income tax provisions are determined on the basis of a prudential forecast of current tax expense, deferred tax assets and liabilities.

Current tax includes the net balance of current tax liabilities for the year and current tax assets with the Financial Administration, comprising tax advances, tax credit arising from previous tax returns and other withholding tax receivables. In addition, current tax includes tax credit for which reimbursement has been requested from the relevant tax authorities. Tax receivables transferred as a guarantee of own debts shall also be recorded within this scope.

Deferred tax assets and liabilities are determined on the basis of the temporary differences – with no time limits – between the value assigned to the assets or liabilities in accordance with statutory principles and the corresponding values for tax purposes, applying the so-called balance sheet liability method.

Deferred tax assets determined on the basis of deductible temporary differences are shown in the balance sheet for the extent to which they are likely to be recovered on the basis of the capacity of the company involved or all of the participating companies – as a result of exercising the option concerning "fiscal consolidation" – to generate a positive taxable profit on an ongoing basis.

Recovery of deferred tax assets relating to goodwill, other intangibles and write-downs on loans is to be considered automatically probable because of existing regulations that provide for conversion into tax credits, if a statutory and/or tax loss is incurred.

In particular:

- if the financial statements filed by the company show a statutory loss for the year, deferred tax assets relating to goodwill, other intangible assets and loan write-downs will be subject to partial conversion into tax credits pursuant to the provisions set out in art. 2, par. 55 of Legislative Decree no. 225 of 29 December 2010, as amended by Law no. 10 of 26 February 2011. The conversion into tax credits becomes effective as of the date when the 'loss-incurring' separate financial statements are approved by the Shareholders' Meeting, as provided for by art. 2, par. 56 of aforementioned Legislative Decree no. 225/2010.
- if the financial statements filed by the company show a tax loss for the year, deferred tax assets relating to goodwill, other intangible assets and loan write-downs will be subject to conversion into tax credits pursuant to the provisions set out in art. 2, par. 56-bis of said Legislative Decree no. 225/2010, introduced by art. 9 of Legislative Decree no. 201 of 6 December 2011, as amended by Law no. 214 of 22 December 2011. Conversion will be effective as of the date of submission of the tax return for the year in which the loss is incurred.

As a result of changes introduced to the above provisions by Law no. 147 of 27 December 2013, starting from the tax period in progress as at 31 December 2013, the conversion into tax credits of deferred tax assets relating to goodwill, other intangible assets and loan losses and writedowns has also been extended to IRAP (regional productivity tax), in the case of both a statutory loss for the year and a negative production value.

Deferred tax assets on unused tax losses are recognised based on the same criteria as those used to recognise deferred tax assets on deductible temporary differences: therefore, they are shown in the balance sheet to the extent to which they are likely to be recovered on the basis of the capacity of the company to generate a positive taxable profit in the future. Since the existence of unused tax losses may be symptomatic of difficulties to generate positive taxable profit in the future, IAS 12 establishes that if losses have been posted in recent periods, suitable evidence must be provided to support the existence of such profit in the future. Furthermore, current Italian tax law allows for IRES losses to be carried forward unlimitedly (art. 84, paragraph 1, of the Income Tax Act - TUIR); as a result, verifyng the existence of future taxable profit against which to use such losses is not subject to any time limits.

Deferred tax assets and liabilities are calculated using current tax rates on the basis of the provisions in force at the reporting date. Any changes in tax rates or tax standards having a significant effect on deferred tax assets and liabilities that are issued or announced after the reporting date and before the publication authorisation date are treated as events after the balance sheet date that do not entail an adjustment pursuant to IAS 10, with the resulting disclosure in the notes.

Deferred tax assets and liabilities are posted to the balance sheet by offsetting each tax against the defined basset or liability to which it relates.

b) classification and measurement criteria

Deferred tax assets and liabilities are systematically measured to take account of any changes in regulations or tax rates and of any different subjective situations of Group companies. In addition, the tax reserve is adjusted to cover the charges which might result from already notified tax assessments or litigation pending with the tax authorities.

With reference to fiscal consolidation of the parent company and participating subsidiaries, contracts have been stipulated to regulate offsetting flows in relation to the transfers of tax profits and losses. Such flows are determined by administering the applicable IRES tax rate to the taxable income of participating companies. The offsetting flow for companies with tax losses – calculated as above – is posted by the consolidating to the consolidated company insofar as the consolidated company, had it not been a participant of fiscal consolidation, might have used the losses to offset its taxable income. Offsetting flows so determined are posted as receivables and payables with companies participating in fiscal consolidation, classified under other assets and other liabilities, offsetting item 290 "Tax expense (recovery) on income from continuing operations".

c) revenue recognition criteria

Where deferred tax assets and liabilities refer to components which affected the income statement, they are offset by income tax. When deferred tax assets and liabilities refer to transactions which directly affected equity without impacting the income statement (e.g. valuations of available-for-sale financial instruments or cash flow hedging derivatives), they are posted as a contra entry to shareholders' equity, involving the special reserves if required.

12 Provisions for risks and charges

Provisions to the reserve for risks and charges are made only when:

- there is a current (legal or implicit) obligation resulting from a past event;
- an outflow of resources producing economic rewards is likely to be necessary in order to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Whenever timing is important, the provisions are discounted back.

Provisions to the reserve are posted to the income statement, in addition to interest expense accrued on the reserves which were subject to discounting.

No provision is shown for contingent and unlikely liabilities, but information is provided in the notes to the financial statements, except in cases where the probability of an outflow of resources to settle the amount is remote or the amount is not significant.

Sub-item 120 "Provisions for risks and charges: post-employment benefits" includes appropriations in compliance with the 2011 revised version of IAS 19 "Employee benefits" for the purpose of settling the technical deficit of defined-benefit supplementary pension funds. Pension plans are either defined-benefit or defined-contribution schemes. The charges borne by the employer for defined-contribution schemes are pre-determined; charges for defined-benefit plans are estimated and shall take account of any shortfall in contributions or poor investment performance of defined-benefit plan assets.

For defined-benefit plans, the actuarial values required by the application of the above principle are determined by an external actuary in accordance with the Projected Unit Credit Method. In particular, the accounting treatment of net defined benefit liabilities is as follows:

1) any surplus or deficit in the plan is measured as the difference between the present value of the defined benefit obligation (DBO) and the fair value of the plan's assets;
2) when the plan is in deficit, the net defined benefit liability recognised in the balance sheet is equal to the deficit itself;

3) when the plan is in surplus, it is necessary to determine the present value of any future economic benefits available to the Bank in the form of refunds from the plan or reductions in future contributions to the plan (asset ceiling);
4) when the asset ceiling is lower than the surplus, the net defined benefit asset is to be recognised in the balance sheet in an amount equal to the asset ceiling.

In essence, if the Bank cannot use the surplus in any way then no asset may be recognised in the balance sheet.

An increase in the present value of the DBO resulting from employee service in the current period is recognised in the Bank's income statement, regardless of whether the plan is in surplus or deficit, as is the case for past service costs and interest costs.

The following components, on the other hand, are immediately recognised in the statement of comprehensive income:

1) actuarial gains and losses on the DBO;
2) difference between the actual return on plan assets and net income on the plan assets;
3) any change in the effect of the asset ceiling, excluding the interest income component.

Sub-item 120 "Provisions for risks and charges: other provisions" includes any provisions to cover expected losses for actions filed against the Bank, including clawback actions, estimated expenses in relation to customer claims for securities brokerage, and other estimated expenses in relation to legal or implicit obligations existing at the end of the period.

13 Liabilities and debt securities issued

a) recognition criteria

These financial liabilities are first recognised upon receipt of the sums collected or at the time of issuance of debt securities.

Liabilities are initially recognised at their fair value, which is generally equal to the amount received or the issue price, increased by any additional income/expense directly attributable to the funding or issuing transaction and not reimbursed by the creditors. Internal administrative costs are excluded. The fair value of financial liabilities (if any) issued at conditions other than market conditions is calculated by using a specific valuation technique, and the difference with respect to the consideration received is booked directly to profit and loss only when the conditions provided for by IAS 39 have been met, i.e. when the fair value of the instrument issued can be established by using either quoted market prices for similar instruments or a valuation technique based solely on market data.

b) classification criteria

Deposits from banks and customers and securities issued include different types of funding (both interbank and from customers) and funds raised through certificates of deposit and outstanding bonds, net of any repurchase. Debt securities issued include all securities that are not subject to "natural" hedging through derivatives and that are classified as liabilities measured at fair value.

The item also incorporates payables booked by the lessee in relation to any stipulated financial lease transactions.

c) revenue recognition criteria

Following initial recognition, financial liabilities are valued at amortised cost using the effective interest method.

Short-term liabilities for which time effect is immaterial are an exception, and are recognised at the amount collected.

Should the requirements provided for by IAS 39 for the separate recognition of embedded derivatives be met in the case of structured instruments, they are separated from the host contract and reported at fair value as a trading asset or liability. In this case, the host contract is recognised at amortised cost.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to repurchase them is recorded in the income statement.

A new placement in the market of own securities after their repurchase is considered as a new issue and posted at the new price of placement, with no impact on the income statement.

In compliance with the provisions of IAS 32, any potential commitment to buy treasury shares as a result of the issuance of put options is shown in the balance sheet under financial liabilities, offset by the reduction of shareholders' equity in the amount of the current value of the contractual repayment sum. At the end of 2014, there were no put options sold on treasury shares of the Parent company.

14 Financial liabilities held for trading

a) recognition criteria

Financial liabilities held for trading are initially recognised on the date of issue for debt securities, and on the date of subscription for derivatives.

Upon initial recognition, they are measured at fair value, which usually corresponds to the amount collected net of any transaction costs or income directly attributable to the instrument itself, which are directly posted to the income statement. Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of a derivative are recognised separately from the host contract at fair value. The applicable accounting criteria are administered to the primary contract.

b) classification criteria

This category includes debt securities issued mainly for the purpose of obtaining short-term profits and the negative value of derivative contracts excluding those designated as hedging instruments. Derivative contracts include those embedded in combined financial instruments which were subject to separate accounting.

The sub-items "Deposits from banks" and "Deposits from customers" also incorporate uncovered short positions on securities.

c) measurement criteria

Following initial recognition, financial liabilities held for trading are measured at fair value, every changes in fair value are recognised in the income statement.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.4.5 Fair Value Hierarchy" of this Part A.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to repurchase them is booked in the income statement.

e) revenue recognition criteria

Profits and losses arising from any changes in the fair value of financial liabilities are recognised in profit and loss under item "80 Net profit/loss from trading", except for gains and losses on derivative payables linked with the fair value option which are classified under item "110 Net profit/loss on financial assets and liabilities designated at fair value".

15 Financial liabilities designated at fair value

a) recognition criteria

Financial liabilities measured at fair value are initially recognised on the date of issuance for debt securities. Upon initial recognition, they are measured at fair value, which usually corresponds to the amount collected net of any transaction costs or income directly attributable to the instrument itself, which are directly posted to the income statement.

The Fair Value Option (FVO) applies to all financial assets and liabilities which would have caused misrepresentation on the income statement and balance sheet had they been otherwise classified, and to all instruments which are managed and measured using a fair value approach. In particular, liabilities measured at fair value include fixed-rate and structured funding instruments whose market risk is subject to systematic hedging through derivative contracts. The fair value of financial liabilities issued at conditions other than market conditions, if any, is calculated by using a specific valuation technique, and the difference with respect to the consideration received is booked directly to profit and loss only when the conditions provided for by IAS 39 have been met, i.e. when the fair value of the instrument issued can be established by using either quoted market prices for similar instruments or a valuation technique that makes maximum use of market inputs. Should these conditions not be available, the fair value used for valuations after the issuance of instruments is cleared of the initial difference between the fair value upon issuance and the consideration received. This difference is recognised in profit and loss only if it ensues from changes in the factors (including time), which market traders would consider for price determination.

b) classification criteria

This category includes financial liabilities intended for measurement at fair value through profit or loss when:

1. the determination of fair value allows for the elimination or reduction of significant misrepresentations of the financial instruments in the income statement and balance sheet; or
2. the management and/or measurement of a group of financial instruments at fair value through profit or loss is consistent with an investment or risk management strategy documented as such by senior management; or
3. a host instrument embeds a derivative which significantly modifies the cash flows of the host and should otherwise be accounted for separately.

In particular, the Parent Company has recognised under this item the financial liabilities that are subject to “natural hedging” through derivative instruments. These financial liabilities include structured and fixed-rate certificates of deposit and bonds, whose market risk is subject to systematic hedging through derivative contracts, with the exception of securities issued at a floating rate subject to cash flow hedging, which are instead classified under debt securities in issue. In order to further enhance reporting and transparency on how the fair value option is used, specific detailed tables are provided in the corresponding sections of the notes to the financial statements, both for the income statement and the balance sheet, which further illustrate the methods and strategies of use of the fair value option by the Parent Company. For item 17 “Other information”, a specific section is also included to provide insight into the technical hedging methods, with a special focus on the use of the fair value option.

c) measurement criteria

Following initial recognition, financial liabilities are measured at fair value.

For a description of criteria used to determine the fair value of financial instruments, please see section “A.4.5 Fair Value Hierarchy” of this Part A.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to purchase them is recorded in the income statement under item 110 "Net profit/loss on financial assets and liabilities designated at fair value".

e) revenue recognition criteria

Gains and losses arising from any changes in the fair value of a financial asset are recognised in profit and loss under item "110 Net profit/loss from financial assets and liabilities designated at fair value"; same treatment applies to derivatives payable linked with the fair value option which are classified under item "110 Net profit/loss from financial assets and liabilities designated at fair value".

16 Foreign-currency transactions

a) recognition criteria

Upon initial recognition, foreign-currency transactions are recognised in the currency of account using the foreign-exchange rates on the date of the transaction.

b) revenue recognition and derecognition criteria

Financial statement entries denominated in foreign currencies are valued at the end of each reporting period as follows:

- monetary entries are converted using the exchange rate on the closing date;
- non-monetary entries valued at historical cost are converted using the exchange rate on the date of the transaction;
- non-monetary entries that are measured at fair value in a foreign currency are translated at the closing date rate.

Any exchange-rate differences resulting from the settlement of monetary elements, or from the conversion of monetary elements at rates other than those used for initial conversion or conversion in the previous financial statements, are posted to the income statement for the period in which they arise.

When a profit or a loss on a non-monetary element is recognised in equity, the exchange-rate difference in relation to said element is also posted to equity. However, when a profit or a loss is posted to the income statement, the relative exchange-rate difference is also posted there.

The accounting position of foreign branches with different operating currencies is converted into Euros by using the exchange rates at the end of the reporting period.

Any exchange-rate differences attributable to investments in such foreign branches, and those resulting from the conversion into Euros of their accounting position, are recognised in equity reserves and transferred to the income statement only in the year when the investment is disposed of or reduced.

17 Other information

Other significant items

Other significant items from the Group's financial statements are described below.

Cash and cash equivalents

This item includes currencies that are legal tender, including foreign banknotes and coins and demand deposits with the central bank of the country or countries in which the Group operates with its own branches.

The item is posted at face value. For foreign currencies, the face value is converted into Euros at year-end exchange rate.

Value adjustment of macrohedged financial assets and liabilities

These items show, respectively, the net amount, whether positive or negative, of the changes in value of the macrohedged assets and the net amount, whether positive or negative, of the changes in value of liabilities macrohedged against interest-rate risk, pursuant to IAS 39, paragraph 89.

Other assets

This item shows assets not attributable to the other items on the asset side of the balance sheet. It may include, for example:

- gold, silver and precious metals;
- accrued income other than that which is capitalised to the related financial assets;
- any inventories according to the definition of IAS 2;
- improvements and incremental expenses incurred on third-party real estate other than those attributable to property, plant and equipment and therefore not independently identifiable and separable.

The costs in the latter bullet point are posted to other assets, since the user company exercises control of the assets for the purpose of the tenancy agreement and can obtain future economic benefits from them. Said costs are posted to item 220 "Other operating expenses (income)" on the income statement according to the shorter of the period in which the improvements and expenses can be used and the remaining term of the contract.

Severance pay

Employee severance pay is a defined-benefit allowance subsequent to the employment relationship; therefore its actuarial value must be estimated for the purpose of the financial statements. This estimate is carried out using the "Projected Unit Credit" method, which predicts future disbursements on the basis of statistical historical analysis and the demographic curve, and the financial discounting of such flows according to market interest rates. For the calculation of liabilities to be recognised in the financial statements, the 2011 revised version of IAS 19 "Employee benefits" has been applied; please refer to the paragraph "Provisions for risks and charges" regarding defined benefit pension plans.

The costs accrued during the year for servicing the plan are posted to the income statement under item "180 a) Personnel expenses".

After the reform of supplementary pension funds as per Legislative Decree No. 252 of 5 December 2005, severance pay quotas accrued to 31 December 2006 remain with each company of the Group, while severance pay quotas accrued after 1 January 2007, at the discretion of the employee, are assigned to supplementary pension funds or maintained with the individual companies, which will provide for their transfer to the Treasury Fund managed by the Italian National Social Security Institute, INPS.

Other liabilities

This item shows liabilities not attributable to other items on the liability side of the balance sheet.

It includes, for example:

a) payment agreements that must be classified as debit entries according to IFRS 2;
b) debit entries connected with payment for provision of goods and services;
c) accrued liabilities other than those to be capitalised to the respective financial liabilities.

Other significant accounting practices

Details on significant accounting criteria for purposes of understanding the financial statements are shown below.

Treasury shares

Any shares held by Parent Bank Banca Monte dei Paschi di Siena S.p.A. are recorded in their own item and deducted directly from equity. No profits or losses are posted to the income statement upon the purchase, sale, issue or cancellation of the Parent Bank's equity instruments. Any amount paid or received is posted directly to equity.

Share-based payments

Contingent upon occurrence of certain circumstances, stock-granting plans in general provide for the purchase and allocation to the employees of a certain number of shares of Gruppo Monte dei Paschi di Siena S.p.A. on an annual basis, for a value corresponding to the amount recognised as part of the company's bonus structure.

Such value is posted as personnel expenses on an accrual basis.

Dividends and income/cost recognition

Revenues are recognised upon attainment, or: in the case of selling goods or products, when it is likely that future benefits will be received and said benefits can be reliably quantified; in the case of services, when these are provided.

In particular:

a) interest is booked pro rata temporis on the basis of contractual interest rate or the effective interest rate in the event of application of the amortised cost;
b) interest on arrears is posted to the income statement only upon actual collection;
c) dividends are shown in the income statement upon resolution of their payout, i.e. when their payment is due;
d) commissions for service income are posted in the period when said services were rendered, on the basis of existing contractual agreements;
e) revenues from trading or from issuance of financial instruments, as determined by the difference between the transaction price and the fair value of the instrument, are booked to the income statement upon reporting of the transaction if the fair value can be determined with reference to parameters or recent transactions observable on the same market in which the instrument is traded; otherwise, they are distributed over time, taking into account the duration and the nature of the instrument;
f) portfolio management fees are recognised based on the duration of service;
g) expenditures are booked to profit and loss during the periods in which the related revenues are booked. Expenditures that cannot be associated with income are booked immediately to the income statement.

Business combinations

A business combination is defined as the transfer of control of a company (or of a group of assets and integrated goods, conducted and managed as a unit). For the definition of control, please refer to Section 3 "Scope of consolidation" of this part A of the notes.

A business combination may give rise to an investment link between the acquiring parent company and the acquired subsidiary. In these cases, the acquirer applies IFRS 3 to the consolidated financial statements while posting the acquired interest to its separate financial statements as an equity interest in a subsidiary, consequently applying IFRS 10.

A business combination may also provide for the acquisition of the net assets of another entity, including any goodwill, or the acquisition of the share capital of another entity (for example mergers, splits, acquisitions of business units). Such a business combination is not an investment link like the one between a parent company and subsidiary, and therefore in these cases IFRS 3 is also applied to the individual financial statements.

Based on the provisions of IFRS 3, an acquirer must be identified for all combination transactions. It is identified as the subject that obtains control over another entity or group of assets.

The acquisition must be posted to the accounts on the date when the acquirer effectively obtains control over the entity or assets acquired.

At the date of acquisition, the acquirer must recognise goodwill as the difference between:

(a) the sum of:

i. the consideration generally measured at fair value at the acquisition date;
ii. the amount of any non-controlling interest in the acquired company and
iii. in a business combination carried out in multiple phases, the fair value at the acquisition date of *interests* in the acquired company previously held by the acquirer;

(b) the net value of amounts, at the acquisition date, of identifiable assets acquired and identifiable liabilities assumed.

The acquirer must account for transaction-related costs (legal, accounting costs, consulting expenses, etc.) as expenses in the periods in which the costs are incurred and the services are received, with the exception of the costs of issuing debt securities or equity instruments, which must be recognised in accordance with the provisions of IAS 32 and IAS 39.

In addition, if a company does not acquire a 100% interest, non-controlling interests' shares of equity may be valued at fair value (full goodwill).

The fair value of the assets, liabilities and contingent liabilities of the acquired entity may be determined provisionally by the end of the first reporting period in which the combination occurs and must be completed within twelve months of the date of acquisition.

Business combinations do not include transactions aimed at control of one or more entities that do not constitute a business activity, or aimed at temporary control, or finally, if the business combination is realised for restructuring purposes, thus among two or more entities or business activities already part of the MPS Group, and not involving changes to the control structures regardless of the percentage of rights of third parties before and after the transaction (so-called business combinations of entities under common control).

As of 2010, the obligation to value subsidiaries' individual assets and liabilities at fair value in any subsequent acquisition has been removed in the event of gradual acquisitions of subsidiaries. In addition, if a company does not acquire a 100% interest, non-controlling interests' shares of equity may either be valued at fair value (full goodwill), or using the method currently provided for by IFRS 3. The revised version of the standard also provides for all business combination-related costs to be posted to the profit and loss account and liabilities for contingent payments to be recognised on the acquisition date.

Business combinations between entities under common control

Business combinations between entities under common control do not fall under IFRS 3. In the absence of a standard of reference, as indicated in Section 1 "Declaration of conformity with international accounting standards", these transactions are posted to the accounts by making reference to preliminary guidance from the Italian Association of Auditors (Orientamenti Preliminari, OPI no. 1 "Accounting treatment of "business combinations of entities under common control" in separate and consolidated financial statements" and OPI no. 2 "Accounting treatment of mergers in financial statements"). These guidelines consider the economic significance of business combinations on the basis of cash flow impact on the Group. Transactions, which had no significant influence on future cash flows, were recognised using the pooling of interest method. Therefore, in the financial statements of the seller, the difference between the sale price and the book value is posted as an increase/decrease in equity. Exclusively in the event of acquisition or transfer of a controlling interest, the equity investment is posted at acquisition cost in the acquirer/transferee's financial statements for the year.

Amortised cost

The amortised cost of financial assets or liabilities is the value at which they were measured upon initial recognition, net of principal repayments, plus or minus overall amortisation calculated using the effective interest method, on the differences between the initial value and that at maturity and net of any permanent impairment.

The effective interest rate is the rate which makes the present value of future contractual payment or collection cash flows, until maturity or a subsequent price recalculation date, equal to the net book value of the financial assets or liabilities. To calculate the current value, the effective interest rate is applied to estimated future collection or payment flows over the entire useful life of the financial assets or liabilities – or for a shorter period if certain conditions are met (for example, a change to market rates).

The effective interest rate shall be redetermined where the financial assets or liabilities have been subject to fair value hedging that has ceased to exist.

In cases in which it is not possible to estimate the cash flows or expected life in a reliable manner, the Bank uses the cash flows contractually envisaged for the entire contractual term.

Following initial recognition, the amortised cost makes it possible to allocate income and costs reducing or increasing the instrument over its entire expected life by means of the amortisation process. The determination of the amortised cost is different depending on whether the financial assets/liabilities are subject to valuation at a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the known interest rate during the term of the financing. For floating-rate financial assets/liabilities, whose variability is not known beforehand (because, for example, it is tied to an index), cash flows are determined on the basis of the last known rate. At every rate review date, the amortisation schedule and the actual rate of return over the entire useful life of the instrument, i.e. until maturity, are recalculated. The adjustment is recognised as cost or income in the income statement.

Valuation at amortised cost is applied to receivables, held-to-maturity financial assets, available-for-sale financial assets, liabilities and debt securities in issue; for debt securities classified under assets available for sale, amortised cost is calculated for the only purpose to post interest (based on the effective interest rate) to profit and loss; the difference between fair value and amortised cost is allocated to a specific equity reserve.

Financial assets and liabilities traded at market conditions are initially recognised at their fair value, which normally corresponds to the amount disbursed or paid inclusive -in the case of instruments valued at amortised cost- of transaction costs and commissions directly attributable to the assets and liabilities (such as fees and commissions paid to agents, consultants, intermediaries and dealers), as well as contributions withheld by regulatory bodies and securities exchanges, taxes, and transfer charges. These expenses, which must be directly attributable to the individual financial assets or liabilities, impact the original actual return and make the effective interest rate associated with the transaction different from the contractual interest rate. Calculation of the amortised cost does not include costs that the Group must incur regardless of the transaction (for example, administrative, stationery and advertising costs), which, even though they are specifically attributable to the transaction, occur in the normal practice of managing loans (for example, disbursement activities).

With particular reference to receivables, lump-sum reimbursements of expenses incurred by the Group for the provision of a service must not be attributed in a way that lowers the cost of disbursing the loan, but since they may be considered as other operating income, the related costs must be posted to a separate account in the income statement.

Guarantees issued

Adjustments due to any deterioration in the guarantees issued are posted to item 100 "Other liabilities". Impairment losses are posted to item 130 d) "Net impairment losses/reversals on other financial transactions" in the income statement.

Significant accounting choices made in preparing the financial statements (with particular reference to the provisions of IAS 1, paragraph 122, and document nos. 4 of 3 March 2010 and 2 of 6 February 2009, issued jointly by the Bank of Italy/Consob/Isvap).

Decisions by senior management having a significant effect on amounts in the financial statements, other than those relating to estimates, made when applying accounting principles, are shown below.

Securitisations

Securitised loans completed prior to the first-time adoption (FTA) of international accounting standards are not reported in the financial statements inasmuch as the Bank has made use of the optional exemption provided for by IFRS 1, which permitted not re-posting financial assets/liabilities sold or derecognised prior to 1 January 2004. The relative junior securities underwritten have been classified among receivables.

For transactions completed later than this date, where receivables were sold to vehicle companies and in which - even with formal transfer of legal ownership of the receivables - control over the cashflows deriving therefrom and most risks and rewards are maintained, the loans that are the object of the transaction are not eliminated from the transferor's balance sheet. In this case, a payable is posted with the vehicle company net of the securities issued by the company and repurchased by the seller. The income statement also reflects the same accounting criteria.

Accounting for hedge transactions – adoption of the Fair Value Option

In its financial risk management policy, relating to financial instruments included in the banking book, the Bank has preferred using the Fair Value Option accounting technique with respect to the alternative methods of hedging provided for by IAS 39, particularly fair value hedging and cash flow hedging. This decision is strictly linked to the actual methods with which the Group implements its own hedging policies, tending to do so by assets, managing the overall exposure to the market.

More specifically, the Fair Value Option was adopted to represent operational hedges realised by trading derivative financial instruments to hedge fixed-rate certificates of deposit and fixed-rate or structured bonds, both on an individual and consolidated basis (Accounting Mismatch). In fact, the operations of the Group provide for the issuing companies of the MPS Group to stipulate microhedging derivative contracts for funding instruments issued with subsidiary MPS Capital Services S.p.A., which in turn manages by assets the Group's overall exposure to the market. This approach does not enable a direct relationship to be maintained between the derivative stipulated between Group companies and that traded to the market. This management can be faithfully represented in the financial statements by adopting the Fair Value Option introduced by the International Accounting Standards, designating a group of financial assets or financial liabilities managed at fair value through profit or loss.

The scope of application of the Fair Value Option, for the most part, concerns three types of financial debt instruments:

- plain vanilla issuances represented by bonds and fixed-rate certificates of deposit;
- structured issuances represented by bonds whose payoff is tied to an equity component;
- structured issuances represented by bonds whose payoff is determined by interest rate- or inflation-linked derivatives.

The use of the Fair Value Option, while best representing the hedge activities performed by the Group, has introduced certain elements of greater complexity compared with the other forms of hedging provided for by IAS 39, such as the need to manage the creditworthiness of the issuer and to define and specify methodologies for determining the fair value of the issued securities.

In accordance with IAS 39, adopting the Fair Value Option necessitates the liabilities being measured at fair value while also taking into account changes in own creditworthiness. This element is considered in the valuation process; to this end, the portfolio of financial instruments designated for the purpose of the fair value option has been determined using methods consistent with those adopted for all other financial instruments owned by the Group and measured at fair value, as described in detail in the following paragraph.

From the perspective of prudential supervision, the fair value option was subject to attention from supervisory bodies, oriented towards controlling the potentially distorting effects deriving from posting to the income statement changes in the issuer's own creditworthiness and, consequently, in the quality of equity. These reflections led the Supervisory Authorities to identify and isolate the effects deriving from changes in own creditworthiness, which are expressly excluded from the calculation of capital.

Consequently, the Group shall ensure that its capital is cleansed of effects deriving from changes in own creditworthiness, in compliance with the instructions provided by the Capital Requirements Directive.

IAS 39 provides for financial instruments to be irrevocably posted among assets or liabilities measured at fair value upon initial recognition. The fair value option cannot therefore be used for hedges on funding instruments issued prior to the decision that the hedge be undertaken; hedge accounting must be used in these cases.

There are, moreover, portfolios and asset classes for which using the Fair Value Option would make it harder to manage and measure the items, for example in relation to the hedging of assets. With reference to these cases, therefore, the Group considered it more appropriate and consistent to adopt formal Hedge Accounting relations than use the Fair Value Option. In particular, the Group has used the technique of Micro Fair Value Hedging to hedge quotas of commercial assets valued at amortised cost (loans, mortgages) and the (available for sale) securities portfolio, while using Macro Fair Value Hedging for certain hedges of commercial assets and Cash Flow Hedging to hedge a limited portion of variable-rate funding instruments.

In the Operating Guide no. 4 of the OIC on accounting management of reserves and profit distribution pursuant to Legislative Decree no. 38 of 28 February 2005, the supervisory authorities (Bank of Italy/Consob/Isvap) specify that capital gains posted to the income statement using the Fair Value Option and not yet realised are not distributable. The Parent Company and the other Group companies have followed this rule to the letter, considering only capital gains and not capital losses, underlining that all the Group's liability operations are exclusively for the purposes of hedging.

Accounting treatment of "long-term structured repos"

Over the past years, the Parent Company entered into two asset swaps with Italian government bonds-BTPs (known as the "Santorini/Deutsche Bank" and "Alexandria/Nomura" transactions), funded by repo agreements with duration equal to the securities' natural maturity.

These transactions led to the restatement of the 2012 Financial Statements (for further details on these transactions and on the restatement to the 2012 Financial Statements, please refer to the chapter "Restatement of previous period accounts and changes in estimates in compliance with IAS 8" in the same Financial Statements).

In December 2013, the "Santorini" transaction was closed by way of a settlement agreement with Deutsche Bank, which allowed the cost of termination for the Parent Company to be lower by approximately EUR 220 mln as compared to market values; settlement of the transaction resulted in the recognition of a loss, before tax, of EUR 287 mln, posted to the 2013 financial statements under item 100 of the income statement (see press release of 19 December 2013).

On the other hand, the "Alexandria" transaction is in place at the date of these financial statements. The characteristics of the long-term repo associated with that transaction are reported below for ease of reference.

"Alexandria/Nomura" Trade

As part of the "Alexandria/Nomura" trade, in 2009 the Parent Company entered into a number of transactions with Nomura; in particular:

- purchase of long-term government bonds (BTPs) maturing on 2034, for a nominal amount of EUR 3,050 mln. The purchase of BTPs was effected by way of an asset swap consisting of: a forward purchase of BTPs and an interest rate swap, whereby Banca Monte dei Paschi di Siena undertook to pay the fixed rate coupon received on the BTPs in exchange for an interest rate set at 3m Euribor + spread, calculated on EUR 3,050 mln;
- spot sale of BTPs of a nominal value of EUR 3,050 mln, against a sale price of EUR 3,102 mln, i.e. a consideration inclusive of interest accrued on the BTPs until the date of the transaction settlement (long term repo with maturity in 2034 like the BTP Asset Swap) and

commitment to repurchase the BTPs due in 2034 from Nomura for the same nominal amount; for the entire duration of the agreement, Banca Monte Paschi Siena pays Nomura an interest rate set at 3m Euribor + spread, calculated on the consideration received, while Nomura pays Banca Monte Paschi Siena the coupon received on the BTPs due in 2034;

- granting of a repo facility to Nomura with maturity on 1 September 2040, whereby Nomura can use the credit line granted by delivering BTPs or similar securities to Banca Monte Paschi Siena for a total maximum amount of EUR 3,050 mln. The Parent Company receives interest at 3-month Euribor from Nomura on the consideration paid to Nomura against delivery of said securities, in addition to fees calculated on the amount of the credit line granted (EUR 3,050 mln).

The agreements provide that, in the event of default of the Italian Republic, the issuer may deliver securities from the same issuer but different from those in the repo agreement (a.k.a 'cheapest to deliver' option).

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With reference to guidance provided by Supervisory authorities in Document no. 6 of 8 March 2013 issued jointly by the Bank of Italy, Consob and IVASS – Accounting treatment of "long-term structured repos", a detailed analysis was carried out to verify whether, for the purpose of compliance with the principle of priority of substance over form, the indicators under IAS 39 Implementation Guidance para. 6 are in place for the substance of the transaction to essentially meet the definition of a derivative contract and, particularly, of a credit default swap.

As regards the Alexandria/Nomura transaction, the only transaction still in place at the date of these financial statements, the Board of Directors confirmed the ‘gross' accounting representation of this transaction and of the Santorini/Deutsche Bank transaction by way of an explicit reference made thereto in the resolution adopted by the Board to approve the Draft Annual Report for 2012. These conclusions reflect the assessment of the set of contractual agreements, particularly with regard to the underlying intents, cash flows and associated risks. The legal aspects and material reverberations of the deals were also taken into consideration.

In addition, at the request of Consob pursuant to art. 114, paragraph 5 of Legislative Decree 58/1998, the market was provided with additional information regarding the accounting treatment of these transactions (see press release of 23 April 2014), also in light of the considerations published by the IFRS Interpretation Committee in March 2014.

The elements that arose confirm the validity of the ‘gross’ representation, which requires the individual contractual components of the transactions to be accounted for separately. In March 2014 the IFRS Interpretation Committee highlighted the following in justifying the decision not to include in its agenda the topic of accounting for long-term structured repo transactions:

- the elements set forth in paragraph B.6 of IAS 39 Implementation Guidance, as indicators that the separate transactions could be linked transactions to be accounted for as an individual transaction, may be indicative of the economic substance of the transaction, but the presence or absence of each individual indicator may not be conclusive in and of itself;
- the application of the instructions set forth in Guidance paragraph B.6 to the actual case requires a specific assessment by the party concerned, particularly with reference to the business purpose of the transaction.
- paragraph C.6 of the same Guidance states that it is generally inappropriate to treat two or more seperate financial instruments as a single combined instrument for the purpose of applying IAS 39. Each of the financial instruments has its own terms and conditions and each may be transferred or settled separately;
- paragraph AG39 of IAS 32 states that, with respect to para. 42 of IAS 32, there is no special treatment for separate financial instruments belonging to so-called “synthetic instruments”.

In light of these considerations, the Alexandria/Nomura transaction continues to be represented by separately accounting for the individual contractual components as set forth below:

- BTPs, included in item - Financial assets available for sale;
- Repo facility, classified as Loans to customers;
- Deposits held as collateral, classified as Loans to customers;
- Repurchase agreements (Repos) on the same BTPs, classified under item 20 - Deposits from customers;
- Interest rate swap (IRS), included under Liabilities in item - Hedging derivatives

Had the Parent Company classified the transaction as a synthetic derivative, the accounting representation would have been different. This accounting representation, as required by Bank of Italy/Consob/IVASS Document n° 6 of 8 March 2013 – Accounting treatment of "long-term structured repos", is illustrated in the Annex "Pro-forma statements for the accounting representation of major long-term structured repos as synthetic derivatives".

Under the term structured repo in place, the most significant risk the Parent Company is exposed to is the credit risk of the Italian government. Since an asset swap was entered into to hedge against interest rate risk, the interest rate risk sensitivity of this position is residual as compared to the sensitivity to the Italian sovereign credit risk. A variation in the Italian credit spread thus generates a variation in the AFS Reserve, which is recognised in the statement of comprehensive income.

The Parent Company is also exposed to counterparty risk which is, however, mitigated by the daily cash collateralisation of transactions.

The financial risk associated with Italian credit spread is reflected in a similar risk in liquidity: by means of the daily collateralisation mechanism, if the transactions value deteriorates for the Parent Company, the latter is required to supplement any collateral pledged by integrating the transactions' cash margins.

Accounting treatment of shareholding in the Bank of Italy

The Parent Company's 2.5% shareholding in the Bank of Italy was recognised in the AFS portfolio for a value of EUR 187.5 mln as at 31.12.2014. The shareholding results for the Bank of Italy's capital increase in 2013, as a consequence of Legislative Decree no. 133 of 30 November 2013 ("L.D. 133/2013"), coverted into Law no. 5 of 29 January 2014. The increase in share capital to EUR 7.5 bn was performed through the conversion of reserves to equity, with the cancellation of existing shares and the issuance of new shares whose ownership rights were defined on the basis of the directives set forth by the same Decree.

For the financial statements as at 31 December 2013, the Parent Company deemed it correct to derecognise the pre-exisiting shares from the balance sheet, with consequent reversal to profit and loss of the AFS reserve; this accounting treatment was supported by the opinions of qualified external consultants, which took account of the different financial characteristics and shareholder rights of the new shares issued as compared to the pre-existing ones. The accounting treatment applied led to the recognition of a pre-tax gain from disposal (item 100 lett. b) in the income statement) of EUR 187.5 mln. Considering the application of a 12% substitute tax as established by Law 147/2013 ("Stability Law"), the net capital gain as at 31 December 2013 amounted to EUR 165.0 mln.

Subsequently, on 23 June 2014, approval was given to Law no. 89 converting Legislative Decree no. 66 of 24 April 2014 ("spending review"), which increased the substitute tax on the revaluation of the interest in the Bank of Italy to 26%, to be applied on the nominal value of shares, net of taxable value. Following the new tax rate law and in compliance with IAS 12, the substitute tax to be paid was recalculated in the amount of EUR 48.7 mln. This resulted in a tax burden, charged to the income statement in 2014, that was EUR 26.2 mln higher than the amount allocated in 2013.

As highlighted in the 2013 Financial Report, in-depth reviews were conducted at international level concerning the proper accounting trreatment of the transaction in compliance with IAS/IFRS. In this regard, it should be noted that the accounting treatment of this transaction was submitted to the IFRS Interpretation Committee which, on 11 November 2014, deciced not to add this case to its agenda, specifying that this is a unique situation for which no different interpretation had been applied in the the accounting treatment of this transaction by the other companies concerned.

To date, the Group is not aware of any further reviews in progress. For completeness of information, it should be noted that had the revaluation of the shareholding in the Bank of Italy been recognised in a equity reserve without the derecognition of pre-existing shares from the balance sheet as at 31 December 2013, the following impacts would have been registered:

- Profit and loss for the year would have registered a gross negative impact of EUR 187.5 mln (EUR 165.0 mln after application of the 12% substitute tax);
- Equity, including net result for the year, would have remained unchanged since the non-recognition of profit from derecognition after application of the substitute tax would have been offset in the valuation reserves.

Under this alternative accounting treatment, the application of the new tax described above would not have resulted in any different impacts on the financial statements as at 31 December 2014.

Use of estimates and assumptions when preparing financial statements. Main causes of uncertainty (with particular reference to the provisions of IAS 1, paragraph 125, and document nos. 4 of 3 March 2010 and 2 of 6 February 2009, issued jointly by the Bank of Italy/Consob/Isvap)

The financial crisis has had many consequences for businesses, notably on their financial planning (i.e. on the planning and scheduling of their credit lines). The strong volatility on the still-active financial markets, the reduction in transactions on inactive financial markets and the lack of prospects for the future create specific conditions that influence the preparation of financial statements, especially in relation to estimates required by accounting standards that can have a significant impact on the balance sheet and profit and loss account, as well as on disclosure of contingent assets and liabilities reported in the financial statements. The making of these estimates involves the use of available information and adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

The main cases in which subjective valuations are mostly opted for by Management include the:

a) use of valuation models to measure the fair value of financial instruments not listed in active markets;
b) quantification of impairment losses on loans and, more generally, other financial assets;
c) assessment of the fair value of equity investments, goodwill, other intangible assets and property, plant and equipment;
d) estimation of liabilities arising from defined-benefit company pension funds:
e) estimation of deferred tax assets recoverability;
f) estimation of costs relating to legal and tax disputes.

For a description of item a), please see section A.4.5 Fair Value Hierarchy; in relation to items b) and c), the most important qualitative issues subject to elements of discretion are described below. The actual technical and conceptual solutions used by the Group are analysed in more detail in the individual sections of the notes to the balance sheet and the income statement, where the contents of each item in the financial statements are described. With regard to item d) please refer to section 12 of Liabilities in the Notes to the Financial Statements "Defined benefit company pension funds"; as for item d) please see section 14 of Assets in the Notes to the Financial Statements "Tax assets and liabilities". With reference to point f) please refer to section 12 of the Notes to the Financial Statements "Provisions for risks and charges" and section 1.4 "Operational Risk" in part E of the Notes to the Financial Statements.

Methods for determining impairment losses on loans and, more generally, other financial assets

At the end of every reporting period, the financial assets not classified as held-for-trading financial assets or assets at fair value are evaluated to check whether there is objective evidence of impairment that might render the book value of these assets not entirely recoverable.

A financial asset has suffered a reduction in value and the impairment losses must be posted to the financial statements if, and only if, there is objective evidence of a reduction in future cash flows compared with those originally estimated as a result of one or more specific events that have occurred after initial recognition; the loss should be determined reliably and in relation with recent events.

The reduction in value may also be caused not by a single separate event but by the combined effect of several events.

The objective evidence that a financial asset or group of financial assets has suffered a reduction in value includes measurable data that arise from the following events:

- significant financial difficulty of the issuer or debtor;
- breach of contract, for example non-fulfilment or failure to pay interest or principal;
- granting Beneficiary a credit facility that the Group has taken into consideration primarily for economic or legal reasons related to the beneficiary's financial difficulties and that would not have been granted otherwise;
- a reasonable probability that the beneficiary will file for bankruptcy or other financial restructuring procedures;
- disappearance of an active market for that financial asset due to financial difficulties. Nevertheless, the disappearance of an active market due to the fact that the financial instruments of the company are no longer publicly traded is not evidence of a reduction in value;
- measurable data which indicate the existence of a significant drop in the estimated future cash flows for a group of financial assets from the time of their initial recognition, even though the reduction cannot yet be matched to the individual financial assets of the Group, including:
    - unfavourable changes in the status of payments of the beneficiaries within the group; or
    - local or national economic conditions that are associated with non-fulfilment related to internal Group assets.

Objective evidence of reduction in value for an investment in an equity instrument includes information regarding important changes with an adverse effect that have occurred in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of the investment may not be recovered.

Loans to customers and to banks are tested for impairment on an analytical basis if they are doubtful, subjective substandard or restructured, and collectively if they are past-due non-performing, objective substandard or performing. Collective valuation is based on identifying homogenous risk classes of financial assets with reference to the characteristics of the debtor/issuer, economic sector, geographic area, presence of any guarantees and other relevant factors.

The amount of the loss is equal to the difference between the book value of the receivable upon valuation (amortised cost) and the current value of expected future cash flows, calculated using the original effective interest rate; expected cash flows take account of the expected repayment schedule, the expected recovery value of collaterals, if any, as well as the costs expected to be incurred for the recovery of the credit exposure. The amount of the loss is indicated in the income statement under Item 130 a) "Net impairment losses/reversals on loans".

The individual valuation of the aforementioned non-performing loans requires defining repayment schedules for each position, in order to determine the cash flows deemed to be recoverable. As regards this aspect, within the assessment process adopted by the Bank, if there are no analytical schedules, statistical schedules are used.

Performing loans, past-due non-performing loans and objective substandard loans are subject to collective valuation. This valuation occurs by credit-risk homogenous categories of receivables, indicative of the debtor's ability to repay sums contractually owed. The segmentation drivers used for this purpose consist of: economic sector, geographic location and customer segments (turnover); on the basis of the latter indicator, the main segments of the portfolio are differentiated as follows:

- Retail;
- Small and Medium Enterprises - Retail;

- Small and Medium Enterprises - Corporate
- Corporate;
- Large Corporate;
- Banks;
- Other.

The rate of loss is determined for each portfolio segment by identifying the largest possible synergies (as allowed by various regulations) using the supervisory approach. In particular, the impairment for the year of each loan belonging to a particular category is given by the difference between the book value and the recoverable amount on the date of valuation, with the latter being determined by using the parameters of the calculation method provided for by the new supervisory provisions, represented by PD (probability of default) and LGD (loss given default).

For non-performing loans (past-due and objective substandard), collective valuation is carried out by applying the specific LGD parameter to the exposures' book value.

If, in a subsequent year, the impairment loss decreases and the reduction can be objectively linked to an event that occurred after the impairment was recognised (such as an improvement in the financial solvency of the debtor), the previously recognised impairment loss will be reversed. The amount of the reversal is indicated in the income statement under Item 130 "Net impairment losses/reversals".

With reference to loans which have been restructured by partial or full conversion into equity stakes of beneficiary companies, in accordance with joint document no. 4 issued by Bank of Italy/Consob/Isvap on 3 March 2010, it is noted that the fair value of quotas received was factored into the valuation. In particular, in the case of non-performing exposure, such classification was maintained for converted financial instruments received and, in the case of classification in the available-for-sale (AFS) category, capital losses recognised after conversion were posted directly to the income statement.

With regard to debt securities classified under loans to customers, if there is objective evidence of a impairment loss, the loss is calculated as the difference between the asset's carrying value and the present value of estimated cash flows, discounted at the asset's original interest rate.

If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal is not to result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised. The amount of the reversal is recognised in profit and loss.

Impairment of available-for-sale financial assets is posted to the income statement when a reduction in fair value has been directly recognised in equity and the aforementioned objective evidence exists. In such cases, the cumulative loss recognised directly in equity shall be reversed and posted to profit and loss, even if the financial asset has not been derecognised. The overall loss transferred from equity to profit and loss is the difference between the acquisition cost (net of any repayment of principal and amortisation) and the current fair value, less any impairment loss on the financial asset previously posted to profit and loss. Impaired losses posted to profit and loss for investment in an available-for-sale equity instrument do not have to be reversed with an impact on profit and loss.

If the fair value of an available-for-sale debt instrument subsequently increases, and the increase can be objectively linked to an event that took place after the impairment loss was posted to the income statement, the impairment loss must be derecognised and reversed to profit and loss.

However, the existence of a negative reserve is not in itself sufficient to determine a write-down in the income statement.

The nature and number of assumptions used to identify impairment factors and determine losses and reversals are elements of uncertainty in estimation. For equity instruments listed in active markets, objective evidence of impairment occurs when the market price at the end of the reporting period is at least 30% lower than the original acquisition cost or when market value is lower than the cost for a period of more than 12 months. If further reductions take place in subsequent financial years, these are charged directly to the income statement.

Methods for determining impairment losses on equity investments, goodwill and, more generally, other intangible assets

Equity investments

The impairment process entails computation of the recoverable amount, which is the greater of the fair value less costs to sell, and the value in use. The value in use is the present value of the cash flows arising from the impaired asset; it reflects the estimate of the cash flows expected from the asset, the estimate of possible changes in the amount and/or in the timing of the cash flows, the financial value over time, the price for remunerating the risk on the asset and other factors that can influence the pricing, on the part of market dealers, of the cash flows expected from the asset. Numerous assumptions are therefore required to estimate the fairness of the carrying amount of equity investments; it follows that the result of this verification inevitably entails some degree of uncertainty.

Goodwill

Goodwill posted following acquisitions is subjected to an impairment test at least once a year and whenever there are signs of impairment. For testing purposes, once goodwill has been allocated to cash-generating units (CGUs), the book value is compared with the recoverable value of said units pursuant to paragraph 9 "Intangible assets". The discounted cash flow (DCF) method is normally used to determine the recoverable value of the CGUs. To this end, senior management has estimated CGU cash flows; these are dependent on several factors, including cost and revenue growth rates, which in turn depend on changes in the real economy, customer behaviour, competition and other factors. Numerous assumptions are therefore required to estimate the fairness of the carrying amount of goodwill; it follows that the result of this verification inevitably entails some degree of uncertainty. Disclosure in Section 12 of the "Assets" in the notes to the financial statements provides more details on this subject.

Other property, plant and equipment and intangible assets

The tangible and intangible assets with limited useful life are tested for impairment in the presence of any indication that the book value of the asset may not be recovered. The recoverable value is computed with reference to (i) the fair value of the tangible or intangible asset, net of the charges for disposal or (ii) the value in use if determinable and if it is above fair value.

The recoverable value of properties is determined on the basis of an appraisal or index-based valuations. The loss in value is reported only if the fair value less costs to sell, or the value-in-use, is less than the book value. The nature and number of assumptions are elements of uncertainty also for these values and for subsequent verifications. More information on the possible assumptions can be found in Sections 12 and 13 of the "Assets" in the notes to the financial statements.

Correction of errors

The correction of errors is governed by IAS 8 (Accounting policies, changes in accounting estimates and errors). According to this standard, errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements.

When errors are discovered in the period in which the error occurred, they are corrected before the financial statements are authorised for issue.

Material errors that are discovered in a subsequent period with respect to the period in which they occurred, are corrected, when measurable, in the comparative information presented in the financial statements for that subsequent period; material previous period errors shall be corrected in the first set of financial statements authorised for issue after their discovery by retrospectively restating the comparative amounts for previous period(s) presented in which the error occurred or, if the error occurred before the previous periods presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest previous period presented.

A.3 Information on portfolio transfers

A.3.1 Reclassified financial assets: book value, fair value and effects on comprehensive income

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 31 12 2014 (4)	Fair value at 31 12 2014 (5)	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Value-relevance (6)	Other (7)	Value-relevance (8)	Other (9)
UCITS	Trading	Available for sale	939	939	(16)	654	(16)	12,499
Debt Securities	Trading	Loans to banks	43,121	40,102	9,787	1,252	3	822
Debt Securities	Trading	Loans to customers	246,930	235,739	21,777	8,770	503	(361)
Debt Securities	Available for sale	Loans to banks	669,094	487,934	95,702	39,677	(84)	39,669
Debt Securities	Available for sale	Loans to customers	225,799	202,996	16,260	28,534	372	9,084
	Total		**1,185,883**	**967,710**	**143,510**	**78,887**	**778**	**61,713**

In the course of 2008, the Group applied the amendment "Reclassification of financial assets", which was issued by the IASB to amend IAS 39 and IFRS 7 in October 2008 introducing the possibility of reclassifying portfolios in unusual circumstances such as the crisis that emerged in the markets in the second half of 2008.

On the basis of this amendment, some Group companies transferred the following securities portfolios in the second half of 2008, shown below at their historical transfer values:

- units of UCITS in the amount of EUR 481.4 mln from the trading portfolio to the AFS portfolio;
- debt securities in the amount of EUR 180.9 mln from the trading portfolio to loans to banks;
- debt securities in the amount of EUR 826.8 mln from the trading portfolio to loans to customers;
- debt securities in the amount of EUR 1,029.3 mln from the AFS portfolio to loans to banks;
- debt securities in the amount of EUR 1,392.7 mln from the AFS portfolio to loans to customers.

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 31 December 2014, the table also reports (columns 6 and 7) financial results in terms of "value relevance" and "other" (realised profit/loss and interest), which the same financial instruments would have produced for the Group in 2014 had they not been transferred in 2008.
Columns 8 and 9, on the other hand, contain the profit and loss results in terms of "value relevance" and "other" (realised profit/loss and interest) which the Group actually posted for these instruments in the course of 2014.

The hypothetical net capital gains (column 6) of EUR 143.5 mln differ from those actually recorded for 2014 (see column 8) for an overall amount of EUR 0.8 mln in capital gains by an overall amount of EUR 142.7 mln in greater valuations (of which EUR 31.1 mln posted to profit and loss and EUR 111.6 mln to equity).
By way of completeness, on the back of the reclassification in 2008 of bonds originally classified as AFS financial instruments, the relative negative reserve, for an amount of EUR 228.4 mln, existing on the date of reclassification, was accounted for pursuant to the provisions set out in par. 50F of IAS 39.

In particular, the negative AFS reserve was gradually phased out over a timeframe reflecting the residual life of the underlying securities, measured as a direct reduction of interest income. This negative impact on net interest income was offset by the positive effect of the amortised cost mechanism on securities, which gradually brings the maturity value in line with the nominal value. The residual reserve at the end of 2014 was EUR 0.2 mln.

A.3.2 Reclassified financial assets: effects on comprehensive income prior to transfer

A.3.3 Transfer of financial assets held for trading

A.3.4 Effective interest rate and expected cash flows from reclassified financial assets

Tables A.3.2, A.3.3 and A.3.4 were left blank because no financial assets were reclassified during the year.

A.4 – Information on Fair value

Qualitative information

A.4.1.a Fair value level 2: measurement techniques and inputs used

Items	Fair Value 31 12 2014							Type	Valuation technique(s)	Inputs used
	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging deivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivativies			
Debt securities	369,022	-	503,570	X	-	1,825,253	X	Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
								Structured bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflatio n Curves + inputs necessary to measure optional component
								Bonds	Market price*	Market price*
Equity instruments	24	-	53,970	X	X	X	X	Share/Equity Instruments	Market price*	Market price*, recent transactions, appraisals, manager reports
								Equity Instruments	Discount cash flow	Share price, beta settore, free risk rate
								Equity Instruments	Net asset adjusted	Fair value asset
Units of UCITS	3,788	-	119,768	X	X	X	X	Funds/PE	Market price*	Market price*
Loans/Deposits	3,722,187	-	-	X	X	X	X	Repo Trade	Discontinued Cash flow	Interest rate curve
									Esternal Pricing/other methods	Periodic repricing
Deposits	X	X	X	X	1,338,753	-	X	from banks		
					3,885,978	-		from customers		
Financial Derivatives	6,416,227	-	-	612,957	4,458,655	X	4,112,108	IR/Asset/Currency	Discounted Cash Flow	Interest rate curve, CDS Curve, Basi(yield), Inflation Curve, Foreign exchange rates and
								Total return swaps	Discounted Cash Flow	Bond price, Interest rate curve, Foreign exchange rates
								Equity swaps	Discounted Cash Flow	Share price, Interest rate curve, Foreing exchange rates
								Forex Singlename Plain	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility
								Forex Singlename Exotic	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility (Surface)
								Forex Multiname	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility, Correlation
								Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
								Equity Singlename Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs
								Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto Correlation, Equity/Equity correlation
								Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface),Model inputs,Quanto correlation,
								Plain Rate	Option Pricing Model	Interest rate curve, inflation curves,bond prices,foreign exchange rates, Rate volatility, rate
								Spot-Forward	Market price*	Market price*, Swap Point
Credit derivatives	526,230	-	-	-	489,481	X	-	Credit Index	Market price*	Market price*
								Default swaps	Discounted Cash Flow	CDS curves, Interest rate curve
								Cdo tranche	Discounted Cash Flow	Market price*, Basis, CDS curves, Base Correlation, interest rate curve
Total assets	**11,037,478**	**-**	**677,308**	**612,957**	X	X	X			
Total liabilities	X	X	X	X	**10,172,867**	**1,825,253**	**4,112,108**			

*prices for identical financial instruments listed in not active markets (IFRS 13 par. 82 lett. b)

A.4.1.b Fair value level 3: measurement techniques and inputs used

Items	Fair value 31 12 2014			Type	Valuation technique(s)	Unobservable inputs	Range (weighted average)
	Financial assets held for trading	Financial assets available for sale	Financial liabilities held for trading				
Debt securities	-	103,211	-		Discounted Cash Flow	Liquidity base	5 multiplying factor; benchmark base
					Collateral valorization	Collateral Components	0 Eur/mln
Equity instruments	-	255,553	X	Equity Instruments	Discounted Cash Flow	Liquidity base	0 bps
				Equity Instruments	Cost/Net Equity	Fair value asset	0 - 12.5 Eur/mln
Financial derivatives	457	X	3,652	Equity Exotic	Option Pricing Model	Risk Model - Smile dynamics	No dynamic/stochastic evolution
Units of UCITS	26	3,133		Side Pocket	External Pricing	NAV	0-1 Eur/mln
Total assets	483	361,897	X				
Total liabilities	X	X	3,652				

A.4.2 Measurement processes and sensitivity

A description of Level 3 instruments that show significant sensitivity to changes in unobservable inputs is provided below.

The most significant changes in fair value for debt securities, with unobservable inputs consisting in Credit Correlation, essentially arise from the security ANTHRACITE ZC 03/20. This note is valued on the basis of the vehicle's asset items (collateral) which include a claim against Lehman Brothers (the unobservable input), which is conservatively valued at zero mln euros for Financial Reporting purposes.

Equity securities measured using the Discounted Cash Flow model mainly include the Bank of Italy shareholding (EUR 187.5 mln). This equity investment was measured on the basis of an internal model similar to that used in 2013 by the Bank of Italy's Committee of Experts in the document "Revaluation of shareholdings in the Bank of Italy" and taking into account the value at which the 2013 Capital Increase was carried out. The developed valuation, based on the discounting of potential dividend flows from the new rights of shareholders in the capital of Bank of Italy, arising as a reslt of the amendments to the Articles of Association introduced in 2013, assumes a liquidity discount suitable to reflect the limited movement of shares. This valuation has led to a fair value in line with that recorded at 31 December 2013. The application of a change in the liquidity discount parameter within a reasonable range (estimated between 0% and 20%) would entail a greater value of the held equity investment equal, at a maximum, to approximately EUR 63 mln.

Equity securities valued at cost/equity include all investments designated at fair value which could not be measured according to a market based model. These positions amount to approx. EUR 68 mln.

The units of UCITS measured with External Pricing are Hedge Fund side pockets, whose price quotes by the asset management companies are deemed non-verifiable. For this reason, the sensitivity of these positions is considered to be equal to their entire book value (approx. EUR 3 mln).

A.4.3 Fair value hierarchy

The fair value hierarchy was introduced by the IASB through the amendment to IFRS 7 "Additional disclosures" issued in March 2009 and subsequently adopted in the new IFRS 13 "Fair value measurement", issued in 2011 and subject to mandatory application as of 2013 Financial Statements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The fair value of financial instruments listed in active markets is determined by using quoted market prices; quoted market prices for similar instruments or internal valuation models are used for other financial instruments.

Financial instruments are classified in three different levels according to the reliability of the inputs used during measurement.

The methods for classifying financial instruments in the three-level fair value hierarchy are shown below.

Level 1

This level shall include financial instruments measured using unadjusted quoted prices in active markets for identical instruments.

IFRS 13 defines an active market as a market in which transactions take place with sufficient frequency and volume to provide information on an ongoing basis. A financial instrument is quoted in a financial market when:

- the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, authorised body or regulatory agency;
- the quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

If the quoted prices meet these criteria, they represent the best estimation of fair value and must be used to measure the financial instrument.

From the definition of active market set out in IFRS 13 it is inferred that the active market concept is particular to the individual financial instrument being measured and not to the market on which it is listed; the fact that a financial instrument is quoted in a regulated market is therefore not in itself sufficient for said instrument to be defined as listed in an active market. Conversely, a financial instrument that is not traded in a regulated market may present sufficient frequency and volumes for it to be classified in level 1 of the fair value hierarchy..

Levels 2 and 3

Financial instruments not listed in an active market must be classified in level 2 or 3.

Classification in level 2 rather than level 3 is determined on the basis of market observability of the significant inputs used to determine fair value. A financial instrument must be fully classified in a single level; if inputs belonging to different levels are used for the purpose of measuring an instrument, said instrument is classified based on the lowest level of input that is significant to the fair value measurement.

An instrument is classified in level 2 if all significant inputs are directly or indirectly observable on the market. An input is observable if it reflects the same assumptions used by market participants, based on independent market data.

Level 2 inputs are as follows:

a) quoted prices on active markets for similar assets or liabilities;
b) quoted prices for the instrument in question or for similar instruments on non-active markets, i.e. markets where:
   - there are few transactions;
   - the prices are not current or they vary substantially over time and between the difference market makers or
   - little information is made public;
c) observable market inputs other than quoted prices (e.g.:interest rates or yield curves observable in different buckets, volatility, credit curves, etc.);
d) inputs that derive primarily from observable market data, the reporting of which is confirmed by parameters such as correlation.

A financial instrument is classified in level 3 if the measurement techniques adopted use non-observable market inputs and their contribution to estimating fair value is deemed significant.

All financial instruments not listed in active markets are classified in level 3 where:

- despite having observable data available, significant adjustments based on non-observable data are required;
- the estimate is based on internal assumptions on future cash flows and risk adjustment of the discount curve.

It should also be noted that -regardless of whether measurement techniques adopted use non-observable market inputs- the Group deemed it appropriate and conservative to include in Level 3 of the Fair Value hierarchy any instruments not listed in active markets which are complex by their financial structure or for which there is no clear measurement method recognised as standard in the market and adjustable based on observable prices of comparable structures.

This applies, for example, to assets in the structured credit category not listed in an active market. Although, in some cases, this category could avail itself of appropriate measurement models that make use of observable market inputs (e.g. credit default swap curves) or quotations by primary counterparties, the lack of a liquid market on correlations in the wake of the financial crisis made it necessary to use subjective estimates. Given the complexity of these structures, the Group decided to classify these instruments in level 3, in the absence of an active market, regardless of the observability of input parameters significant for their mark-to-model measurement.

The processes used to measure level 3 instruments are based on a shared analysis of the types of instruments and underlying risk parameters by the Group's Business functions and Risk Management. The analysis is completed with the formulation of a pricing model and/or a model for determination of non-observable market inputs which is subject to final validation by Risk Management. At different time intervals depending on the type of instruments (though commonly on a monthly basis) on the back of directly observable market inputs, the Group's Business functions proceed with determining the non-observable market inputs and measuring instruments of level 3. The Risk Management function, based on a shared methodological approach, proceeds with the final validation of fair value. In support of this activity and with a view to ensuring an adequate level of auditability, assessment data sheets have been introduced and are updated on a six-monthly basis for individual instruments classified in level 3, which contain a brief description of the instrument, pricing methods adopted and details about inputs used for fair value measurement.

As for fair value transfers between different levels, it is noted that the Group has set some rules to determine whether a financial instrument is level 1 or 3; level 2 is determined by difference. When an instrument no longer meets the conditions for classification in level 1 or 3, a new level is determined.

A.4.4 Other information

With reference to para. 93 lett. (i) of IFRS 13, the Group does not hold any non-financial assets designated at fair value on a recurring and non-recurring basis.

With reference to para. 96 of IFRS 13, the Group does not apply the portfolio exception provided for in para. 48 of IFRS 13.

Quantitative Information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities designed at fair value on a recurring basis: breakdown by fair value level.

Asset and liabilities measured at fair value	31 12 2014				31 12 2013*			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	5,890,827	11,037,478	483	16,928,788	6,594,985	12,565,877	77,704	19,238,566
2. Financial assets designated at fair value	-	-	-	-	-	-	-	-
3. Financial assets available for sale	21,808,377	677,308	361,897	22,847,582	22,572,784	494,564	612,901	23,680,249
4. Hedging derivative	-	612,957	-	612,957	-	397,933	-	397,933
5. Property, plant and equipment	-	-	-	-	-	-	-	-
6.Intangible assets	-	-	-	-				
Total	**27,699,204**	**12,327,743**	**362,380**	**40,389,327**	**29,167,769**	**13,458,374**	**690,605**	**43,316,748**
1. Financial liabilities held for trading	3,525,270	10,172,867	3,652	13,701,789	3,173,141	13,228,152	8,385	16,409,678
2. Financial liabilities designated at fair value	798,367	1,825,253	-	2,623,620	-	7,988,199	-	7,988,199
3. Hedging derivative	-	4,112,108	-	4,112,108	-	3,421,635	-	3,421,635
Total	**4,323,637**	**16,110,228**	**3,652**	**20,437,517**	**3,173,141**	**24,637,986**	**8,385**	**27,819,512**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details*

The financial instruments measured at fair value and classified in level 3 of the hierarchy consist of instruments not listed in active markets, valued using the mark-to-model approach, for which input data include, inter alia, non-observable market data significant for measurement purposes or observable market data that requires significant adjustment based on non-observable data, or that requires internal assumptions and estimations of future cash flows.

Additional information on level 3 financial instruments can be found in the comments under the tables for the individual balance sheet items concerned.

During the year, a number of financial assets and liabilities saw a worsening of their fair value from level 1 to level 2. With respect to financial assets, this involved EUR 205 mln in strips of Italian BTPs owned by the Parent Company and EUR 27.0 mln in bonds owned by the subsidiary MPS Capital Services S.p.A.; with respect to financial liabilities, on the other hand, the trend is to be mainly attributed to EUR 2,646.2 mln in bonds issued by the Parent Company. In general, the change in fair value level year on year is due to a worsening in the liquidity conditions of those securities' market; compared to 2013, the current year was also impacted by stricter Group policy requirements for the classification of bonds in level 1 of the fair value hierarchy.

Note also the transfer of a number of financial liabilities from fair level 2 to level 1 of the fair value hierarchy. This mainly concerned bonds issued by the Parent Company in the amount of EUR 1,000.4 mln and was essentially due to an improvement in the instrument's liquidity conditions (measured in terms of bid-ask spread of the listed price) which allowed this level transfer in accordance with the Group's policy on the valuation of financial instruments.

As for OTC derivatives, in compliance with IFRS 13 the Group calculates adjustments to values, obtained through valuation models using risk-free interest rates, to take account of the creditworthiness of the individual counterparty. This adjustment, known as Credit Value Adjustment (CVA), is estimated for all positions in OTC derivatives with non-collateralized institutional and commercial counterparties and with counterparties having a Credit Support Annex (CSA) not in line with market standards.

The methodology is based on the calculation of expected operational loss linked to counterparty rating and estimated on a position's duration. The exposure includes future credit variations represented by add-ons.

Market-consistent probability measurements are employed in the calculation of CVAs in order to gauge market expectations resulting from CDS prices without, however, losing the historical information available within the Group.

As at 31.12.2014, the CVA had a negative balance of approx. EUR 190.6 mln.

The Group calculates the value adjustment of OTC derivatives in a mirror image fashion and on the same perimeter to take into account its creditworthiness, Debit Value Adjustment (DVA). At 31.12.14 the DVA is positive and amounts to a total of EUR 10.9 mln.

A.4.5.2 Annual changes of financial assets designated at fair value on a recurring basis (level 3)

	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging derivatives	Property, plants and equipments	Intangible assets
1. Opening balance	**77,704**	**-**	**612,901**	**-**	**-**	**-**
2. Increases	**7,646**	**-**	**20,846**	**-**	**-**	**-**
2.1 Purchase	-	-	1,553	-	-	-
2.2 Profit posted to:	7,642	-	14,111	-	-	-
2.2.1 Profit and Loss	7,642	-	10,466	-	-	-
- of which capital gains	108	-	438	-	-	-
2.2.2 Equity	X	X	3,645	-	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	4	-	5,182	-	-	-
3. Decreases	**84,867**	**-**	**271,850**	**-**	**-**	**-**
3.1 Sales	62,425	-	73,729	-	-	-
3.2 Redemptions	16,348	-	542	-	-	-
3.3 Losses posted to:	3,939	-	100,954	-	-	-
3.3.1 Profit and Loss	3,939	-	23,156	-	-	-
- of which capital losses	3,827	-	23,156	-	-	-
3.3.2 Equity	X	X	77,798	-	-	-
3.4 Transfers to other levels	1,600	-	782	-	-	-
3.5 Other decreases	555	-	95,843	-	-	-
4. Closing balance	**483**	**-**	**361,897**	**-**	**-**	**-**

Amounts shown in the column “Financial assets held for trading” under “2.2.1 Profit and Loss – of which capital gains” and “3.3.1 Profit and Loss – of which capital losses”, respectively EUR 0.1 mln and EUR 3.8 mln, refer to valuation of securities recognised in the financial statements as at 31 December 2014 and posted to item “80 – Net profit/loss from trading” in the incomweincome statement.

The amount shown in the column “Financial assets available for sale” under item “3.5 Other decreases” totalling EUR 95.8 mln is mainly attributable to the following:

- transfer to the item “Equity investments” of units of the UCITS Fondo Socrate and Fondo Etrusco Distribuzione amounting to a total of EUR 75.7 mln as a result of the existence, at the date of the financial statements, of a significant influence relationship;
- Classification of the subsidiary "SAT - Società Autostrada Tirrenica p.A." under non-current assets and disposal groups classified as available for sale for EUR 16.6 mln.

A.4.5.3 Annual changes of financial liabilities designated at fair value on a recurring basis (level 3)

31 12 2014

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**8,385**	**-**	**-**
2. Increases	**2,402**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	2,344	-	-
2.2.1 Profit and Loss	2,344	-	-
- of which capital losses	125	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from othe levels	-	-	-
2.4 Other increases	58	-	-
3. Decreases	**7,135**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits posted to:	7,135	-	-
3.3.1 Profit and Loss	7,135	-	-
- of which capital gains	3,298	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**3,652**	**-**	**-**

The capital gain shown in column “Financial liabilities held for trading" under “3.3.1 Profit and Loss – of which capital gains”, totalling EUR 3.3 mln, was posted to item “80 – Net profit (loss) from trading” in the income statement.

A.4.5.4 Assets and liabilities not designed at fair value or designated at fair value on a non-recurring basis: breakdown by fair value level.

Financial asset/liabilities not designated at fair value or designated at fair value on a non -recurring basis	31 12 2014				
	Book value	Level 1	Level 2	Level 3	Total Fair value
1. Financial assets held to maturity	-	-	-	-	-
2. Loans to banks	7,722,753	285,540	7,228,744	25,934	7,540,218
3. Loans to customers	119,676,132	200,433	1,599,686	122,032,285	123,832,404
4. Property, plant and equipment held for investment	439,929	-	-	473,686	473,686
5. Non-current assets and groups of assets held for sale	21,805	-	-	16,581	16,581
Total	**127,860,619**	**485,973**	**8,828,430**	**122,548,486**	**131,862,889**
1. Deposits from banks	27,647,671	-	27,669,943	-	27,669,943
2. Deposits from customers	93,144,981	-	93,233,633	-	93,233,633
3. Debt securities issued	30,455,439	17,588,687	11,544,095	1,349,908	30,482,690
4. Liabilities associated to disposal groups held for sale	-	-	-	-	-
Total	**151,248,091**	**17,588,687**	**132,447,671**	**1,349,908**	**151,386,266**

Financial asset/liabilities not designated at fair value or designated at fair value on a non -recurring basis	31 12 2013*				
	Book value	Level 1	Level 2	Level 3	Total Fair value
1. Financial assets held to maturity	-	-	-	-	-
2. Loans to banks	10,485,195	29,281	10,220,604	27,263	10,277,148
3. Loans to customers	130,597,727	323,316	1,764,918	131,704,947	133,793,181
4. Property, plant and equipment held for investment	449,933	-	-	481,864	481,864
5. Non-current assets and groups of assets held for sale	80,108	-	38,417	-	38,417
Total	**141,612,963**	**352,597**	**12,023,939**	**132,214,074**	**144,590,610**
1. Deposits from banks	37,278,667	-	37,313,700	-	37,313,700
2. Deposits from customers	85,286,115	-	85,310,897	-	85,310,897
3. Debt securities issued	36,561,566	18,292,980	13,216,441	4,409,290	35,918,711
4. Liabilities associated to disposal groups held for sale	17,821	-	-	-	-
Total	**159,144,169**	**18,292,980**	**135,841,038**	**4,409,290**	**158,543,308**

** With respect to published accounts, previous period balances are reflective of changes described in the section " Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details.*

As concerns data at 31 December 2013, the breakdown of loans to customers into the 3 levels of the fair value hierarchy was redetermined to take into account more stringent criteria on the observability of significant inputs used in the valuation models.

A.5 Information on "day one profit/loss"

The Group did not generate day one profit/loss from financial instruments pursuant to paragraph 28 of IFRS 7 and other related IAS/IFRS paragraphs.

Part B – Information on the consolidated balance sheet

ASSETS

LIABILITIES

ASSETS

Section 1 – Cash and cash equivalents – Item 10

1.1 Cash and cash equivalents:

	Total 31 12 2014	Total 31 12 2013*
a) Cash	915,725	736,202
b) Demand deposits with central banks	90,861	141,074
Total	**1,006,586**	**877,276**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The line "Demand deposits with central banks" does not include the compulsory reserve, which is shown under Assets in Item 60 "Loans to banks"".

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown

Items/Amounts	Total 31 12 2014				Total 31 12 2013*			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A.Balance sheet assets								
1. Debt securities	5,681,567	369,022	-	6,050,589	6,428,516	290,019	77,104	6,795,639
1.1 Structured securities	389	141,035	-	141,424	253	108,802	63,150	172,205
1.2 Other debt securities	5,681,178	227,987	-	5,909,165	6,428,263	181,217	13,954	6,623,434
2. Equity instruments	57,778	24	-	57,802	98,428	12	-	98,440
3.Units of UCITS	1,343	3,788	26	5,157	16,399	84,870	112	101,381
4. Loans	-	3,722,187	-	3,722,187	-	3,695,787	-	3,695,787
4.1 Repurchase agreements	-	3,689,284	-	3,689,284	-	3,535,003	-	3,535,003
4.2 Others	-	32,903	-	32,903	-	160,784	-	160,784
Total (A)	**5,740,688**	**4,095,021**	**26**	**9,835,735**	**6,543,343**	**4,070,688**	**77,216**	**10,691,247**
B. Derivatives								
1. Financial derivatives:	150,139	6,416,227	457	6,566,823	51,642	7,259,339	488	7,311,469
1.1 held for trading	150,139	6,375,877	457	6,526,473	51,642	7,222,475	488	7,274,605
1.2 fair value option	-	40,350	-	40,350	-	36,864	-	36,864
1.3 Others	-	-	-	-	-	-	-	-
2. Credit derivatives:	-	526,230	-	526,230	-	1,235,850	-	1,235,850
2.1 held for trading	-	526,230	-	526,230	-	1,235,850	-	1,235,850
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	-	-	-
Total (B)	**150,139**	**6,942,457**	**457**	**7,093,053**	**51,642**	**8,495,189**	**488**	**8,547,319**
Total (A+B)	**5,890,827**	**11,037,478**	**483**	**16,928,788**	**6,594,985**	**12,565,877**	**77,704**	**19,238,566**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors", which is referenced to for further details*

Criteria adopted for classification of financial instruments in the three levels of the "fair value hierarchy" are reported in Section A.4, "Fair value disclosure" of Part A, "Accounting policies" of the notes to the financial statements.

As a result of the provisions set out in IAS 39 with regard to the derecognition of financial assets, lines 1.1 and 1.2 also include debt securities pledged in repos and securities lending transactions carried out in respect of own securities posted to the trading portfolio.

Line "4.1 Loans – Reverse repurchase agreements (assets) " includes the repurchase agreements entered into by the subsidiary MPS Capital Services - Banca per le imprese S.p.a.. These transactions are mainly associated with Lines "1. Deposits from banks" and "2. Deposits from customers" under item "40 Financial liabilities held for trading".

Line "4.2 Loans - Other" includes capitalisation insurance policies comprised in the Parent Company's trading book.

Derivatives connected with fair value option instruments are also included in the trading book: these cover the risks of funding designated at fair value arising from possible interest rate fluctuations and from any embedded options in structured securities issued. The fair value of such derivatives is shown in line "B1.2 - Fair value option" if carried out directly with external counterparties, while it is shown as a share of trading derivatives in line B1.1 where FVO hedging initially carried out with the subsidiary MPS Capital Services made it necessary to externalise risk.

For FVO derivatives arranged by Group companies with the subsidiary MPS Capital Services, it is worth noting that the relevant internal units responsible for risk management perform appropriate tests at consolidated level in order to periodically test the strength of the hedge applied from a 'natural hedging' perspective.

At the end of both 2014, with a value of EUR 40.3 mln, and the end of 2013, with a value of EUR 36.9 mln, all fair value option derivatives posted to the trading book were attributable to the natural and systematic hedging of fixed-rate and structured bonds issued by the Group.

By convention, such derivatives are classified in the trading book. In terms of their representation in the income statement, they comply with rules similar to the rules applicable to hedging derivatives: positive and negative spreads or margins settled or accrued until the balance sheet date are recognised as interest income and expense, while valuation profits and losses are posted under item 110 of the income statement, "Net profit (losse) from financial assets and liabilities designated at fair value", in compliance with representations used for funding instruments which adopted the fair value option.

2.1.a Breakdown of debt securities: structured securities

Structured debt securities	Total 31 12 2014	Total 31 12 2013
Index Linked	24,467	20,907
Credit linked notes	-	63,150
Equity Linked	17,112	10,569
Step - up, Step down	389	9
Reverse Floater	82	164
Commodity	32,260	23,319
Fund Linked	65,245	53,834
Other	1,869	253
Total	**141,424**	**172,205**

2.2 Financial assets held for trading: breakdown by borrower/issuer

Items/Amounts	Total 31 12 2014	Total 31 12 2013*
A. Balance sheet assets		
1. Debt securities	6,050,589	6,795,639
a) Governments and Central banks	5,142,478	6,076,507
b) Other public entities	4	5
c) Banks	660,293	474,495
d) Other issuers	247,814	244,632
2. Equity instruments	57,802	98,440
a) Banks	1,885	4,495
b) Other issuers:	55,917	93,945
- insurance companies	6,966	19,302
- financial companies	515	4,430
- non-financial companies	46,168	70,213
- other	2,268	-
3. Units of UCITS	5,157	101,381
4. Loans	3,722,187	3,695,787
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	256,820	569,699
d) Other entities	3,465,367	3,126,088
Total (A)	**9,835,735**	**10,691,247**
B. Derivatives		
a) Banks	3,876,032	4,752,823
b) Customers	3,217,021	3,794,496
Total (B)	**7,093,053**	**8,547,319**
Total (A+B)	**16,928,788**	**19,238,566**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The breakdown by borrower/issuer was carried out in accordance with criteria of classification by economic activity group and sector laid down by the Bank of Italy.

As for derivatives, it should be noted that the positive fair value of derivatives with customers includes approx. EUR 622.6 mln from balanced trading aimed at providing financial protection to customers of the Group's network (for further details, *see* Part E "Information on risks and hedging policies" of these Notes to the Financial statements). The remaining amount is generated from transactions with financial market participants classified as customers pursuant to the above classification criteria set by the Bank of Italy.

2.2.a Units of UCITS: breakdown by main categories

Categories/Amounts	Total 31 12 2014	Total 31 12 2013*
Equity	-	129
Bonds	67	263
Balanced	-	7,471
Hedge Funds	2,234	82,102
Others	2,856	11,416
Total	**5,157**	**101,381**

The table adds details to line "A.3. Units of UCITS" of Table 2.2 above.

2.3 On-balance-sheet financial assets held for trading: annual changes

31 12 2014

Changes/Underlying assets	Debt securities	Equity instruments	Units of UCITS	Loans	Total
2.1 Issuances	**6,795,639**	**98,440**	**101,381**	**3,695,787**	**10,691,247**
B. Increases	**184,089,079**	**387,366**	**511,281**	**205,195,812**	**390,183,538**
B1. Purchases	180,221,245	358,075	326,426	205,186,044	386,091,790
B2. Positive changes in fair value	111,527	1,280	110	507	113,424
B3. Other increases	3,756,307	28,011	184,745	9,261	3,978,324
C. Decreases	**184,834,129**	**428,004**	**607,505**	**205,169,412**	**391,039,050**
C1. Sales	180,442,068	422,000	257,136	204,944,944	386,066,148
C2. Redemptions	1,046,511	-	82,939	101,751	1,231,201
C3. Negative changes in fair value	85,847	3,389	6,003	-	95,239
C4. Transfers to other portfolios	-	-	-	-	-
C5. Other decreases	3,259,703	2,615	261,427	122,717	3,646,462
D. Closing balance	**6,050,589**	**57,802**	**5,157**	**3,722,187**	**9,835,735**

Lines B3 and C5 include profit and loss from trading, accruals on issue discounts and on coupon interest, effects of exchange-rate fluctuations and any opening (C5) and closing (B3) short positions.

Section 3 – Financial assets designated at fair value – Item 30

The tables for this section were not completed since the Group has no financial assets designated at fair value to report for either the current or previous year.

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Section 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown

Items/Amounts	31 12 2014				31 12 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	21,792,524	503,570	103,211	22,399,305	22,547,442	242,773	100,870	22,891,085
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	21,792,524	503,570	103,211	22,399,305	22,547,442	242,773	100,870	22,891,085
2. Equity instruments	15,493	53,970	255,553	325,016	24,682	72,257	405,191	502,130
2..1 Designated at fair value	15,493	46,116	253,146	314,755	24,682	64,402	400,962	490,046
2.2. Carried at cost	-	7,854	2,407	10,261	-	7,855	4,229	12,084
3. Units of UCITS	360	119,768	3,133	123,261	660	179,534	106,840	287,034
4. Loans	-	-	-	-	-	-	-	-
Total	**21,808,377**	**677,308**	**361,897**	**22,847,582**	**22,572,784**	**494,564**	**612,901**	**23,680,249**

The portfolio of AFS financial assets includes:

a) bonds and UCITS not held for trading;

b) equity investments with shareholding lower than controlling or associate interests.

As a result of the provisions set out in IAS 39 for the derecognition of financial assets, lines 1.1 and 1.2 also include debt securities committed in repos (liabilities) and securities lending transactions carried out for own securities posted to the available-for-sale portfolio.

4.2 Financial assets available for sale: breakdown by borrower/issuer

Items/Amounts	Total 31 12 2014	Total 31 12 2013
1. Debt securities	**22,399,305**	**22,891,085**
a) Governments and Central banks	22,100,379	22,184,193
b) Other public entities	10,587	2,056
c) Banks	124,393	496,098
d) Other issuers	163,946	208,738
2. Equity instruments	**325,016**	**502,130**
a) Banks	215,211	341,211
b) Other issuers:	109,805	160,919
- insurance companies	761	1,117
- financial companies	23,326	29,143
- non-financial companies	85,717	130,658
- other	1	1
3. Units of UCITS	**123,261**	**287,034**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**22,847,582**	**23,680,249**

4.2.a Units of UCITS: Breakdown by main categories

Categories/Amounts	Total 31 12 2014	Total 31 12 2013
Hedge Funds	4,853	41,083
Private Equity	116,855	146,633
Real estate	1,553	99,318
Total	**123,261**	**287,034**

4.2.b Equity securities issued by parties classified as doubtful or substandard

Categories/Amounts	Total 31 12 2014	Total 31 12 2013
Equity securities issued by parties with doubtful status		
Gross exposure	3,341	-
Cumulative writedowns	1,714	-
Writedowns for the period	1,714	-
Equity securities issued by parties with substandard status		
Gross exposure	203,469	371,378
Cumulative writedowns	149,411	208,031
Writedowns for the period	38,582	49,645
Total net exposure	**55,685**	**163,347**

4.3 Financial assets available for sale: micro-hedged assets

Items/Amounts	Total 31 12 2014	Total 31 12 2013
1. Financial assets subject to micro-hedging of fair value	12,150,038	14,804,843
a) interest rate risk	12,150,038	14,804,843
b) price risk	-	-
c) foreign exchange risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. Financial assets subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**12,150,038**	**14,804,843**

4.4 Financial assets available for sale: annual changes

31 12 2014

Items/Amounts	Debt securities	Equity instruments	Units of UCITS	Loans	Total
A. Opening balance	**22,891,085**	**502,130**	**287,034**	**-**	**23,680,249**
B. Increases	**10,874,613**	**105,677**	**79,663**	**-**	**11,059,953**
B.1 Purchases	8,195,757	27,222	43,792	-	8,266,771
B2. Increases in fair value	2,003,961	3,054	13,695	-	2,020,710
B3. Write-backs	272	42,828	18,678	-	61,778
- posted to profit and loss	-	-	-	-	-
- posted to net equity	272	42,828	18,678	-	61,778
B4. Transfers from other portfolios	-	-	-	-	-
B.5 Other increases	674,623	32,573	3,498	-	710,694
C. Decreases	**11,366,393**	**282,791**	**243,436**	**-**	**11,892,620**
C1. Sales	9,358,232	123,631	58,616	-	9,540,479
C2. Redemptions	1,321,001	582	18,911	-	1,340,494
C3. Decreases in fair value	7,883	99,108	31,042	-	138,033
C4. Write-downs due to impairment	*272*	*42,420*	*17,833*	-	60,525
- posted to profit and loss	272	42,420	17,833	-	60,525
- posted to net equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	115,694	-	115,694
C6. Other decreases	679,005	17,050	1,340	-	697,395
D. Closing balance	**22,399,305**	**325,016**	**123,261**	**-**	**22,847,582**

Amounts shown in lines "B1 Purchases", "B2 Increases in fair value" and "C.1 Sales" in the "Debt securities" column, primarily refer to Italian government securities.

Line B.3 “Write-backs – posted to equity” includes the reversal of negative equity reserves of impaired securities; in terms of profit and loss, the value adjustments for the same amount are posted to line C.4 “Write-downs due to impairment” of the table.

Lines “B5. Other increases” and “C6.Other decreases” include exchange-rate differences and gains (losses) on disposals.

Section 5 – Financial assets held to maturity – Item 50

The tables for this section were not completed since the Group has no financial assets held to maturity to report for either the current or previous year.

Section 6 – Loans to banks – Item 60

6.1 Loans to banks: breakdown

Type of transaction/Amount	Total 31 12 2014				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
A. Loans to central banks	**2,212,259**	**-**	**2,212,259**	**-**	**2,212,259**
1. Time deposits	17,000	x	x	x	x
2. Compulsory reserve	2,195,257	x	x	x	x
3. Reverse repurchase agreements	-	x	x	x	x
4. Others	2	x	x	x	x
B. Loans to banks	**5,510,494**	**285,540**	**5,016,485**	**25,934**	**5,327,959**
1. Loans	4,362,229	-	4,381,487	2,422	4,383,909
1.1 Current accounts and demand deposits	1,611,156	x	x	x	x
1.2 Time deposits	172,267	x	x	x	x
1.3 Other loans:	2,578,806	x	x	x	x
- Reverse repurchase agreements	235,620	x	x	x	x
- Finance leases	-	x	x	x	x
- Others	2,343,186	x	x	x	x
2. Debt securities	1,148,265	285,540	634,998	23,512	944,050
2.1 Securities	-	x	x	x	x
2.2 Other debt securities	1,148,265	x	x	x	x
Total	**7,722,753**	**285,540**	**7,228,744**	**25,934**	**7,540,218**

Loans to banks include non-performing assets for a book value of EUR 24.9 mln; at 31 December 2013 the same item amounted to EUR 27.2 mln.

The portfolio of "Loans to banks" includes loans and deposits, in addition to the unrestricted part of the compulsory legal reserve with the Bank of Italy which, as at 31.12.2014, amounted to EUR 2,195 mln. In accordance with regulations on average maintenance levels, the end-of-period balance of the compulsory reserve may be subject to substantial changes in relation to the Group's contingent cash flow requirements.

'Banks' also includes international entities of a banking nature subjected to zero weighting in accordance with prudential supervisory regulations on the standardised approach to counterparty and credit risk.

Type of transaction/Amount	Total 31 12 2013*				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
A. Loans to central banks	**3,746,929**	-	3,746,929	-	**3,746,929**
1. Time deposits	17,000	x	x	x	x
2. Compulsory reserve	3,729,929	x	x	x	x
3. Reverse repurchase agreements	-	x	x	x	x
4. Other	-	x	x	x	x
B. Loans to banks	**6,738,266**	**29,281**	**6,473,675**	**27,263**	**6,530,219**
1. Loans	5,494,688	-	5,504,177	5,213	5,509,390
1.1 Current accounts and demand deposits	2,542,276	x	x	x	x
1.2 Time deposits	291,964	x	x	x	x
1.3 Other loans:	2,660,448	x	x	x	x
- Reverse repurchase agreements	270,011	x	x	x	x
- Finance leases	-	x	x	x	x
- Other	2,390,437	x	x	x	x
2. Debt securities	1,243,578	29,281	969,498	22,050	1,020,829
2.1 Securities	-	x	x	x	x
2.2 Other debt securities	1,243,578	x	x	x	x
Total	**10,485,195**	**29,281**	**10,220,604**	**27,263**	**10,277,148**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

6.2 Loans to banks: micro-hedged assets

Type of transaction/Amounts	Total 31 12 2014	Total 31 12 2013*
1. Loans subject to micro-hedging of fair value	**1,044,676**	**1,029,082**
a) interest rate risk	729,819	444,616
b) exchange risk	314,857	564,679
c) credit risk	-	19,787
d) multiple risks	-	-
2. Loans subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) others	-	-
Total	**1,044,676**	**1,029,082**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

6.3 Finance leases

This table was not compiled since the Group had no finance leases to report for either the period under review or the previous year.

Section 7 – Loans to customers – Item 70

7.1 Loans to customers: breakdown

Type of transaction Amount	31 12 2014							
	Book value				Fair value			
	Performing	Non-performing		Total	Level 1	Level 2	Level 3	Total
		Purchased	Others					
Loans	95,491,272	5,108	23,137,296	118,633,676	-	785,803	121,981,387	122,767,190
1. Current accounts	8,745,368	444	3,878,539	12,624,351	x	x	x	x
2. Reverse repurchase agreements	4,142,181	-	-	4,142,181	x	x	x	x
3. Mortgages	55,327,874	4,561	13,896,953	69,229,388	x	x	x	x
4. Credit cards, personal loans and fifth-of-salary backed loans	2,026,735	-	202,106	2,228,841	x	x	x	x
5. Finance lease	3,521,485	-	1,030,701	4,552,186	x	x	x	x
6. Factoring	792,524	-	146,392	938,916	x	x	x	x
7. Other transactions	20,935,105	103	3,982,605	24,917,813	x	x	x	x
of which: leased assets under construction	*184,006*	-	*43,507*	*227,513*	*x*	*x*	*x*	*x*
Debt securities	1,041,822	-	634	1,042,456	200,433	813,883	50,898	1,065,214
8. Structured securities	-	-	-	-	x	x	x	x
9. Other debt securities	1,041,822	-	634	1,042,456	x	x	x	x
Total	96,533,094	5,108	23,137,930	119,676,132	200,433	1,599,686	122,032,285	123,832,404

'Loans to customers' also includes operating receivables other than those connected with the payment for the supply of non-financial goods and services, which are posted to "Other assets" in account 160 of the Assets.

With regard to the Nomura/Alexandria transaction, described in Part A "Accounting policies" of these Notes to the financial statements, it should be noted that line "2 Reverse repurchase agreements" includes a repo facility of EUR 1,967.5 mln and line "7 Other transactions" includes EUR 2,210.6 mln in cash collateral pledged in favour of the same counterparty for the interest rate swap and long term repo transactions.

The securities portfolio also includes underwritten ABS and other bonds issued by regional public bodies, e.g. municipal bonds (it.: buoni ordinari comunali, BOC).

No amounts are recognised in line "8. Structured securities" (vs. a total of EUR 182.7 mln in 2013) due to the disposal, during the year, of the only structured security in the portfolio as at 31.12.2013.

According to the Bank of Italy's definitions, the "Non-performing" column, broken down into "Purchased" and "Others", includes doubtful, substandard and restructured loans, as well as exposures more than 90 days past due, net of impairment losses. Details of these exposures can be found in Part E "Information on risks and hedging policies" of the notes to the financial statements (Section A "credit Quality").

Type of transaction Amount	31 12 2013*							
	Book value				Fair value			
	Performing	Non-performing		Total	Level 1	Level 2	Level 3	Total
		Purchased	Others					
Loans	108,156,638	6,493	20,984,247	129,147,378	-	986,875	131,298,452	132,285,327
1. Current accounts	10,953,417	463	4,219,995	15,173,875	x	x	x	x
2. Reverse repurchase agreements	2,736,721	-	-	2,736,721	x	x	x	x
3. Mortgages	64,756,588	5,863	11,708,742	76,471,193	x	x	x	x
4. Credit cards, personal loans and fifth-of-salary backed loans	2,754,181	-	195,939	2,950,120	x	x	x	x
5. Finance lease	4,037,738	-	1,016,593	5,054,331	x	x	x	x
6. Factoring	1,076,438	-	138,040	1,214,478	x	x	x	x
7. Other transactions	21,841,555	167	3,704,938	25,546,660	x	x	x	x
of which: leased assets under construction	*182,417*	-	*50,580*	*232,997*	*x*	*x*	*x*	*x*
Debt securities	1,449,076	-	1,273	1,450,349	323,316	778,043	406,495	1,507,854
8. Structured securities	182,665	-	-	182,665	x	x	x	x
9. Other debt securities	1,266,411	-	1,273	1,267,684	x	x	x	x
Total	109,605,714	6,493	20,985,520	130,597,727	323,316	1,764,918	131,704,947	133,793,181

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

As concerns data at 31 December 2013, the breakdown of loans to customers into the 3 levels of the fair value hierarchy was redetermined to take into account of more stringent criteria on the observability of significant inputs used in the valuation models.

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Amount	31 12 2014				31 12 2013*			
	Performing	Non-performing		Total	Performing	Non-performing		Total
		Purchased	Others			Purchased	Others	
1. Debt securities:	1,041,822	-	634	1,042,456	1,449,076	-	1,273	1,450,349
a) Governments	152,769	-	-	152,769	129,772	-	-	129,772
b) Other public entities	195,932	-	-	195,932	206,576	-	-	206,576
c) Other issuers	693,121	-	634	693,755	1,112,728	-	1,273	1,114,001
- non-financial companies	12,242	-	-	12,242	12,281	-	1,148	13,429
- financial companies	214,953	-	-	214,953	587,024	-	125	587,149
- insurance companies	465,926	-	-	465,926	513,423	-	-	513,423
- others	-	-	634	634	-	-	-	-
2. Loans to:	95,491,272	5,108	23,137,296	118,633,676	108,156,638	6,493	20,984,247	129,147,378
a) Governments	817,971	-	16	817,987	940,484	-	13	940,497
b) Other public entities	2,420,596	-	24,653	2,445,249	2,521,508	-	695	2,522,203
c) Other entities	92,252,705	5,108	23,112,627	115,370,440	104,694,646	6,493	20,983,539	125,684,678
- non-financial companies	48,173,138	3,483	19,431,463	67,608,084	59,642,399	4,619	18,304,198	77,951,216
- financial companies	10,355,460	-	280,855	10,636,315	8,015,901	-	139,567	8,155,468
- insurance companies	26	-	6	32	41,935	-	1	41,936
- others	33,724,081	1,625	3,400,303	37,126,009	36,994,411	1,874	2,539,773	39,536,058
Total	96,533,094	5,108	23,137,930	119,676,132	109,605,714	6,493	20,985,520	130,597,727

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

7.3 Loans to customers: micro-hedged assets

Type of transaction/Amount	Total 31 12 2014	Total 31 12 2013*
1. Loans subject to micro-hedging of fair value	**467,945**	**658,168**
a) interest rate risk	467,945	614,370
b) exchange risk	-	-
c) credit risk	-	-
d) multiple risks	-	43,798
2. Loans subject to micro-hedging of cash flows		
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**467,945**	**658,168**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

7.4 Finance lease

7.4.a Loans to customers: reconciliation of future minimum lease payments receivable

31 12 2014

Items/Accounts	Carrying amount			Gross investment		
	Lease payments receivable discounted at explicit lease rate (A)	Lease payments receivable discountued at implicit lease rate (present value of minimum lease payments) (B)	Total lease payments receivable recognised in income for the period (A + B)	Deferred financial income (D)	Future minimum lease payments (B + D)	*of which: unguaranteed residual values*
Up to 1 year	194,652	796,816	991,468	202,420	999,236	*40,164*
From 1 to 5 years	-	1,624,252	1,624,252	573,362	2,197,614	*94,338*
Over 5 years	-	2,283,311	2,283,311	551,626	2,834,937	*606,165*
Indefinite useful life	648,342	-	648,342	-	-	-
Total	**842,994**	**4,704,379**	**5,547,373**	**1,327,408**	**6,031,787**	***740,667***
Value adjustments	(726,284)	(268,904)	(995,188)	-	(268,904)	-
Loans and advances in the balance sheet			**4,552,185**			

Section 8 – Hedging derivatives – Item 80

8.1 Hedging derivatives: breakdown by type of contract and underlying asset

	Fair value 31 12 2014				NV	Fair value 31 12 2013				NV
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**612,957**	**-**	**612,957**	**14,515,489**	**-**	**397,868**	**-**	**397,868**	**7,952,427**
1) Fair value	-	612,957	-	612,957	14,515,489	-	385,335	-	385,335	7,893,864
2) Cash flows	-	-	-	-	-	-	12,533	-	12,533	58,563
3) Foreign investments	-	-	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**65**	**-**	**65**	**20,000**
1) Fair value	-	-	-	-	-	-	65	-	65	20,000
2) Cash flows	-	-	-	-	-	-	-	-	-	-
Total	**-**	**612,957**	**-**	**612,957**	**14,515,489**	**-**	**397,933**	**-**	**397,933**	**7,972,427**

Legend:

NV = Nominal or Notional Value

The table displays the positive book value (fair value) of hedging derivatives for hedges carried out through hedge accounting. Hedge accounting is used for the accounting of hedges of financial instruments posted in balance sheet items which do not provide for fair value measurement to offset profit and loss: in particular, hedges of all financial assets and liabilities other than those represented by securities are managed through hedge accounting.

Hedges of financial liabilities represented by securities are normally managed through the fair value option. The fair value option has systematically been adopted for fixed-rate and structured debt securities issued by the Group, for which the risk of fair value changes was hedged by derivatives upon issuance, with the aim of maintaining the hedge for the contractual duration of the hedged securities; derivatives used as part of the fair value option are classified in the trading book.

Hedge accounting is instead used for securities issued by the Group for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Information on the underlying strategies and objectives of hedge transactions can be found in the Section "Market risks" of Part E "Information on Risks and hedging policies".

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging (book value)

Transaction/Type of hedge	Fair Value						Cash Flows		Investments Foreign	Total 31 12 2014
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	Risk Rate	Risk Exchange	Risk Credit	Risk Price	Multiple Risks					
1. Financial assets available for sale	-	-	-	-	-	x	-	x	x	-
2. Loans and receivables	46	-	-	-	-	x	-	x	x	46
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	-	x	-	x	-
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**
1. Financial liabilities	609,656	-	-	-	3,255	x	-	x	x	612,911
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**609,656**	**-**	**-**	**-**	**3,255**	**-**	**-**	**-**	**-**	**612,911**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**609,702**	**-**	**-**	**-**	**3,255**	**-**	**-**	**-**	**-**	**612,957**

The table shows the positive fair values of hedging derivatives, classified by hedged assets or liabilities and type of hedging implemented.

In particular, fair value micro-hedging was used to hedge against interest-rate risk on fixed and variable capped rate mortgages and bonds classified in the available-for-sale portfolio or among receivables, in order to protect them from unfavourable interest rate changes.

Fair value micro-hedging of the interest-rate risk on financial liabilities refers primarily to hedges of liabilities represented by securities for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

More information on hedged assets and liabilities can be found in the tables contained in Part B of the notes for each section of the balance-sheet items to which the hedged items are posted.

Transaction/Type of hedge	Fair Value						Cash Flows			
	Micro-hedge									
	Risk Rate	Risk Exchange	Risk Credit	Risk Price	Multiple Risks	Macro-hedge	Micro-hedge	Macro-hedge	Investments Foreign	Total 31 12 2013
1. Financial assets available for sale	309	-	-	-	-	x	-	x	x	309
2. Loans and receivables	-	48,414	65	-	-	x	-	x	x	48,479
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	-	x	-	x	-
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**309**	**48,414**	**65**	**-**	**-**	**-**	**-**	**-**	**-**	**48,788**
1. Financial liabilities	336,612	-	-	-	-	x	12,533	x	x	349,145
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**336,612**	**-**	**-**	**-**	**-**	**-**	**12,533**	**-**	**-**	**349,145**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**336,921**	**48,414**	**65**	**-**	**-**	**-**	**12,533**	**-**	**-**	**397,933**

Section 9 – Change in value of macro-hedged financial assets – Item 90

9.1 Change in value of hedged assets: breakdown by hedged portfolios

Changes in value of hedged assets / Group components	Total 31 12 2014	Total 31 12 2013
1. Positive changes	**178,613**	**159,889**
1.1 of specific portfolios:	178,613	159,889
a) loans and receivables	178,613	159,889
b) financial assets available for sale	-	-
1.2 overall	-	-
2. Negative changes	**-**	**-**
2.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) financial assets available for sale	-	-
2.2 overall	-	-
Total	**178,613**	**159,889**

The value adjustment concerns fixed and capped floating rate mortgage loan portfolios that were fair value macro-hedged with derivatives to counter possible interest rate risk-induced fluctuations in value. As this is a macrohedge, any gain or loss on the hedged item attributable to the risk hedged may not directly adjust the value of said item (unlike in microhedging), but must be presented in this separate line item of the assets. The amounts in this item must be removed from the balance sheet when the relevant assets or liabilities are derecognised.

The fair value of the corresponding hedging derivatives is shown respectively in Table 8.2 (assets) or Table 6.2 (liabilities), both entitled "Hedging derivatives: breakdown by hedged portfolio and type of hedging", in the "Macro-hedging" column.

9.2 Assets subject to macro-hedging of interest-rate risk

Hedged assets	Total 31 12 2014	Total 31 12 2013
1. Loans and receivables	1,658,424	3,958,954
2. Assets available for sale	-	-
3. Portfolio	-	-
Total	**1,658,424**	**3,958,954**

The table shows the book value (amortised cost) of fixed-rate and capped floating rate mortgages included in Item 70 "Loans to customers", which was macro-hedged against interest-rate risk as per Table 9.1 above.

The sum of this amount and the one shown in Table 9.1 expresses the book value of these receivables, adjusted for profit or loss attributable to the risk hedged.

The reduction by EUR 2,300.6 mln in line 1 "Loans and receivables" compared to 31.12.2013 is mainly attributable to the early closure of hedging transactions on receivables of the subsidiary Consum.it S.p.a.

Section 10 – Equity investments – Item 100

10.1 Equity investments: information on shareholding

Company Name	Headquarters	Registered Office	Type of relationship	Ownership Relationship		Avail. % votes
				Held by	are holding	
A. Companies under joint control						
Integra S.p.a.	Calenzano (FI)	Calenzano (FI)	7	Consum.it	50.000	-
Marinella S.p.a.	Marinella di Sarzana (SP)	Marinella di Sarzana (SP)	7	Banca Monte dei Paschi di Siena	25.000	-
B. Companies under significant influence						
Aereoporto di Siena S.p.a. (in liquidazione)	Siena	Siena	8	Banca Monte dei Paschi di Siena	21.380	-
Alerion Cleanpower S.p.a.	Milan	Milan	8	Banca Monte dei Paschi di Siena	6.358	-
Anima Holding S.p.a.	Milan	Milan	8	Banca Monte dei Paschi di Siena	10.324	-
Antoniana Veneta Popolare Vita S.p.a.	Trieste	Trieste	8	Banca Monte dei Paschi di Siena	50.000	-
Axa Mps Assicurazioni Danni S.p.a.	Rome	Rome	8	Banca Monte dei Paschi di Siena	50.000	-
Axa Mps Assicurazioni Vita S.p.a.	Rome	Rome	8	Banca Monte dei Paschi di Siena	50.000	-
Casalboccone Roma S.p.a. (in liquidazione)	Siena	Siena	8	Banca Monte dei Paschi di Siena	21.750	33.675
EDI.B. S.p.a. (in liquidazione)	Gubbio (PG)	Gubbio (PG)	8	Banca Monte dei Paschi di Siena	18.052	-
Fabrica Immobiliare SGR S.p.a.	Rome	Rome	8	Banca Monte dei Paschi di Siena	49.990	-
Fenice Holding S.p.a.	Calenzano (FI)	Calenzano (FI)	8	Banca Monte dei Paschi di Siena	4.156	-
				MPS Capital Services S.p.a.	16.383	-
Fidi Toscana S.p.a.	Florence	Florence	8	Banca Monte dei Paschi di Siena	27.460	-
Fondo Etrusco distrib.	Rome	Rome	8	Banca Monte dei Paschi di Siena	48.000	-
Fondo Minibond PMI Italia	Conegliano (TV)	Conegliano (TV)	8	Banca Monte dei Paschi di Siena	77.820	-
Fondo Socrate	Rome	Rome	8	Banca Monte dei Paschi di Siena	23.140	-
Immobiliare Novoli S.p.a.	Florence	Florence	8	Banca Monte dei Paschi di Siena	50.000	-
Industria e Innovazione S.p.a.	Milan	Milan	8	Banca Monte dei Paschi di Siena	7.107	-
Intermonte SIM S.p.a.	Milan	Milan	8	Banca Monte dei Paschi di Siena	17.410	-
Interporto Toscano A.Vespucci S.p.a.	Collesalvetti (LI)	Collesalvetti (LI)	8	Banca Monte dei Paschi di Siena	21.819	-
				MPS Capital Services S.p.a.	19.002	-
Le Robinie S.p.a.	Reggio Emilia	Reggio Emilia	8	Banca Monte dei Paschi di Siena	20.000	-
Microcredito di Solidarietà S.p.a.	Siena	Siena	8	Banca Monte dei Paschi di Siena	40.000	-
NewColle S.r.l.	Colle V.Elsa (SI)	Colle V.Elsa (SI)	8	Banca Monte dei Paschi di Siena	49.002	-
Prima Holding 2 S.p.a. (in liquidazione)	Milan	Milan	8	Banca Monte dei Paschi di Siena	28.344	31.969
Realizzazioni e Bonifiche Arezzo S.p.a. (in liquidazione)	Arezzo	Arezzo	8	Banca Monte dei Paschi di Siena	19.584	-
Sansedoni Siena S.p.a.	Siena	Siena	8	Banca Monte dei Paschi di Siena	21.754	33.674
S.I.T. - Finanz.di Sviluppo per l'Inn. Tecnologica S.p.a.	Rome	Rome	8	Banca Monte dei Paschi di Siena	19.969	-
Terme di Chianciano S.p.a.	Chianciano T. (SI)	Chianciano T. (SI)	8	Banca Monte dei Paschi di Siena	20.351	-
				MPS Capital Services S.p.a.	28.993	-
Agricola Merse S.r.l. *	Assago (MI)	Assago (MI)	8	MPS Capital Services S.p.a.	20.000	-
Immobiliare Centro Milano S.p.a.	Milan	Milan	8	MPS Capital Services S.p.a.	33.333	-
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	Florence	8	MPS Capital Services S.p.a.	15.000	-

* As at 31.12.2014, the investment in Agricola Merse S.r.l. was classified under non-current assets held for sale and discontinued operations.
The column indicating the percentage of votes available is valued only in cases where the actual percentage of the votes that can be exercised at the ordinary shareholders' meetings does not correspond to the actual percentage of capital held in each company.
The company Prima Holding 2 S.p.a. was stricken off the Register of Companies on 15/01/2015.
For further details on changes, see comments to table "10.3 - Equity investments: annual changes".

10.2 Significant equity investments: book value, fair value and dividends earned

Company name	Book value		Fair value	Dividends earned
	31 12 2014	31 12 2013		
A. Companies under joint control				
Marinella S.p.a.	9,288	9,546	-	-
B. Companies under significant influence				
Alerion Cleanpower S.p.a.	7,758	9,065	7,803	219
Anima Holding S.p.a.	95,631	137,567	128,757	-
Antoniana Veneta Popolare Vita S.p.a.	7,396	22,268	-	1,560
Axa Mps Assicurazioni Danni S.p.a.	47,575	32,101	-	-
Axa Mps Assicurazioni Vita S.p.a.	652,022	634,218	-	87,626
Fabrica Immobiliare SGR S.p.a.	4,568	5,714	-	1,198
Fidi Toscana S.p.a.	45,666	47,346	-	-
Fondo Etrusco	63,658	-	-	-
Fondo Minibond PMI Italia	40,000	-	-	-
Fondo Socrate	12,035	-	-	-
Immobiliare Novoli S.p.a.	4,593	-	-	-
Intermonte SIM S.p.a.	16,464	15,042	-	2,000
Total	**1,006,654**	**912,867**	**136,560**	**92,603**

10.3 Significant equity investments: accounting information

Company name	Cash and cash equivalents	Financial assets	Non-financial assets	Financial liabilities	Non-financial liabilities	Total revenues	Net interest income	Value adjustments and writebacks on tangible and intangible assets	Gain (Loss) from current operations before tax	Gain (Loss) from current operations after tax	Gain (Loss) from groups of assets held for sale after tax	Gain (Loss) for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
A. Companies under joint control														
Marinella S.p.a.	6	119	61,524	22,634	1,865	2,339	(1,344)	-	(778)	(844)	-	(844)	-	(844)
B. Companies under significant influence														
Alerion Cleanpower S.p.a.	x	93,294	322,905	269,266	18,102	34,578	x	x	(10,263)	(8,839)	-	(8,839)	(3,927)	(12,766)
Anima Holding S.p.a.	x	43,977	1,010,632	178,831	197,650	515,626	x	x	81,457	57,254	-	57,254	2,142	59,396
Antoniana Veneta Popolare Vita S.p.a.	x	541,484	27,108	502,001	28,972	32,062	x	x	3,594	2,036	-	2,036	1,343	3,379
Axa Mps Assicurazioni Danni S.p.a.	x	434,872	70,956	341,760	73,548	174,566	x	x	25,976	16,993	-	16,993	13,835	30,828
Axa Mps Assicurazioni Vita S.p.a.	x	16,059,507	1,075,496	15,119,598	919,862	2,427,452	x	x	168,882	146,158	-	146,158	42,558	188,716
Fabrica Immobiliare SGR S.p.a.	x	10,748	946	98	2,262	5,963	x	x	2,444	1,576	-	1,576	106	1,682
Fidi Toscana S.p.a.	x	252,244	74,546	-	157,096	10,555	x	x	(3,631)	(3,390)	-	(3,390)	4,119	729
Fondo Etrusco	x	6,344	211,138	78,170	1,629	10,580	x	x	7,241	7,241	-	7,241	-	7,241
Fondo Minibond PMI Italia	x	51,192	620	-	182	654	x	x	230	230	-	230	-	230
Fondo Socrate	x	7,944	139,475	21,718	2,026	10,665	x	x	1,548	1,548	-	1,548	-	1,548
Immobiliare Novoli S.p.a.	x	911	178,068	152,477	17,317	11,895	x	x	(7,956)	(7,059)	-	(7,059)	-	(7,059)
Intermonte SIM S.p.a.	x	327,562	51,561	267,119	18,406	46,659	x	x	22,199	15,269	1,344	16,613	-	16,613

10.3 a - Reconciliation of accounting information with the book value

	MARINELLA SPA	ALERION CLEANPOWER S.P.A.	ANIMA HOLDING S.P.A.	ANTONIANA VENETA POPOLARE VITA S.P.A	AXA MPS ASSICURAZION I DANNI S.P.A	AXA MPS ASSICURAZION I VITA S.P.A.	FABRICA IMMOBILIARE SGR S.P.A.	FIDI TOSCANA S.P.A.	IMMOBILIARE NOVOLI S.P.A.	INTERMONTE SIM S.P.A.
Shareholding	25.00%	6.36%	10.32%	50.00%	50.00%	50.00%	49.99%	27.46%	50.00%	17.41%
Cash and cash equivalents	6	x	x	x	x	x	x	x	x	x
Fiancial assets	119	93,294	43,977	541,484	434,872	16,059,507	10,748	252,244	911	327,562
Non-financial assets	61,524	322,905	1,010,632	27,108	70,956	1,075,496	946	74,546	178,068	51,561
Fianlcial liabilities	22,634	269,266	178,831	502,001	341,760	15,119,598	98	-	152,477	267,119
Non-financiale liabilities	1,865	18,102	197,650	28,972	73,548	919,862	2,262	157,096	17,317	18,406
Shareholders'equity (100%)	37,150	128,831	678,128	37,619	90,520	1,095,543	9,334	169,694	9,185	93,598
Group shareholding	9,288	8,191	70,010	18,810	45,260	547,772	4,666	46,598	4,593	16,295
Cancellation of unrealised intragoup profit/loss	-	-	-	-	-	22,755	-	-	-	-
Goodwill	-	78	25,621	-	2,316	46,796	712	-	-	-
Value adjustments	-	-	-	(11,414)	-	-	-	-	-	-
Other increases/decreases	-	(511)	-	-	(1)	34,699	(810)	(932)	-	169
Book value of Associate company as at 31 12 2014	**9,288**	**7,758**	**95,631**	**7,396**	**47,575**	**652,022**	**4,568**	**45,666**	**4,593**	**16,464**
Book value as at 31 12 2013	9,546	9,065	137,567	22,268	32,101	634,218	5,714	47,346	-	15,042
Profit (loss) for the year	(844)	(8,839)	57,254	2,036	16,993	146,158	1,576	(3,390)	(7,059)	16,613
Other comprehensive income after tax	-	(3,927)	2,142	1,343	13,835	42,558	106	4,119	-	-
Comprehensive income attributable to the Group	(211)	(812)	6,132	1,690	15,414	94,358	841	200	(3,530)	2,892
Change in shareholding	-	105	(72,005)	-	-	-	-	3,063	-	-
Dividends	-	(219)	-	(1,560)	-	(87,626)	(1,198)	-	-	(2,000)
Change in shareholders' equity	-	3	-	(15,000)	-	-	-	(2,832)	8,405	-
Value/adjustments and writebacks	-	-	23,711	-	-	-	-	-	-	-
Other changes	(47)	(384)	226	(2)	60	11,072	(789)	(2,111)	(283)	530
Book value of Associate company as at 31 12 2014	**9,288**	**7,758**	**95,631**	**7,396**	**47,575**	**652,022**	**4,568**	**45,666**	**4,593**	**16,464**

For the funds Etrusco, Socrate and Minibond PMI Italia, the reconciliation between the accounting information and the book value of the equity investments is not provided since, at the date of the financial statements, a significant relationship had been determined with initial recognition at cost under the item "Equity investments".

10.3b Significant equity investments: Information on business

Company name	Type of business
A. Companies under joint control	
Marinella S.p.a.	Real estate development
B. Companies under significant influence	
Alerion Cleanpower S.p.a.	Industrial Group listed on the Milan Stock Exchange, specialising in the production of electricity from renewable sources, particularly wind
Anima Holding S.p.a.	Holding of Prima SGR S.p.A. and Anima SGR S.p.A. are the fourth largest player and leading independent player in the Italian assets management market
Antoniana Veneta Popolare Vita S.p.a.	Company operating in the bancassurance business
Axa Mps Assicurazioni Danni S.p.a.	Company specialising in P&C insurance, offering a comprehensive range of insurance solutions tailored to the needs of customers and businesses.
Axa Mps Assicurazioni Vita S.p.a.	Leading company in the domestic insurance market, offering innovative and advantageous solutions for all pension, insurance, savings and investment needs.
Fabrica Immobiliare SGR S.p.a.	Asset managment company operating in Italy. It manages 12 real estate funds and has over EUR 3 billion in assets under management.
Fidi Toscana S.p.a.	A Tuscan financial company which aims to facilitate access to credit for small and medium businesses
Fondo Etrusco	Real estate fund for institutional investors. Its portfolio has been built up through a series of sale and leaseback transactions on commercial properties fully leased by a leading player in the Mass Distribution Industry
Fondo Minibond PMI Italia	Independent investment fund for investments in bonds issued by small and medium Italian businesses
Fondo Socrate	Closed-end mutual real estate investment fund. Listed on the Market for Investment Vehicles of the Italian Sotck Exchange as of 30 January 2014
Immobiliare Novoli S.p.a.	Real estate company
Intermonte SIM S.p.a.	Leading brokerage company in the Italian stock market. Operates with foreign and Italian institutional customers

The associated companies 'Axa Mps insurance Danni S.p.a', 'Axa Mps insurance Vita S.p.a.' and 'Anima Holding S.p.a' are strategic for the Group.

10.4 Non-significant equity investments: accounting information

Company name	Book value of equity investment	Total assets	Total liabilities	Total revenues	Gain (Loss) from continuing operations after tax	Gain (Loss) from groups of assets held for sale after tax	Gain (Loss) for the year (1)	Other comprehensive income after tax (2)	Comprehensive income (3) = (1) + (2)
A. Companies under joint control	922	26,350	24,507	1,835	33	-	33	-	33
B. Companies under significant influence	6,323	680,604	640,324	83,551	(123,276)	(153)	(123,429)	1,444	(121,985)

10.5 Equity investments: annual changes

	Total 31 12 2014	Total 31 12 2013*
A. Opening balance	**970,378**	**1,040,102**
B. Increases	**299,501**	**161,165**
B.1 Purchases	2,194	9,584
B.2 Write-backs	23,711	-
B.3 Revaluations	-	-
B.4 Other increases	273,596	151,581
C. Decreases	**255,980**	**230,889**
C.1 Sales	71,230	15,721
C.2 Write-downs	47,087	37,676
C.4 Other decreases	137,663	177,492
D. Closing balance	**1,013,899**	**970,378**
E. Total revaluation	-	-
F. Total write-downs	172,172	224,543

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Below are the main changes introduced in the course of the year.

Among increases:

- in line B.2 "Write-backs", the write-back on Anima Holding S.p.a., amounting to EUR 23.7 mln, posted under item 240 of the income statement "Gains/losses on investments";
- in line B.4 "Other increases", EUR 120.6 mln in profits from associates and the reclassification among entities under significant influence, for a total of EUR 115.7 mln, of 3 investment funds (UCITS) previously classified under assets available for sale.

Among decreases:

- in line C.1 "Sales", a decrease by EUR 69.9 mln in shareholding (from 21.63% to 10.32%) following a global offer aimed at the listing of the shares of Anima Holding S.p.A. on the Electronic Stock Market;
- in line C.2 "Write-downs", the write-downs of Sansedoni Siena S.p.a. (EUR 14.8 mln) and Fenice Holding S.p.a. (EUR 16.4 mln);
- in line C.3 "Other decreases", dividends from associated companies for EUR 101.0 mln.

§ * § * §

In accordance with the accounting standards, the indicators of impairment of equity investments in associates have been measured, the recoverable value has been determined where applicable, and any write-downs or reversals have been accounted for. In particular, with reference to the most significant equity investments in associates it should be noted that:

- for the equity investments in the associates Axa MPS Danni, Axa MPS Vita and Antoniana Veneta Popolare Vita, an analysis on key impairment indicators has not identified elements indicating that impairment tests should be performed;
- the investments in Sansedoni and Fenice Holding were written off entirely (EUR 14.8 and 16.4 mln respectively), taking into account the financial position;
- the investment in Interporto Toscano was written down by EUR 7.3 mln in consideration of the profit outlook;
- for Anima Holding, it was observed that the impairment triggers that had led to write-downs in previous years no longer existed. The recoverable value was therefore determined by discounting the income flows derived from the company's economic and financial projections (2014-2016 Business Plan); the terminal value (perpetual valuation of the average of the flows assumed for the 2015/2016 period) was also determined, using an equity cost estimated

through the CAPM and ranging between 9.3% and 10.8%. Two models have been developed in flow discounting, which include:

- an additional risk (equal to 50 bps) and a sensitivity percentage (equal to 100 bps) to take into account the uncertainty of asset management evolution, in line with the previous impairment tests;
- no additional risk, in view of the latest data on asset management trends which show a significant recovery in 2013 compared to 2012 and confirm a positive outlook for the next few years;

as a result of these valuations, a recoverable value of EUR 119 mln was identified, which led to the posting of a reversal of EUR 23.7 mln equal to the entire amount of the write-downs entered in the previous years, limited to the portion of the equity investment still held at the reference date.

Reported below is the main embedded goodwill remaining after the impairment test:

Embedded goodwill	31 12 2014	31 12 2013
Axa Mps Assicurazioni Vita S.p.A.	46,796	46,796
Axa Mps Assicurazioni Danni S.p.A.	2,316	2,316
Asset Management Holding S.p.A.	25,621	4,002
Others	790	790
Total	**75,523**	**53,904**

10.6 Key considerations and assumptions to determine the existence of joint control or significant influence

The Group considers as associates, that is subject to significant influence, the companies of which it holds at least 20 per cent of the voting rights (including potential voting rights) and in which it has the power to participate in determining the financial and operating policies. Similarly, companies are considered associates also when the Group – despite a lower percentage of voting rights– has the power of participating in the determination of the financial and operating policies of the investee on account of specific legal agreements such as, for example, the participation in important committees of the investee as well as the presence of vetoing rights on significant decisions.

The Group considers jointly controlled those companies with respect to which the following circumstances occur simultaneously:

- a written agreement is in place providing for participation in the management of the investee's business through the presence in the latter's Board of Directors;
- none of the parties to the agreement holds exclusive control of the investee;
- the decisions on key activities are made unanimously by the identified parties (each has an implicit or explicit veto power on key decisions).

10.7 Covenants on investments in jointly controlled companies

No covenants on investments in jointly controlled companies are reported.

10.8 Covenants on investments in companies under significant influence

No covenants on investments in companies under significant influence are reported.

10.9 Significant restrictions

At the financial statement date there are no significant restrictions to the jointly controlled companies' or associates' ability to transfer funds to the Group in the form of dividends, in addition to those set forth in Civil Code provisions, requiring the deduction of 5% of the net profit for the year and its allocation to the legal reserve, until the latter amounts to 20% of the share capital. The reserve must be replenished if it is reduced for whatever reason.

10.10 Other information

The equity method, a synthetic methods for the valuation of the equity of companies on which the Group has significant influence or joint control, is performed on the basis of the financial statements for the year ended 31 December 2014; if these are not available, the valuation is carried out on the basis of the interim report at 30 September 2014.

Section 11 – Reinsurance technical reserves – Item 110

No values are shown in this section as the insurance companies in which the Group holds equity investments are associates, and therefore these investments are consolidated using the equity method.

Section 12 - Property, plant and equipment - Item 120

12.1 Property, plant and equipment used in the business: breakdown of assets valued at cost

Asset/Amount	Total	
	31 12 2014	31 12 2013*
1. Assets owned	**2,347,154**	**2,433,887**
a) land	822,625	841,780
b) buildings	1,218,460	1,260,513
c) furniture and furnishings	162,643	166,496
d) electronic systems	87,661	75,538
e) other	55,765	89,560
2. Assets leased	-	-
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total	**2,347,154**	**2,433,887**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

All of the Group's property and equipment is measured at cost; the line "land" expresses the value of land separately from the value of buildings. In compliance with guidance provided by IAS 36 "Impairment of Assets" and recommendations contained in document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and ISVAP, an overall property appraisal was made with a view to determining any impairment losses to be posted to profit and loss for the year; disclosure of these impairment losses is provided in the notes to tables "12.3 Property, plant and equipment used in the business: annual changes" and "12.4 Property, plant and equipment held for investment: annual changes".

Item 1 "Owned assets –c) furniture and furnishings" includes artworks whose value amounts to EUR 121.4 mln.

12.2 Property, plant and equipment held for investment: breakdown of assets valued at cost

Asset/Amount	31 12 2014				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
1. Assets owned	**439,929**	**-**	**-**	**473,686**	**473,686**
a) land	188,368	-	-	192,139	192,139
b) buildings	251,561	-	-	281,547	281,547
2. Assets leased	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total	**439,929**	**-**	**-**	**473,686**	**473,686**

Asset/Amount	31 12 2013*				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
1. Assets owned	**449,933**	**-**	**-**	**481,864**	**481,864**
a) land	181,945	-	-	184,845	184,845
b) buildings	267,988	-	-	297,019	297,019
2. Assets leased	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total	**449,933**	**-**	**-**	**481,864**	**481,864**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

12.3 Property, plant and equipment used in the business: breakdown of revalued assets

The Group does not own any revalued property, plant and equipment.

12.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

The Group does not own any property, plant and equipment designated at fair value.

12.5 Property, plant and equipment used in the business: changes for the period

	Land	Buildings	Furniture and furnishings	Electronic systems	Others	Total 31 12 2014
A. Gross opening balance	**846,215**	**1,413,676**	**500,222**	**593,520**	**460,724**	**3,814,357**
A.1 Total net decrease	4,435	153,163	333,726	517,983	371,164	1,380,471
A.2 Net opening balance	**841,780**	**1,260,513**	**166,496**	**75,537**	**89,560**	**2,433,886**
B. Increases	**21,416**	**41,576**	**12,853**	**48,646**	**8,243**	**132,734**
B.1 Purchases	8	1,148	12,693	46,556	7,684	68,089
B.2 Capitalized expenditure on improvements	-	4,281	-	-	-	4,281
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
B.5 Positive exchange differences	21	53	155	47	-	276
B.6 Transfers from properties held for investment	-	-	-	-	-	-
B.7 Other increases	21,387	36,094	5	2,043	559	60,088
C. Decreases	**40,570**	**83,628**	**16,706**	**36,524**	**42,038**	**219,466**
C.1 Sales	12,113	13,543	3,438	78	232	29,404
C.2 Depreciation	-	43,037	12,987	35,995	15,276	107,295
C.3 Impariment losses booked to:	8,558	4,723	-	-	-	13,281
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	8,558	4,723	-	-	-	13,281
C.4 Decreases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	168	168
C.6 Transfer to:	17,576	18,315	-	-	-	35,891
a) tangible asset held for investment	17,576	18,315	-	-	-	35,891
b)assets held for sale	-	-	-	-	-	-
C.7 Other decreases	2,323	4,010	281	451	26,362	33,427
D. Net closing balance	**822,626**	**1,218,461**	**162,643**	**87,659**	**55,765**	**2,347,154**
D.1 Total net decreases	12,993	194,976	341,058	563,992	374,500	1,487,519
D.2 Gross closing balance	**835,619**	**1,413,437**	**503,701**	**651,651**	**430,265**	**3,834,673**
E. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

Lines A.1 and D.1 – "Total net decreases" include amounts relating to total depreciation and impairment losses booked.

Line E – "Carried at cost" was left blank, as per the Bank of Italy's instructions, since it only needs to be completed for assets accounted for at fair value. As at the end of 2014, the Group did not hold any PPE acquired under finance leases or provided under operating leases for a significant amount.

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 13.3 mln being recognised in the balance sheet as at 31.12.2014. In addition, EUR 42.7 mln in overall capital gains on real estate used in the business is also reported; these capital gains were not recognised in the balance sheet. With regard to property, plant and equipment used in the business other than buildings, no extraordinary negative market factors were thought to exist under a going concern assumption, that might call for the need to recognise impairment losses.

12.6 Property, plant and equipment held for investment: annual changes

	31 12 2014		
	Lands	Builiding	Total
A. Opening balance	**181,945**	**267,988**	**449,933**
B Increases	**18,000**	**19,977**	**37,977**
B.1 Purchases	67	260	327
B.2 Capitalized expenditure on improvements	-	877	877
B.3 Increases in fair value	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfers from property used in the business	17,576	18,315	35,891
B.7 Other increases	357	525	882
C. Decreases	**11,577**	**36,404**	**47,981**
C.1 Sales	4,957	4,907	9,864
C.2 Depreciation	-	9,640	9,640
C.3 Decreases in fair value	-	-	-
C.4 Impairment losses	6,545	21,459	28,004
C.5 Negative exchange differences	-	-	-
C.6 Transfers to other asset potfolios	75	149	224
a) properties used in the business	-	-	-
b) non-current assets held for sale	75	149	224
C.7 Other decreases	-	249	249
D. Closing balance	**188,368**	**251,561**	**439,929**
D.1 Total net decrease	15,124	96,358	111,482
D.2 Gross closing balance	203,492	347,919	551,411
E. Designated at fair value	**192,139**	**281,547**	**473,686**

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 28.0 mln being recognised in the balance sheet as at 31.12.2014. In addition, EUR 63.4 mln in overall capital gains on real estate held for investment is also reported; these capital gains were not recognised in the balance sheet.

12.7 Commitments to purchase property, plant and equipment

No commitments to purchase property, plant and equipment were registered during the year.

12.8 Property, plant and equipment: depreciation rates

Main categories of tangible assets	%
Land and works of art	0%
Buildings	3.03%
Furniture and furnishings	10-12%
Alarm and video systems	30%
Electronic and ordinary office equipment	20%
Electronic data processing equipment	50%
Vehicles	20-25%
Telephones	25%

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type

Asset / Amount	31 12 2014			31 12 2013*		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**x**	**7,900**	**7,900**	**x**	**669,692**	**669,692**
A.1.1 group	x	7,900	7,900	x	669,692	669,692
A.1.2 minorities	x	-	-	x	-	-
A.2 Other intangible assets	**433,793**	**-**	**433,793**	**492,364**	**-**	**492,364**
A.2.1 Assets carried ad cost	433,793	-	433,793	492,364	-	492,364
a) internally generated intangible assets	82,092	-	82,092	97,114	-	97,114
b) other assets	351,701	-	351,701	395,250	-	395,250
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**433,793**	**7,900**	**441,693**	**492,364**	**669,692**	**1,162,056**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

All of the Group's intangible assets are valued at cost. All intangible assets recognised in the financial statements have a finite useful life, except for goodwill.

During preparation of the 2014 accounts, goodwill recognised was tested for recoverability or impairment. In accordance with Document 4 jointly published by Bank of Italy/CONSOB/IVASS on 3 March 2010 and provisions set out in IAS 36, “Impairment of Assets”, a special chapter has been added below to describe the goodwill recoverability test.

Goodwill is not systematically amortised but tested for impairment (Impairment Test). The test performed resulted in an impairment loss of EUR 662 mln.

Line “A.2.1 Assets carried at cost – b) Other assets” includes:

- intangible assets arising from customer relations recognised following the acquisition of former Banca Antonveneta S.p.a.:
  - *core deposits* totalling EUR 88.8 mln, from the fair value measurement of on-demand funding (current accounts and savings deposits),
  - *core overdrafts* totalling EUR 23.3 mln, from the fair value measurement of assets represented by non-revolving credit facilities,
  - *assets under management* and *assets under custody* in the amount of EUR 7.4 mln, arising from the fair value measurement of AUM and AUC,
- purchase of externally-developed software for an amount of EUR 232.2 mln.

Considering that line “A.2.1 assets carried at cost – a) internally generated intangible assets” includes intangible assets linked to internally generated technology in the amount of EUR 82.1 mln, the software total recognised in the consolidated financial statement amounts to EUR 314.3 mln.

For intangible assets associated with customer relationships, an analysis was carried out on the impairment indicators, which resulted in no need for impairment testing.

With regard to the software, an analysis was carried out of the future service life of the capitalized assets to verify the possible overlapping with new projects introduced in production in 2014 and related to the 2013-2017 Business Plan. This analysis resulted in write-downs of EUR 39.1 mln.

Impairment testing of Group Goodwill

IAS 36 sets out the principles for recognition and reporting of impairment for certain types of assets, including goodwill, illustrating the principles that an entity must follow to make sure that the carrying amount of its assets is not higher than their recoverable amount.

IAS 36 defines recoverable amount as the higher of:

- Fair value less costs to sell - the amount obtainable from the sale of an asset in a regular transaction between market participants, less the costs of disposal;
- Value in use - the present value of estimated future cash flows expected to arise from the continuing use of an asset or from a Cash Generating Unit (CGU).

IAS 36 requires the carrying amount of goodwill to be compared with the recoverable amount whenever there is an indication that the asset may have been impaired and in any case at least once a year at the financial statements date (impairment test).

The recoverable amount of goodwill is estimated with reference to the CGUs, since goodwill is not able to generate cash flows independently from an asset.

A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets, which the Group is able to recognise separately in its management reporting system.

In accordance with IAS 36 and in light of the aforementioned considerations, the impairment test carried out on goodwill as shown in the Group's consolidated financial statements comprised the following activities:

1) Identification of goodwill;
2) Identification of cash-generating units and allocation of goodwill to the cash-generating units identified;
3) Determination of the recoverable value of the CGUs
4) Impairment test results.

1) Identification of goodwill

The impairment test was carried out on goodwill; no other indefinite-life intangible assets are recognised in the financial statements.

2) Identification of cash-generating units and allocation of goodwill to the cash-generating units identified

According to IAS 36, each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and should not be larger than an operating segment as defined by IFRS 8 ("Operating Segments").

As for the impairment test as at 31 December 2013, the Group's goodwill was tested by identifying those CGUs into which the Group's operations can be separated and analysing the cash flows that these will be able to generate in future years, based on an approach consistent with Segment Reporting included in the financial statement, which is in turn reflected in Management Reporting.

For the purpose of primary reporting of profit and loss/balance-sheet data, the Group has adopted a business approach opting for results to be broken down by the business segments in which the Group operates: Corporate and Investment Banking Division (Corporate customers), Retail and Network Division divided into "Retail Banking" (Retail and Private customers) segment and "Financial Advisory and Digital Banking" segment and Corporate Centre (residual central operations). The Group's performance and planning development are monitored based on a model that splits the business into these various operating segments.

Therefore, as compared to the impairment test as at 31 December 2013, in addition to the Consumer CGU and Corporate CGU, the new "Financial Advisory and Digital Banking" CGU was identified and underwent the impairment test in accordance with the approach adopted by the segment reporting of the MPS Group. The latter CGU represents the new organisation structure which includes the subsidiary Widiba, the Group's newco operating in the digital banking sector, whom has also been transferred by means of contribution in kind the Financial Advisory Network, previously included in the Consumer CGU.

In particular, the 3 CGUs have the following scopes of business:

1. "**CGU - Consumer**" is composed of:
   - Retail customers from BMPS and Consum.it branches;
   - Typically private customers of BMPS branches as well as other private clients from other Group entities.

2. "**CGU - Corporate**", composed of typically corporate clients of BMPS branches and foreign branches, Large Corporates, MPS Leasing & Factoring and MPS Capital Services.
3. "**CGU - Financial Advisory and Digital Banking**" composed of the customers of the subsidiary Widiba (the Group's newco established to relaunch the presence of MPS in direct channels, whom has also been transferred the Financial Advisory Network, previously included in the Consumer CGU).

As required by IAS 36, following redefinition of the scope of business of the CGUs and the consequent definition of the new Financial Advisory and Digital Banking CGU, the allocation of the goodwill, recognised on the basis of the drivers, consistent with the characteristics of the CGU, was also reassessed. This activity has entailed the reallocation to the Financial Advisory and Digital Banking CGU of a goodwill of about EUR 8 mln. Therefore, the goodwill of EUR 670 mln, subject to the impairment test is allocated to the Consumers CGU for EUR 662 mln and to the Financial Advisory and Digital Banking CGU for approximately EUR 8 mln. These figures reflect the write-downs carried out in the previous years.

Under IAS 36, if a centrally managed corporate asset cannot be allocated on a reasonable and consistent basis to the identified CGUs, it should be tested for impairment by identifying the smallest group of CGUs – a sort of "higher" CGU – to which it can be allocated. In this specific case, the test focused on those corporate assets which were not included in individual CGUs' segment reporting, with a view to identifying some drivers enabling their allocation to the CGUs. Subsequent to the allocation, an estimate was made of the Montepaschi Group's overall recoverable value so as to confirm the applicability of the 'Central Residual Expenses'/Residual CGU' allocation by comparing the total value of the CGUs with the overall value of the Group. The Residual CGU was also allocated on the basis of the actions and objectives set out in the Business Plan for the different business areas.

It is noted that, since the Corporate CGU has no allocated goodwill, it was not tested for impairment; its carrying value and its recoverable amount were established, as specified below, for the sole purpose of re-allocating the Residual CGU and verifying such allocation.

3) Determination of the recoverable value of the CGUs

The Group's goodwill as at 31 December 2014 was tested for impairment by identifying the recoverable amount of the individual CGUs as the value in use. The recoverable amount of the CGUs was determined partly with the assistance of a leading consultancy firm.

The recoverable amount of the CGUs was estimated by discounting future distributable cash flows.

On the basis of the above and along the same lines as previously performed impairment tests, this test was carried out on the basis of 2014 preliminary data and 2015 budget data, as well as the financial targets for 2016 and 2017 set out in the Restructuring Plan and 2013-2017 Business Plan, to achieving which the Bank remains formally committed towards both the competent Authorities and the Stakeholders.

However, considering that the internal and external impairment indicators (reduction in market capitalisation, reduction in market multiples, worsening of the macroeconomic situation compared to that envisaged in the Plan, operating result for 2014) represent an objective and evident increase of the Restructuring Plan execution risk, for the sake of prudence the value of goodwill was tested on the basis of more conservative assumptions in relation to profit targets and valuation parameters.

The recoverable amount was estimated on the basis of the following methodological steps:

1. Determination of the CGU's value in use by discounting future distributable cash flows, based on the following formula:

$$W = \sum_{t=1}^{n} \frac{F_t}{(1+i)^t} + VT_a$$

where:

F_t = cash flows distributable to shareholders over the selected time horizon based on the economic and financial projections made, maintaining a satisfactory level of capitalisation.

i = discounting rate represented by the cost of equity (ke).

VT_a = present terminal value ("Terminal Value") calculated as the value of a perpetual yield that is estimated according to an economically sustainable normalised cash flow consistent with the long-term growth rate ("g").

The test carried out on the basis of the 2013-2017 Restructuring Plan targets does not actually identify a need to write down the value of goodwill as at 31 December 2014.

However, considering the increased Restructuring Plan execution risk, the value of goodwill was also tested on the basis of more conservative assumptions. In particular, the cash flows distributable to shareholders were determined on the basis of:

- a multiple scenario analysis conducted by estimating the potential impacts on the Group's 2016 and 2017 net profit of the changes in Euribor rate forecasts and of a more conservative evolution of the cost if credit, in line with the 2015 budget, also taking into account the latest available analyst consensus estimates on the Group's earnings; based on these analyses, the considered 2016 and 2017 profits are lower than Plan targets by 56% and 47% respectively;
- a vigilance objective ratio (CET 1), taking into account the ECB's recommendations, equal over the plan's time frame to 10.2% and 10.0% from 2018.

To discount cash flows distributable to shareholders, the cost of equity was used, i.e. the return on equity required by investors/shareholders for investments with similar risk characteristics. This rate was estimated to be 12.5% using the Capital Asset Pricing Model ("CAPM"), based on the following formula:

$$k_e = R_f + Beta * (R_m - R_f)$$

where:

Rf = risk-free rate (factoring in the country risk) of 2.9% identified as the yearly average yield of 10-year bonds issued by the Italian government (source: Bloomberg).

Beta = correlation factor between actual share performance and overall performance of the reference market (measurement of the volatility of a stock relative to the market), equal to 1.25 (beta adjusted, source: Bloomberg).

R_m - R_f = risk premium required by the market which, in line with assessment practices, is set at 5.75%.

An additional risk of 250 bps was applied to the rate determined as described above to take into account the stock risk perceived by the market, which is not entirely reflected by the parameters underlying the CAPM.

The Terminal Value was determined based on the following formula:

$$VT = \text{normalised distributable cash flow} / (k_e - g)$$

considering a normalised financial flow and an assumed long-term growth rate (g) of 1.5% based on the worsening of the scenario.

2. Determination of the CGU's value in use, in the same way as for the MPS Group, by discounting future distributable cash flows.

   Cash flows have been determined on the basis of the CGUs' estimated net profit inferred from the multiple scenario analysis conducted at Group level and:

   - a vigilance objective ratio (CET 1) equal over the plan's time frame to 10.2% and 10.0% from 2018. For the CGU Widiba, considering the characteristics of the business, an objective ratio of 8.0% was adopted.
   - the CGU equity cost was determined using estimates that reflect the specific risk of CGUs (MPS Consumer CGU and Widiba CGU: 12.5%, MPS Corporate CGU: 13.5%);
   - a long-term growth rate of 1.5%.
3. Allocation to the CGUs of the 'Residual CGU/Central Expenses' components, which had not previously been included in the estimate under item 1 above.

The main parameters - reflective of the most recent market conditions - used to determine the recoverable amount of the Consumer CGU, Financial Advisory CGU and Digital Banking CGU as at 31 December 2014 are shown below.

	Measurement criteria		
	k_e	g	Capital ratio
Financial Advisory and Digital Banking CGU Consumer CGU	12.5%	1.5%	10.2% until 2017 10% from 2018

4) Impairment test results

The results in Euro/mln of the impairment test performed on the MPS Consumer CGU and the Financial Advisory and Digital Banking CGU on the basis of the multiple scenario analysis are presented below.

	Book value pre-impairment	Recoverable value	Delta
Consumer	2.395	1.555	-840
Financial Advisory and Digital Banking	84	187	103

The findings of the goodwill impairment test carried out, as at 31 December 2014,on the basis of the multiple scenario analysis show the following:

- for the MPS Consumer CGU, a recoverable value lower than the pre-impairment book value by approximately EUR 840 mln;
- for the Financial Advisory and Digital Banking CGU, a recoverable value higher than the book value by EUR 103 mln.

In light of the analyses described above and taking into account the fact that the worsening of the macroeconomic scenario and the Group's internal impairment indicators discussed above translate into an increased Plan execution risk, the goodwill of the MPS Consumer CGU as at 31 December 2014 was written down by EUR 662 mln, i.e. its entire book value.

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		finite life	indefinite life	finite life	indefinite life	31 12 2014
A Opening balance	**6,605,132**	**379,457**	**-**	**1,559,598**	**-**	**8,544,187**
A.1 Total net decreases	5,935,440	282,343	-	1,164,348	-	7,382,131
A.2 Net opening balance	669,692	97,114	-	395,250	-	1,162,056
B. Increases	**-**	**21,987**	**-**	**71,913**	**-**	**93,900**
B.1 Purchases	-	21,987	-	71,858	-	93,845
B.2 Increases in internally generated intangible assets	x	-	-	-	-	-
B.3 Write-backs	x	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- to net equity	x	-	-	-	-	-
- to profit and loss	x	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	55	-	55
B.6 Other increases	-	-	-	-	-	-
C. Decreases	**661,792**	**37,009**	**-**	**115,462**	**-**	**814,263**
C.1 Sales	-	-	-	2,996	-	2,996
- Disposals and one-off transactions	-	-	-	-	-	-
C.2 Write-downs	661,792	37,007	-	112,130	-	810,929
- Depreciation	-	24,125	-	85,935	-	110,060
- Write-downs	661,792	12,882	-	26,195	-	700,869
+ net equity	-	-	-	-	-	-
+ profit and loss	661,792	12,882	-	26,195	-	700,869
C.3 Decreases in fair value	-	-	-	-	-	-
- to net equity	x	-	-	-	-	-
- to profit and loss	x	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	2	-	336	-	338
D. Net closing balance	**7,900**	**82,092**	**-**	**351,701**	**-**	**441,693**
D.1 Total net value adjustments	6,597,232	319,350	-	1,276,246	-	8,192,828
E. Gross closing balance	**6,605,132**	**401,442**	**-**	**1,627,947**	**-**	**8,634,521**
F. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

Line A.1, "Total net decreases", and line D.1, "Total net value adjustments", show the opening and closing balances for total value adjustments and amortisation recorded for intangible assets with a finite life.

With regard to line C.2 “Writedowns” see footnotes to table 13.1 “Intangible assets: breakdown by type”.

Line F - "Carried at cost" was left blank in accordance with Bank of Italy's instructions, as it only needs to be completed for assets recognised at fair value.

13.3 Other information: amortisation rates

Main categories of intangible assets	%	residual depreciation period
Software	20.00%	
Concessions and other licenses	20.00%	
Core deposits - current accounts	9.10%	5 years
Core deposits - deposit	6.70%	9 years
Core overdraft	9.10%	5 years
Assets under management	11.10%	3 years

Intangible assets recognised during the purchase price allocation of Banca Antonveneta S.p.A. are all finite-life and therefore amortised based on their expected useful life.

As at 31 December 2013 there were no:

- revalued intangible fixed assets;
- intangible fixed assets acquired through government concessions (IAS 38, par. 44);
- intangible fixed assets pledged as loan collaterals;
- commitments to purchase intangible assets.

Section 14 – Tax Assets and Liabilities – Item 140 (Assets) and Item 80 (Liabilities)

14.1 Deferred tax assets: breakdown

Items/Amounts	IRES with offsetting entry to P&L	IRES with offsetting entry to Balance Sheet	IRAP with offsetting entry to P&L	IRAP with offsetting entry to Balance Sheet	31 12 2014	31 12 2013*
Receivables (including securitisations)	79,012	-	-	-	79,012	33,035
Receivables (L. 214/2011)	2,673,045	-	407,926	-	3,080,971	1,631,626
Other financial instruments	1,240	-	10,246	-	11,486	14,137
Goodwill deduction pursuant to previous law provisions (L. 214/2011)	914,993	3,620	286,132	868	1,205,613	1,349,626
Multi-annual costs	-	-	-	-	-	-
Tangible assets	72,013	-	8,672	-	80,685	12,873
Intangible assets	565	-	80	-	645	1
Intangible assets (Law 214/2011)	88,011	-	17,827	-	105,838	117,920
Corporate entertainment expenses	-	-	-	-	-	-
Personnel expenses	16,617	22,643	-	-	39,260	29,456
ACE surplus	87,682	-	-	-	87,682	-
Tax losses	287,046	33,362	-	-	320,408	127,176
Tax losses (Law 214/2011)	12,015	-	343	-	12,358	14,346
Financial instruments - valuation reserves	-	449,526	-	87,692	537,218	616,030
Others	344,729	64,752	17,483	1,837	428,801	313,786
Deferred tax assets (gross)	**4,576,968**	**573,903**	**748,709**	**90,397**	**5,989,977**	**4,260,012**
Offsetting with deferred tax liabilities	(129,037)	(140,366)	(6,011)	(27,933)	(303,347)	(91,966)
Deferred tax assets (net)	**4,447,931**	**433,537**	**742,698**	**62,464**	**5,686,630**	**4,168,046**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

In 2014 the balance of deferred tax assets recorded a net increase of EUR 1,518.6 mln, of which EUR 1,291.3 mln pertaining to tax assets that can be transformed into tax credits in accordance with Law no. 214/2011.

The increase was mainly due to significant writedowns on loans carried out by the MPS Group in 2014. The non-deductible component of these writedowns for the period (4/5) resulted, in particular, in the recording of new deferred tax assets under the item “Receivables (Law 214/2011)”. Additionally, the deductible portion for the period (1/5) has contributed to a tax loss for the period, relating to the MPS Group's tax consolidation, and the relevant deferred tax assets have been recognized in the line “Tax losses”.

- Under Italian tax laws the possibility of carrying forward IRES tax losses is not subject to time limits (in accordance with art. 84 paragraph 1 of the TUIR);
- It is deemed unlikely that the causes leading to the recognition of tax losses in the current and previous years will recur in the future.

As a result of the loss recorded in the statutory financial statements for 2013, in 2014, the Parent Company, MPS Leasing & Factoring and Consum.it transformed into tax credits a portion of the deferred taxes assets recorded in their respective financial statements as at 31.12.2013, relating to goodwill, other intangible assets and loan writedowns.

This transformation, for a total amount of EUR 753.6 mln, carried out in accordance with Law no. 214/2011, was effective for each Company as of the date of approval by the Shareholders' Meeting of their respective 2013 financial statements and resulted in the cancellation of the corresponding deductions from current tax expense, to which the Company would have been entitled for the period in which it carried out the transformation and for the subsequent periods until the amount of the accrued tax credit was reached.

Therefore, the transformation resulted in a corresponding reduction of the amount of deferred tax assets, which impacted the items “Goodwill (Law 214/2011)”, “Intangible fixed assets (Law 214/2011)” and Receivables (Law 2014/2011)”.

The line “Excess ACE” shows the tax benefit set out in art. 1 of Law Decree no. 201/2011 (Support to the Economic Growth), accrued as at 31.12.2014 and carried forward to future periods for the portion of it that could not be included in the taxable income of either the Parent Company or of the MPS Group's tax consolidation. In this case the deferred tax assets were recognized after verifying the existence of foreseeable future incomes, taking account of the fact that: (i) it was deemed unlikely that the causes leading to the recognition of tax losses in the current and previous years will recur in the future, and (ii) under Italian tax laws excess ACE, in accordance with art. 1 paragraph 4 of Law Decree no. 201/2011, can be carried forward without, or alternatively can be used to offset IRAP payments in 5 annual instalments.

The line “Financial instruments – valuation reserves” includes tax assets relating to the valuation of cash flow hedge derivatives, financial instruments classified in portfolios of available-for-sale financial assets and those originally in the portfolio of available-for-sale financial assets which were reclassified as 'loans to customers' and 'loans to banks' in 2008.

The line “Other” includes tax assets relating to other cases, such as those recognised on provisions for risks and charges in respect of deductible costs expected for future periods.

14.2 Deferred tax liabilities: breakdown

Items/Amounts	IRES with offsetting entry to P&L	IRES with offsetting entry to Balance Sheet	IRAP with offsetting entry to P&L	IRAP with offsetting entry to Balance Sheet	Total 31 12 2014	Total 31 12 2013*
Capital gains to be divided into installments	-	1,262	-	-	1,262	17,000
Goodwill	-	-	-	-	-	-
Tangible and intangible assets	912	-	182	-	1,094	76,606
Financial instruments	178,665	-	15,967	-	194,632	81,729
Personnel expenses	549	-	-	-	549	1,809
Financial instruments - valuation reserves	-	130,008	-	25,918	155,926	64,182
Others	3,550	10,357	11	2,015	15,933	9,598
Deferred tax liabilities (gross)	**183,676**	**141,627**	**16,160**	**27,933**	**369,396**	**250,924**
Offsetting with deferred tax assets	(129,037)	(140,366)	(6,011)	(27,933)	(303,347)	(91,965)
Deferred tax liabilities (net)	**54,639**	**1,261**	**10,149**	**-**	**66,049**	**158,959**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

The lower taxes on “Capital gains to be divided into instalments” is attributable to the current year’s taxation of a fifth of the capital gain earned from the sale of branches by the Parent Company to the Carige Group and Cassa di Risparmio di Firenze in 2010, and paid in instalments as per the option set out in art. 86, par. 4 of the Income Tax Act (TUIR).

The decrease in the item “Tangible and intangible fixed assets” is mainly attributable to the effects of the settlement of the tax dispute related to the Chianti Classico transaction, settled amicably by the Parent Company on 22/12/2014 (see comment in the Notes to the Financial Statements, Part C – Section 20). As a result of the settlement of the dispute, the assignor was subject to taxation of the capital gain generated in 2009 by the assignment of a business unit consisting of real properties, by MPS Immobiliare (merged into the Parent Company in 2014) to Consorzio Perimetro; taxation of the capital gain resulted in the re-determination of the tax value of the properties to the assignee, and consequently in the cancellation of the previously recorded deferred tax liabilities.

The line “Financial instruments” includes IRES tax liabilities of EUR 58.4 mln relating to the temporary misalignment of the statutory and tax value of securities recognised by the Parent Company due to cancellation of the instrument Nota Italia – Corsair Finance Ireland no. 6 Ltd Series no. 15 as a consequence of the unwinding transaction (see Part G – Business Combinations – Notes to the consolidated financial statements). As it was recognised as a business combination between entities under common control, in accordance with the value continuity principle with reference to the consolidated financial statements, as set out in the Assirevi (Italian Association of Auditors) Preliminary Guidelines on “Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements” (OPI no. 1), the transaction had no impact on the Parent Company's income statement.

To date, the tax treatment of this transaction is uncertain given its unusual nature. The Parent Company shall avail itself of the request for interpretation ("interpello interpretativo") to the Tax Authority to identify a tax treatment agreed upon by both parties. For financial statement purposes, the effects of the transaction were considered not neutral, with recognition in the current year of a negative income component due to the replacement of the financial instrument Nota Italia with the underlying securities and the concomitant posting of a corresponding deferred tax liability on the securities received from the transaction.

The line “Financial instruments – valuation reserves” includes tax liabilities relating to the valuation of

- financial instruments classified in the portfolio of “financial assets available for sale”;
- financial instruments originally in the portfolio of available-for-sale financial assets and reclassified in 2008 in the "loans to customers" and "loans to banks" portfolios;
- cash flow hedge derivatives.

14.3 Deferred tax assets: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2014	Total 31 12 2013*
1. Opening balance	**3,600,136**	**3,928,309**
2. Increases	**2,751,848**	**955,354**
2.1 Deferred tax assets arising during the year	2,623,244	922,611
a) relating to previous years	-	-
b) due to changes in accounting principles	-	2,957
c) write-backs	-	-
d) other	2,623,244	919,654
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	128,604	32,743
3. Decreases	**1,026,307**	**1,283,527**
3.1 Deferred tax assets derecognised during the year	186,402	308,458
a) reversals	186,402	307,121
b) write-downs of non-recoverable items	-	-
c) changes in accounting principles	-	-
d) other	-	1,337
3.2 Reduction in tax rates	-	-
3.3 Other decreases	839,905	975,069
a) conversion into tax credits pursuant to Law no. 214/2011	767,411	806,894
b) others	72,494	168,175
4. Total	**5,325,677**	**3,600,136**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

The table illustrates the deferred tax assets that will be absorbed in subsequent periods with an offsetting entry to profit and loss.

Major component of "Deferred tax assets arising during the year" as reported in line 2.1 d) include those concerning loan writedowns and losses which were non-deductible for the year and carried over to the 4 subsequent years, tax losses generated in the course of the year, the ACE benefit accrued in 2014 and carried over to the subsequent periods, and taxed provisions to the reserve for risks and charges made during the year.

The line 2.3 "Other increases" includes prepaid taxes arising from the accounting by the Parent Company for the ACE benefit for 2012 and 2013.

"Deferred tax assets derecognised during the year", in line 3.1. letter a) include the uses in 2014 of funds allocated and taxed in previous periods.

Line 3.3 letter b) "Other decreases – Other" includes EUR 42.1 mln for the cancellation of a portion of previous consolidated tax losses, resulting from the settlement by the Parent Company of the tax dispute on the Chianti Classico transaction (see comment in the Notes to the Financial Statements, Part C – Section 20).

14.3.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to profit and loss)

Items/Amounts	Total	
	31 12 2014	31 12 2013*
1. Opening balance	**3,108,389**	**2,796,915**
2. Increases	2,113,677	1,213,633
3. Decreases	821,774	902,159
3.1 Reversals	28,390	54,376
3.2 Conversion into tax credits	767,411	806,894
a) arising from loss for the period	753,597	806,894
b) arising from tax losses	13,814	-
3.3 Other decreases	25,973	40,889
4. Closing balance	**4,400,292**	**3,108,389**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

The table represents changes in deferred tax assets relating to loan writedowns and losses, deductible in fifths under Art. 106 of the Income Tax Act (TUIR) (or in eighteenths if they arose under former regulations), goodwill which was tax-relieved according to the various provisions (including the more recent ones under art. 15 of Law Decree 185/2008 and art. 23 of Law Decree 98/2011) as well as intangible assets resulting from the merger by absorption of former Banca Antonveneta S.p.A.

As already noted in the footnotes to table 14.1, these deferred tax assets have been partially converted into tax credits by the Parent Company and MPS Leasing & Factoring S.p.A. and Consumit, by reason of the statutory loss recognised in 2013, pursuant to art. 2, para. 55, of Law Decree no. 225 of 29 December 2010 transposed, (as amended, into law no. 10 of 26 February 2011). This conversion has been in effect as of the date of approval of the 2013 Financial statements by the Shareholders' Meeting in April 2014.

The conversion also involved deferred tax assets with offsetting entry to equity for a total of EUR 0.6 mln, accounted for in line 3.3 of Table 14.5 and relating to the goodwill posted to equity on business combinations “under common control”.

Line 2. "Increases" refers mainly to deferred tax assets relating to writedowns and losses deductible in fifths.

14.4 Deferred tax liabilities: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2014	Total 31 12 2013*
Opening balance	**185,059**	**104,710**
2. Increases	**68,288**	**154,767**
Business combinations	-	*145,238*
2.1 Deferred tax liabilities arising during the year	61,641	9,363
a) relating to previous years	-	-
b) due to changes in accounting principles	-	5,327
c) other	61,641	4,036
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6,647	166
3. Decreases	**53,511**	**74,417**
3.1 Deferred taxes derecognised during the year	32,421	73,473
a) reversals	32,421	72,163
b) due to changes in accounting principles	-	-
c) other	-	1,310
3.2 Reduction in tax rates	-	-
3.3 Other decreases	21,090	944
4. Closing balance	**199,836**	**185,060**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details*.

This table illustrates tax liabilities which will be absorbed in subsequent years with an offsetting entry to profit and loss.

The item "Deferred tax liabilities arising during the year", in line 2.1 letter c) "other" are essentially attributable to the unwinding of the financial instrument Nota Italia (see comment in Table 14.2 above).

"Deferred tax liabilities derecognised during the year" in Line 3.1 a) "reversals" are largely attributable to capital gains arising from the disposal of branches by the Parent Company to the Carige Group and Cassa di Risparmio di Firenze in 2010 for the tranche taxable during the current year.

14.5 Deferred tax assets: annual changes (with offsetting entry to equity)

	Total 31 12 2014	Total 31 12 2013*
1. Opening balance	**659,875**	**1,412,314**
2. Increases	**213,729**	**55,154**
2.1 Deferred tax assets arising during the year	207,200	55,143
a) relating to previous years	-	-
b) due to changes in accounting principles	-	1,398
c) other	207,200	53,745
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	6,529	11
3. Decreases	**209,304**	**807,592**
3.1 Deferred tax assets derecognised during the year	208,633	801,440
a) reversal	208,633	801,440
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting principles	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	671	6,152
4. Closing balance	**664,300**	**659,876**

*****_With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details_.

The icrease in line 2.1 c) 'Other' chiefly relates to taxes recognised on changes in equity reserves relating to:

- financial instruments classified in portfolios of "Financial assets available for sale";
- financial instruments originally in the portfolio of available-for-sale financial assets and reclassified in 2008 in the portfolio of loans to customers and loans to banks;
- cash flow hedge derivatives.

The item also includes taxes on the costs of the capital increase carried out by the Parent Company during the period.

"Deferred tax assets derecognised during the year line 3.1 a) “reversals”” mainly refers to positive fair value changes posted to the reserve for Italian Government securities classified in portfolios of 'financial assets available for sale'.

14.6 Deferred tax liabilities: annual changes (with offsetting entry to equity)

	Total 31 12 2014	Total 31 12 2013*
1. Opening balance	**65,865**	**70,970**
2. Increases	**158,193**	**41,274**
2.1 Deferred tax liabilities arising during the year	158,193	39,268
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c)other	158,193	39,268
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	2,006
3. Decreases	**54,498**	**46,890**
3.1 Deferred tax liabilities derecognised during the year	54,498	45,870
a) reversal	54,077	45,870
b) due to changes in accounting principles	-	-
c) other	421	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	510
4. Closing balance	**169,560**	**65,864**

*****_With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details_.

Changes mainly relate to taxes recognised on changes in equity reserves relating to financial instruments classified in portfolios of "financial assets available for sale" in addition to cash flow hedge derivatives.

14.7 Other information

Current tax assets

Items/Amounts	Total 31 12 2014	Total 31 12 2013*
Prepayments of corporate income tax (IRES and IRAP)	79,654	92,017
Other tax credits and withholdings	1,853,017	1,303,146
Gross current tax assets	**1,932,671**	**1,395,163**
Offsetting with current tax liabilities	(56,882)	(47,852)
Net current tax assets	**1,875,789**	**1,347,311**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

Prepayments of corporate income tax (IRES) and regional tax on productivity (IRAP) refer to downpayments made in respect of taxes due for the period. In 2014 the Parent Company did not make any IRES downpayments, having ended the previous tax period with a consolidated tax loss.
"Other tax credits and withholdings" mostly consist of income tax credits claimed for refund, IRES/IRAP credits resulting from previous tax returns which can be used as a set-off, the tax credit arising from DTA transformation (Law no. 214/2011), and withholdings incurred and deductible during the year.
The net increase occurring during the year in line "Other tax credits and withholdings" is primarily attributable to tax credits from the conversion of deferred tax assets commented on in the footnote to table 14.1, not yet used as a set-off as at 31.12.2014.

Current tax liabilities

Items/Amounts	31 12 2014			31 12 2013*		
	Booked to net equity	Booked to profit & loss	Total	Booked to net equity	Booked to profit & loss	Total
Corporate income tax (IRES IRAP) payables	-	65,509	65,509	(72)	58,448	58,376
Other current income tax payables	1	88,833	88,834	-	16,038	16,038
Gross current tax payables	**1**	**154,342**	**154,343**	**(72)**	**74,486**	**74,414**
Offsetting with current tax asset	-	56,882	56,882	(72)	47,924	47,852
Net current tax payables	**1**	**97,460**	**97,461**	**-**	**26,562**	**26,562**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

The total amount of tax owed to the tax authority is represented by the algebric sum of current taxes generated by fiscally significant entries carried through profit and loss and fiscally significant entries carried at equity.
"IRES-IRAP tax payables" refers to IRES (corporate income tax) due by companies not adhering to fiscal consolidation and IRAP (regional tax on productivity) due by Group companies for the current year.
No IRES payables were recognised under fiscal consolidation since the taxable result for 2014 was negative.
The line "Other current income tax payables" primarily includes IRES tax (in addition to penalties and interest) of EUR 83.9 mln, due on the tax dispute relating to the Chianti Classico transaction, settled amicably by the Parent Company on 22/12/2014. (cf. comment in the Notes to the Financial Statements, Part C – Section 20). The amount in question is the settlement portion paid in cash in 2015.

Section 15 – Non-current assets held for sale / discontinued operations and associated liabilities – Item 150 (assets) and 90 (liabilities)

15.1 Non-current assets held for sale and discontinued operations: breakdown by type

	Total	
	31 12 2014	31 12 2013
A. Individual assets		
A.1 Financial assets	16,581	38,417
A.2 Equity investments	5,000	40,800
A.3 Tangible assets	224	891
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**21,805**	**80,108**
of which valued at cost	5,224	41,691
of which designated at fair value (level 1)	-	-
of which designated at fair value (level 2)	-	38,417
of which designated at fair value (level 3)	16,581	-
B. Asset groups (discontinued operations)		
C. Liabilities associated with individual assets held for sale and discontinued operations		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	17,821
Totale C	**-**	**17,821**
of which valued at cost	-	17,821
of which designated at fair value (level 1)	-	-
of which designated at fair value (level 2)	-	-
of which designated at fair value (level 3)	-	-
D. Liabilities included in groups of assets held for sale and discontinued operations		

Assets held for sale as at 31.12.2014 refer to

- the subsidiary SAT- Società Autostrada Tirrenica p.A (EUR 16.6 mln)
- and some properties (EUR 0.2 mln) owned by the Parent Company
- the equity investment in Agricola Merse Srl (EUR 5 mln) owned by the subsidiary MPS Capital Services S.p.A.

15.2 Other information

No information to be disclosed for 2014 pursuant to paragraph 42 of IFRS 5.

15.3 Details of investments in companies subject to significant influence not valued at equity

No information to be disclosed for 2014 pursuant to paragraph 37 i) of IAS 28.

Section 16 – Other assets – Item 160

16.1 Other assets: breakdown

	Total 31 12 2014	Total 31 12 2013*
Tax credits from the Revenue and other tax levying authorities	253,691	231,525
Third party cheques held at the cashier's for collection	205,555	224,655
Cheques drawn on the Company held at the cashier's for collection	1,052	546
Gold, silver and precious metals	41,075	15,322
Property inventory	45,745	34,893
Items in transit between branches	9,416	63,293
Items in processing	1,142,720	860,028
Receivables associated with the provision of goods and services	48,338	47,578
Improvements and incremental costs on third party assets other than those included under tangible assets	50,142	61,786
Prepaid expenses and accrued income not attributable to other line items	339,182	336,189
Biological assets	3,394	3,528
Other	503,203	532,908
Total	**2,643,513**	**2,412,251**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

The lines "Items in processing" and "Other" include transactions which were cleared in early 2015.

LIABILITIES

Section 1 – Deposits from banks – Item 10

1.1 Deposits from banks: breakdown

Items/accounts	Total 31 12 2014	Total 31 12 2013
1. Deposits from central banks	**19,237,185**	**30,681,806**
2. Deposits from banks	**8,410,486**	**6,596,861**
2.1 Current accounts and demand deposits	1,211,262	1,968,106
2.2 Time deposits	58,386	495,412
2.3 Loans	4,913,424	3,510,584
2.3.1 Repurchase agreements	3,174,441	1,649,564
2.3.2 Other	1,738,983	1,861,020
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	2,227,414	622,759
Total	**27,647,671**	**37,278,667**
Fair value - level 1	-	-
Fair value - level 2	*27,669,943*	*37,313,700*
Fair value - level 3	-	-
Total fair value	**27,669,943**	**37,313,700**

The line "Deposits from central banks" includes EUR 17,000 mln for refinancing operations carried out as part of Eurosystem financing, guaranteed by securities pledged by the Parent Company (which also include government-backed securities issued and simultaneously repurchased by the Bank for EUR 10,500 mln) using the pooling mechanism.

Line 2.3.1 "Repurchase agreements" contains the financial liabilities arising from repo transactions with banks on both treasury securities and securities made available through reverse repurchase agreements or securities lending transactions.

1.2 Details of Item 10 "Deposits from banks": subordinated liabilities

The item includes a subordinated note for a total of EUR 402.6 mln (EUR 402.7 mln in 2013). The amounts included under capital are illustrated in Part F Section 2 "Capital and ratios"

1.3 Details of Item 10 "Deposits from banks": structured liabilities

This breakdown was not provided as the Group has no such liabilities to report for either the current or the previous year.

1.4 Deposits from banks subject to micro-hedging

Type of transaction/Amount	Total 31 12 2014	Total 31 12 2013
1. Liabilities subject to micro-hedging of fair value	**1.758.488**	**-**
a) interest rate risk	1.758.488	-
b) exchange risk	-	-
c) multiple risks	-	-
2. Liabilities subject to micro-hedging cash-flow	**-**	**-**
a) interest rate risk	-	-
b) exchange risk	-	-
c) other	-	-
Total	**1.758.488**	**-**

The amount shown in item 1 letter a) of EUR 1,758.5 mln refers to fair value hedging of interest rate risk, carried out on certain refinancing transactions performed as part of Eurosystem financing.

1.5 Finance lease payables

This table was not provided as the Group has no such liabilities to report for either the current or the previous year.

Section 2 – Deposits from customers – Item 20

2.1 Deposits from customers: breakdown

Type of transaction/Amount	Total 31 12 2014	Total 31 12 2013*
1. Current accounts and demand deposits	53,372,526	55,076,435
2. Time deposits	10,800,072	8,003,472
3. Loans	28,134,928	21,029,105
3.1 Repurchase agreements	21,158,341	16,096,174
3.2 Other	6,976,587	4,932,931
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	837,455	1,177,103
Total	**93,144,981**	**85,286,115**
Fair value - level 1	-	-
Fair value - level 2	*93,233,633*	*85,310,897*
Fair value - level 3	-	-
Total fair value	**93,233,633**	**85,310,897**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

Deposits from customers are valued at cost or at amortised cost, except for liabilities subject to micro-hedging of fair value as reported in Table 2.4 of this section, the amortised cost of which is adjusted proportionally to the fair value of the hedged item.

The line "Repurchase agreements" contains the financial liabilities arising from repo transactions with customers on both treasury securities and securities made available through reverse repurchase agreements or securities lending transactions. The item includes the long-term repo transaction in the amount of EUR 3,353.6 mln relating to the "Nomura" transaction.

2.2 Details of Item 20 "Deposits from banks": subordinated liabilities

This breakdown was not provided as the Group has no such liabilities to report for either the current or the previous year.

2.3 Details of Item 20 "Deposits from banks": structured liabilities

This table was not completed as the Group has no such liabilities to report for either the current or the previous year.

2.4 Deposits from customers subject to micro-hedging

Type of transaction/Amount	Total 31 12 2014	Total 31 12 2013
1. Liabilities subject to micro-hedging of fair value:	68,572	74,376
a) interest rate risk	68,572	74,376
b) exchange risk	-	-
c) multiple risks	-	-
2. Liabilities subject to micro-hedging of cash flows:	-	-
a) interest rate risk	-	-
b) exchange risk	-	-
c) other	-	-
Total	**68,572**	**74,376**

This table contains a breakdown of Table 2.1 and shows the carrying amount of two borrowings subject to a fair value hedge on the interest-rate risk. The carrying amount corresponds to the amortised cost adjusted by changes in fair value for the specific risk hedged.

2.5 Finance lease payables

This table was not provided as the Group has no such liabilities to report for either the current or the previous year.

Section 3 – Debt securities issued – Item 30

3.1 Debt securities issued: breakdown

Type of Securities/ Amounts	Total 31 12 2014				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
A. Listed securities					
1. Bonds	28,782,395	17,588,197	11,179,663	-	28,767,860
1.1 Structured	-	-	-	-	-
1.2 Other	28,782,395	17,588,197	11,179,663	-	28,767,860
2. Other securities	1,673,044	490	364,432	1,349,908	1,714,830
2.1 Structured	-	-	-	-	-
2.2 Other	1,673,044	490	364,432	1,349,908	1,714,830
Total	**30,455,439**	**17,588,687**	**11,544,095**	**1,349,908**	**30,482,690**

The table shows funding represented by securities, including bonds and certificates of deposit (outstanding and maturities).

Liabilities are net of bonds and repurchased CDs. In this connection it is noted that on 31 December 2014 were in place State-guaranteed bonds, issued and concurrently repurchased for a nominal amount of EUR 10,500 mln, part of which were then pledged as collateral for financing transactions in the Eurosystem.

The amount of EUR 1,673 mln recognised in line 2.2 "Other securities – Other" includes EUR 1,349.9 mln relating to the financial instruments issued by the Bank and subscribed to by the Ministry of Economy and Finance (MEF) under Law Decree 95/2012, converted by law 135 of 7 August 2012 ("New Financial Instruments"). In 2014 the Parent Company repaid a total nominal amount of EUR 3,000 in cash of New Financial Instruments.

Type of Securities/ Amounts	Total 31 12 2013*				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
A. Listed securities					
1. Bonds	31,920,854	18,291,590	12,939,441	5,182	31,236,213
1.1 Structured	-	-	-	-	-
1.2 Other	31,920,854	18,291,590	12,939,441	5,182	31,236,213
2. Other securities	4,640,712	1,390	277,000	4,404,108	4,682,498
2.1 Structured	-	-	-	-	-
2.2 Other	4,640,712	1,390	277,000	4,404,108	4,682,498
Total	**36,561,566**	**18,292,980**	**13,216,441**	**4,409,290**	**35,918,711**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

3.2 Details of Item 30 "Debt securities in issue": subordinated securities

The item includes subordinated securities for an amount of EUR 6,360.7 mln (EUR 9,220.1 mln in 2013).

The amounts qualifying as capital are set out in Part F, Section 2 “Regulatory Capital and ratios".

3.3 Details of Item 30 "Debt securities in issue": securities subject to micro-hedging

Type of transaction / Amount	Total 31 12 2014	Total 31 12 2013
1. Securities subject to micro-hedging of fair value:	**12,872,410**	**8,379,330**
a) interest rate risk	12,824,192	8,379,330
b) exchange risk	-	-
c) multiple risks	48,218	-
2. Securities subject to micro-hedging of cash flows:	**1,222,597**	**2,291,061**
a) interest rate risk	1,145,442	2,217,812
b) exchange risk	77,155	73,249
c) other	-	-
Total	**14,095,007**	**10,670,391**

As a result of cash flow hedging, the fair value of derivative contracts is posted to a specific equity reserve.

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown

Type of transaction/Group item	31 12 2014						31 12 2013*					
	NV	Fair value				FV'	NV	Fair value				FV'
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities												
1. Deposits from banks	2,722,770	1,634,836	1,338,753	-	2,973,589	2,973,589	4,057,754	3,164,544	1,146,954	-	4,311,498	4,311,497
2. Deposits from customers	5,432,324	1,879,940	3,885,978	-	5,765,918	5,765,917	5,735,610	8,566	5,727,931	-	5,736,497	5,736,497
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
3.1.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
3.2.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
Total A	**8,155,094**	**3,514,776**	**5,224,731**	**-**	**8,739,507**	**8,739,506**	**9,793,364**	**3,173,110**	**6,874,885**	**-**	**10,047,995**	**10,047,994**
B. Derivatives												
1. Financial derivatives	X	10,494	4,458,655	3,652	4,472,801	X	X	31	5,087,564	8,385	5,095,980	X
1.1 Trading	X	10,494	4,458,390	3,652	4,472,536	X	X	31	5,087,564	8,385	5,095,980	X
1.2 Fair value option (FVO)	X	-	265	-	265	X	X	-	-	-	-	X
1.3 Other	X	-	-	-	-	X	X	-	-	-	-	X
2. Credit derivatives	X	-	489,481	-	489,481	X	X	-	1,265,703	-	1,265,703	X
2.1 Trading	X	-	489,481	-	489,481	X	X	-	1,265,703	-	1,265,703	X
2.2 Fair value option (FVO)	X	-	-	-	-	X	X	-	-	-	-	X
2.3 Other	X	-	-	-	-	X	X	-	-	-	-	X
Total B	**X**	**10,494**	**4,948,136**	**3,652**	**4,962,282**	**X**	**X**	**31**	**6,353,267**	**8,385**	**6,361,683**	**X**
Total (A+B)	**8,155,094**	**3,525,270**	**10,172,867**	**3,652**	**13,701,789**	**8,739,506**	**9,793,364**	**3,173,141**	**13,228,152**	**8,385**	**16,409,678**	**10,047,994**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

Legend:
FV = Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue*
NV = Nominal or Notional Value

Criteria adopted for classification of financial instruments in the three levels of the "fair value hierarchy" are reported in Section A.3, "Fair value disclosure" of Part A, "Accounting policies" of the notes to the financial statements.

Amounts in Line "1. Deposits from banks" and "2. Deposits from customers" are primarily correlated with those of lines "1. Debt securities" and "4. Loans" in table 2.1 "Financial assets held for trading" and refer to the repo business of subsidiary MPS Capital Services - Banca per le imprese S.p.a. in the amount of EUR 1,334.7 mln and EUR 3,883.6 mln respectively; uncovered short positions of the Parent Company and subsidiary MPS Capital Services - Banca per le imprese S.p.a account for EUR 1,638.9 mln posted to deposits from banks and EUR 1,882.3 mln posted to deposits from customers.

Derivatives connected with fair value option instruments are also included in the trading book: these cover the risks of funding designated at fair value arising from possible interest rate fluctuations and from any embedded options in structured securities issued (natural and systematic hedging). The fair value of these derivatives is shown in the table in line "B1.2 - Fair value option", if made directly with Group's external counterparties, but is represented by a portion of the held-for-trading derivatives (line B1.1) whenever the FVO hedge originally carried out with the subsidiary MPS Capital Services required risk externalisation.

For FVO derivatives arranged by Group companies with the subsidiary MPS Capital Services, it is worth noting that the relevant internal units responsible for risk management perform suitable tests at consolidated level in order to periodically test the effectiveness of the hedge established from the perspective of a 'natural hedge'.

The fair value calculated on financial derivatives excludes value adjustments owing to changes in the Group's creditworthiness, Debit Value Adjustment (i.e. DVA), totalling EUR 10.9.

4.2 Details of item 40 "Financial liabilities held for trading": subordinated liabilities

The Group has issued no subordinated liabilities classified in the trading book.

4.3 Details of item 40 "Financial liabilities held for trading": structured liabilities

The Group has issued no structured liabilities classified in the trading book.

4.4 On-balance-sheet financial liabilities (other than "technical overdrafts") held for trading: annual changes

	Deposit from banks	Deposit from customers	Debt securities issued	Total 31 12 2014
A. Opening balance	**1,144,771**	**5,727,931**	**-**	**6,872,702**
B. Increases	**30,156,246**	**662,261,023**	**-**	**692,417,269**
B.1 Issuances	-	-	-	-
B.2 Sales	30,149,572	662,261,011	-	692,410,583
B.3 Increases in fair value	-	-	-	-
B.4 Other increases	6,674	12	-	6,686
C. Decreases	**29,966,349**	**664,105,313**	**-**	**694,071,662**
C.1 Purchases	29,861,077	664,100,418	-	693,961,495
C.2 Redemptions	-	-	-	-
C.3 Decreases in fair value	-	-	-	-
C.4 Other decreases	105,272	4,895	-	110,167
D. Closing balance	**1,334,668**	**3,883,641**	**-**	**5,218,309**

Section 5 – Financial liabilities designated at fair value – Item 50

5.1 Financial liabilities designated at fair value: breakdown

Type of transaction / Amount	Total 31 12 2014						Total 31 12 2013					
	NV	Fair value				FV*	NV	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
1.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
2. Deposits from customer	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
2.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
3. Debt securities issued	**2,537,775**	**798,367**	**1,825,253**	**-**	**2,623,620**	**2,737,137**	**7,854,406**	**-**	**7,988,199**	**-**	**7,988,199**	**8,137,550**
3.1 Structured	287,046	-	295,161	-	295,161	X	785,418	-	814,198	-	814,198	X
3.2 Other	2,250,729	798,367	1,530,092	-	2,328,459	X	7,068,988	-	7,174,001	-	7,174,001	X
Total	**2,537,775**	**798,367**	**1,825,253**	**-**	**2,623,620**	**2,737,137**	**7,854,406**	**-**	**7,988,199**	**-**	**7,988,199**	**8,137,550**

Legend:
FV = Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue*
NV = Nominal or Notional Value

The table shows the financial liabilities represented by fixed-rate and structured bonds which have been classified at fair value and are systematically subject to hedging. Hedging occurs through derivative contracts and is used to cover the risk of interest rate fluctuations and the risk resulting from embedded options.

The fair value option has systematically been adopted for fixed-rate and structured debt securities issued by the Group companies, for which the risk of fair value changes was hedged by derivatives upon issuance, with the aim of maintaining the hedge for the contractual duration of the hedged securities; derivatives used as part of the fair value option are classified in the trading book. Hedge accounting is used for securities issued by the Parent Company for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Funding subject to hedging with derivative instruments under the fair value option is thus designated at fair value, in accordance with all the relative hedging derivatives which, for the purposes of the financial statements, have been classified under specific sub-items in the trading book.

Positive and negative spreads or margins in relation to derivative contracts settled or accrued until the balance sheet date are recorded in the income statement under interest income and expense, while valuation profits and losses are posted under Item 110, "Net gains (losses) on financial assets and liabilities designated at fair value", in compliance with reporting used for funding instruments for which the fair value option was used.

5.1.a Financial liabilities designated at fair value: the Fair Value Option approach

Liabilities for which the fair value option was adopted include natural hedges through debt security derivatives for a book value of EUR 2,623.6 mln, as compared to EUR 7,988.2 mln in the previous year.

5.2 - Details of item 50 "Financial liabilities designated at fair value": subordinated liabilities

The item includes subordinated securities for an amount of EUR 252.7 mln (EUR 209.1 mln in 2013).

The amounts qualifying as capital are set out in Part F, Section 2 "Capital and ratios".

5.3 Financial liabilities designated at fair value: annual changes

	Deposits from banks	Deposits from customers	Debt securities issued	Total 31 12 2014
A. Opening balance	-	-	**7,988,199**	**7,988,199**
B. Increases	-	-	**628,562**	**628,562**
B.1 Issues	-	-	66,233	66,233
B.2 Sales	-	-	66	66
B.3 Increases in fair value	-	-	106,478	106,478
B.4 Other increases	-	-	455,785	455,785
C. Decreases	-	-	**5,993,141**	**5,993,141**
C.1 Purchases	-	-	140,145	140,145
C.2 Redemptions	-	-	5,264,935	5,264,935
C.3 Decreases in fair value	-	-	58,507	58,507
C.4 Other decreases	-	-	529,554	529,554
D. Closing balance	-	-	**2,623,620**	**2,623,620**

Lines B4 and C4 respectively include gains and losses from repurchase, in addition to accruals on issue discounts and coupon interest and effects of exchange rate fluctuations.

5.3.a Financial liabilities designated at fair value: structured liabilities

Item/Amount	Total 31 12 2014	Total 31 12 2013
Commodity Linked	-	6,674
Equity Linked	-	4,391
Fund Linked	-	10,720
Index Linked	274,526	403,435
Inflation Linked	9,777	45,556
Reverse Floater	10,858	143,663
Step - up, Step down	-	199,759
Total	**295,161**	**814,198**

The table reports the main types of structured bonds issued by the Group and measured at fair value. Since bonds are measured at fair value as an offset to profit or loss, embedded derivatives are not reported separately.

Section 6 – Hedging derivatives – Item 60

6.1 Hedging derivatives: breakdown by type of contract and underlying asset

	31 12 2014					31 12 2013*				
	Fair value				NV	Fair value				NV
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**4,112,108**	**-**	**4,112,108**	**13,525,420**	**-**	**3,421,581**	**-**	**3,421,581**	**22,824,093**
1) Fair value	-	3,897,502	-	3,897,502	12,177,906	-	3,040,606	-	3,040,606	19,939,939
2) Cash flows	-	214,606	-	214,606	1,347,514	-	380,975	-	380,975	2,884,154
3) Foreign investments	-	-	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**54**	**-**	**54**	**35,500**
1) Fair value	-	-	-	-	-	-	54	-	54	35,500
2) Cash flows	-	-	-	-	-	-	-	-	-	-
Total	**-**	**4,112,108**	**-**	**4,112,108**	**13,525,420**	**-**	**3,421,635**	**-**	**3,421,635**	**22,859,593**

Legend:
NV = Nominal or Notional Value

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

The table displays the negative book value (fair value) of hedging derivatives for hedges carried out through hedge accounting. Hedge accounting is used for the accounting of hedges of financial instruments posted in balance sheet items which do not provide for fair value measurement to offset profit and loss: in particular, hedges of all financial assets and liabilities other than those represented by securities are managed through hedge accounting.

Hedges of financial liabilities represented by securities are normally managed through the fair value option.

Information on the underlying strategies and objectives of hedge transactions can be found in Section 2 “Market risks” of Part E “Information on risks and hedging policies”.

6.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

Transaction/Type of hedge	Fair Value						Cash flow Hedge		Foreign investments	Total 31 12 2014
	Micro Hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	3,626,185	-	-	-	-	x	-	x	x	3,626,185
2. Loans and receivables	151,823	12,347	-	-	-	x	-	x	x	164,170
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	93,615	x	-	x	93,615
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**3,778,008**	**12,347**	**-**	**-**	**-**	**93,615**	**-**	**-**	**-**	**3,883,970**
1. Financial liabilities	13,532	-	-	x	-	x	214,606	x	x	228,138
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**13,532**	**-**	**-**		**-**	**-**	**214,606**	**-**	**-**	**228,138**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**3,791,540**	**12,347**	**-**	**-**	**-**	**93,615**	**214,606**	**-**	**-**	**4,112,108**

The tables show the negative fair values of hedging derivatives, classified by hedged assets or liabilities and type of hedging implemented.
In particular, on the assets side, fair value micro-hedging was used to hedge against interest-rate risk on fixed-rate and capped mortgages and bonds classified in the available-for-sale portfolio or among receivables, in order to protect them from unfavourable interest rate changes.
Fair value micro-hedging of the interest-rate risk on financial liabilities refers primarily to hedges of liabilities represented by securities for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Transaction/Type of hedge	Fair Value						Cash flow Hedge		Foreign investments	Total 31 12 2013*
	Micro Hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	2,645,657	-	-	-	-	x	-	x	x	2,645,657
2. Loans and receivables	218,953	-	54	-	96,924	x	-	x	x	315,931
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	71,095	x	-	x	71,095
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**2,864,610**	**-**	**54**	**-**	**96,924**	**71,095**	**-**	**-**	**-**	**3,032,683**
1. Financial liabilities	7,977	-	-	x	-	x	380,975	x	x	388,952
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**7,977**	**-**	**-**		**-**	**-**	**380,975**	**-**	**-**	**388,952**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**2,872,587**	**-**	**54**	**-**	**96,924**	**71,095**	**380,975**	**-**	**-**	**3,421,635**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

Section 7 – Changes in value of macro-hedged financial liabilities – Item 70

This item was left blank since no macro-hedges have been established on financial liabilities.

Section 8 – Tax liabilities – Item 80

Please refer to section 14 of the assets.

Section 9 – Liabilities associated with individual assets held for sale – Item 90

Please refer to section 15 of the assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

	Total 31 12 2014	Total 31 12 2013*
Due to the Revenue and other tax levying authorities	256,066	208,798
Due to social security authorities	575,592	298,300
Amounts available to customers	280,815	274,958
Other amounts due to employees	77,504	76,114
Items in transit between brances	40,746	51,228
Items in processing	836,098	836,595
Payables in relation to the payment of supplies of goods and services	431,555	796,898
Irrevocable commitments to disburse funds	215,061	72,859
Accrued expenses and unearned revenues not attributable to other line items	85,706	125,119
Payables for consolidated income tax return	883	885
Other	1,383,543	1,000,550
Total	**4,183,569**	**3,742,304**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

The lines “Items in processing” and “Other” include transactions which were cleared during the first days of 2015.

Section 11 – Provision for employee severance pay – Item 110

11.1 Provision for employee severance pay: annual changes

	Total 31 12 2014	Total 31 12 2013*
A. Opening balance	**261,390**	**317,352**
B. Increases	**45,618**	**18,542**
B.1 Proviosion for the year	9,118	11,914
B.2 Other increases	36,500	6,628
C. Decreases	**35,574**	**74,504**
C.1 Severance payments	34,525	57,134
C.2 Other decreases	1,049	17,370
D. Closing balance	**271,434**	**261,390**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

11.2 Other information

Provision for employee severance pay is considered as a defined benefit fund for the purspose of international accounting standards.

The provision for the year, as clarified by the Bank of Italy, does not include amounts which, as a result of the reform introduced by Legislative Decree no. 252 of 5 December 2005, are paid directly by the Bank, depending on the various employee options, to complementary pension schemes or to the treasury fund managed directly by the the Italian National Social Security Institute, INPS. These items are recognised in personnel expenses, as "contributions to external pension funds: defined contribution".

11.2.a Changes in net defined benefit liability during the year: Severance pay

The table below reports the information required by paragraphs 140 and 141 of IAS 19.

Item/Amount	Present value of DBO	
	31 12 2014	31 12 2013*
Opening balance	**261,390**	**317,352**
Effects of changes in new accounting standards	-	-
Opening balance	**261,390**	**317,352**
Current service cost	590	625
Interest income/expense	8,170	11,289
Remeasurement of net defined benefit liability (asset):	36,173	5,548
Return on plan assets excluding interest	-	-
Actuarial gains (losses) arising from changes in demographic	-	-
Actuarial gains (losses) arising from changes in financial assumptions	36,173	5,548
Changes in effect of limiting net defined benefit asset to asset ceiling	-	-
Past service cost and gains (losses) arising from settlements	-	-
Changes in foreign exchange rates	-	-
Contributions to plan:	(392)	(495)
by employer	187	119
by employees	(579)	(614)
Payments from plan	(34,424)	(56,954)
Effect of business combinations and disposals	-	-
Effect of any plan curtailments	-	-
Effect of any plan settlements	101	-
Other changes	28	(15,975)
Closing balance	**271,434**	**261,390**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

11.2.b Key actuarial assumptions

Key actuarial assumptions/percentage	31 12 2014	31 12 2013
Discount rates	1.09-1.34%	3.06-3.16%
Expected rates of salary increases	X	X

11.2.c Sensitivity of defined benefit obligation to changes in key actuarial assumptions

31 12 2014

Actuarial assumptions	Change in DBO	Change (%) in DBO
Discount rates		
Increase of 0.25%	(6,810)	-2.51%
Decrease of 0.25%	7,039	2.59%
Expected rates of salary increases		
Increase of 0.25%	-	0%
Decrease of 0.25%	-	0%

31 12 2013

Actuarial assumptions	Change in DBO	Change (%) in DBO
Discount rates		
Increase of 0.25%	(6,138)	-2.24%
Decrease of 0.25%	6,444	2.36%
Expected rates of salary increases		
Increase of 0.25%	-	0%
Decrease of 0.25%	-	0%

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 31 12 2014	Total 31 12 2013
1. Pensions and other post retirement benefit obligations	65,915	61,063
2. Other provisions for risks and charges	1,085,134	1,066,249
2.1 legal disputes	424,495	364,928
2.2 personnel charges	56,247	51,313
2.3 other	604,392	650,008
Total	**1,151,049**	**1,127,312**

12.2 Provisions for risks and charges: annual changes

Item/Amount	Totale 31 12 2014		
	Pensions and other post retirement benefit obligations	Other provisions	Total
A. Opening balance	**61,063**	**1,066,249**	**1,127,312**
B. Increases	**11,394**	**447,325**	**458,719**
B.1 Provision for the year	4,410	433,762	438,172
B.2 Changes due to the time value of money	5,643	1,527	7,170
B.3 Changes due to discount rate changes	-	10,766	10,766
B.4 Other increases	1,341	1,270	2,611
C. Decreases	**6,542**	**428,440**	**434,982**
C.1 Use during the year	6,542	207,839	214,381
C.2 Changes due to discount rate changes	-	13	13
C.3 Other decreases	-	220,588	220,588
IFRS 5 "Discontinuing operations"	-	-	-
D. Closing balance	**65,915**	**1,085,134**	**1,151,049**

12.3 Defined benefit company pension funds

12.3.1. Description of funds and related risks

The information provided below concerns pension funds providing for defined benefit plans in favour of employees and terminated employees, i.e. funds in which the obligation of future payment of retirement benefits is undertaken by the fund itself and indirectly by the Group, which may be required to increase - if the actuarial values are below expectations - the value of the obligation within predetermined limits.

As in past years, each definite benefit plan was prepared on the basis of analyses carried out by an independent certified actuary.

In accounting for the plans, the deficit or surplus was determined using the credit unitary projection method, and consequently the fair value of the assets servicing the plan was deducted from the current value of the obligation, as shown in the statement of financial position (see Part A of the Notes to the Financial Statements - Accounting Policies).

The valuations concerned the participating employees, whether retired or active (who form a closed group) at the date of valuation, and were carried out on the basis of these groups of employees as measured in December 2014.

In accordance with IAS 19, revised by amendments issued by IASB on 16/06/2011 and approved by EU Regulation no. 475/2012 dated 5/06/2012, which - as is well-known - may be influenced by many variables, in determining the total cost of each defined benefit plan, objective and prudential technical bases were adopted in formulating both demographic and financial assumptions.

In view of the evolutionary nature of the main relevant aggregates, actuarial valuations were performed under dynamic conditions, so as to subsume in the medium-long term both the average annual changes in the benefits defined in each plan, and the interest rate trends expected in the financial market.

Some of the main actuarial assumptions that were formulated and used as valuation bases are mentioned below:

- technical mortality basis: using death probability data as provided in ISTAT's 2013 tables, broken down by gender and age, with mortality reduced by 20%;
- economic-financial basis: using as annual relative interest rate the interpolated EUR Composite AA rate curve as at 31 December 2014.

For each defined benefit plan, the balance sheet equity resulting from valuations carried after reconciliation of actuarial assets and liabilities as at 31 December 2014 underwent a sensitivity analysis to examine the effects of changes in the key technical assumptions included in the calculation model (average annual discount rate and inflation rate), and the results were presented in specific tables.

The possible future increase in INPS pensionable earnings, which in any case is considered in the calculation model in an average annual percentage of 1%, was not included in the sensitivity analysis because it is essentially irrelevant to the preparation of the technical financial statements as, taking into account the progressive decrease in active population (given that all defined benefit pensions funds are closed to new participants and considering the retirements occurred during the year), the ratio between active and retired participants is reduced to a percentage of less than 0.1%.

The defined benefit plans, in which the Group is co-obliged within the limits set out in the articles of association or in the regulations of each plan, are either internal plans, divided in the description below between unfunded and funded, or independent external funds.

As concerns defined benefit plans, an outsourcing process is currently underway to concentrate and consolidate pre-existing forms, which - though still effective - are closed to new participants and are therefore destined to be phased out due to the progressive reduction in the number of former employees and surviving dependents.

Unfunded internal plans

Supplementary pension provision for staff in the former tax collection division of Banca Monte dei Paschi di Siena S.p.A. - (Bank Register no. 9185)

A defined benefit plan, set up as part of Group equity, designed to provide retired staff of the former Direct Management division of Banca MPS with supplementary pension in the form of annuity.
The entitled population, consisting solely of retirees whose number is 346, is made up of staff of the former business unit, divested in 2006, who retired after the year 1982.
For the purposes of the preparation of the technical financial statements, the liabilities were valued taking into account INPS pension payment regulations issued by Law no. 335/95 and the Fund Regulations.
The valuations concerning participants were carried out on the basis of the positions of retirees receiving immediate or deferred retirement benefits, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.
In the event that the agreed benefits are more costly than expected, the Group remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

Treatment of INPS(The Italian state pension Institute) performance for former Banca Operaia di Bologna staff (Bank Register no. 9142)

The fund is intended to supplement benefits paid out under INPS pension schemes for retired employees of former Banca Operaia di Bologna.
The Regulations, signed on 23 September 1980, provide for the payment of supplementary benefits so as to reach a certain percentage of the last salary earned, and for the purposes of the preparation of the technical financial statements, the liabilities were valued taking into account INPS pension payment regulations issued by Law no. 335/95. For the purposes of pension calculation, annual salary means a set of items paid on a continuous basis and on which benefits are paid out to surviving dependents.
The valuations concerning participants were carried out on the basis of the positions of retirees, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.
In the event of deficit, the Group remains responsible for providing additional funds to meet the financial requirements of the retirement plans.
The plan applies to a population made up exclusively of non-active participants, of which 68 are retired and 4 on deferred retirement.

Pension provision for employees of former Banca di Credito Popolare e Cooperativo di Reggio Emilia (Bank Register no. 9178)

The sole aim of the fund is to supplement compulsory schemes in order to guarantee higher levels of insurance coverage for ex-employees of former Banca di Credito Popolare e Cooperativo di Reggio Emilia, as the direct beneficiaries of a life annuity or as the surviving spouse of a former employee.
The pension provision for employees participating in the Fund is governed by the Regulations issued in 1977 and later amended to reflect subsequent laws. It provides for payment of supplementary benefits so as to reach a certain percentage of the last salary earned.
The valuations concerning participants were carried out on the basis of the positions of retirees, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.
The obligation to pay the benefits lies with the Group, which must provide the wherewithal to cover the liability over time.
The Plan applies to a population of only 13 retirees.

Pension provision for employees of former Banca Popolare Veneta (Bank Register no. 9066).

The pension plan, which applies to a residual population of only 24 retirees, is aimed at supplementing the benefits paid out by INPS for employees already retired at 7 December 1989 and their assigns, under labour agreements signed on 4 February 1956 and subsequently on 1 January 1982 for executive staff, as amended.
Also in this case, actuarial valuations were carried out on the basis of each individual position, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.
The Fund is financed exclusively by the company, and in the event of deficit, the Group remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

Lastly, benefits provided to employees after termination other than pension benefits include those paid out to 2 former General Managers of Banca MPS.
This type of remuneration, known as *ex contractu*, consists of payment of monthly benefits revalued on the basis of automatic pension equalisation indexes.

Funded internal plans

Pension provision for employees of former Banca Nazionale Agricoltura (Bank Register no. 9047)

The purpose of this provision is to pay additional retirement benefits over and above those paid by INPS to employees of the former Banca Nazionale dell'Agricoltura, who retired before 1 October 2000 or whose employment was terminated after this data without their having exercised the right, provided under the agreement of 12 September 2000, to transfer their contributions to another individual capitalisation, defined contribution fund.
The Plan applies to a population of 258 retirees and 4 employees on deferred retirement.
The Plan's Regulations, first approved in 1966, provides for supplementary benefit up to a certain percentage of the last salary earned, to be paid to the direct beneficiaries and their surviving dependants.
Actuarial valuations were carried out on the basis of the positions of retirees, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.
Although the Fund has its own, separate and independent allocation capital, the guarantee of performance of the benefit payment obligation lies with the Group, which must ensure the wherewithal to cover the liability over time.

Complementary pension provision for employees of former Banca Toscana (Bank Register no. 9110)

This defined benefit complementary pension fund is reserved to employees of the former Banca Toscana who were already retired at 1 January 1999 and to active employees hired before 27 April 1993 who did not opt at the time to transfer their contributions to an individual capitalisation, defined contribution fund.
The population of employees eligible for the present and future benefits is composed of 944 retirees, 4 active employees and 5 employees on deferred retirement.
The current Fund Regulations were revised on 16 October 2007 and set out the rules concerning the retirement benefits to be paid to eligible employees, distinguishing between old age, seniority and disability pensions.
Calculation of the complementary benefits is based on the average of the last three years of employment, taking into account only the items specified in the Regulations.
The guarantee of performance of the benefit payment obligation lies with the Group, which must ensure the wherewithal to cover the liability over time, although the Fund has its own, separate accounting and capital, with the effects set out in art. 2117 of the Italian Civil Code.

Complementary pension provision for employees of former Mediocredito Toscano and former Istituto Nazionale di Credito Agrario (Bank Register no. 9134).

These defined benefit complementary pension funds are reserved to employees who at the time opted to remain with the specific complementary benefit schemes.
The capital of the two funds guarantees the performance of the benefit payment obligation, which currently applies to a population of only 42 employees.

External funds

Cassa di Previdenza Aziendale (Company's Pension Scheme) for employees of Monte dei Paschi di Siena (Bank Register no. 1127)

The Fund has legal personality and full independence in terms of capital and operation.
It is reserved to employees and retirees of the Parent Company hired unti 31 December 1990 who, following the agreement of 30 June 1989, opted to remain in the specific complementary benefit Section under a defined benefit regime.
The Fund's governance consists of a Board of Directors and a Board of Statutory Auditors with joint membership (some of the members are appointed by Banca MPS and others are appointed by the participants) supported by the General Manager.
Banca MPS provides, free of charge, the employees, premises and other resources required for the autonomous management of the Cassa and incurs all the related costs and expenses, including those for the functioning of the governing and control bodies.
In terms of guarantees given, in accordance with art. 26 of the Articles of Association any deficits in Section coverage which should be identified during actuarial checks will be made up by the Bank only to the extent necessary to maintain tier 1 services, in accordance with the guarantee to the participants undertaken in compliance with Law no. 218/90 and referred to in the agreement of 24 June 1991.
The complementary benefits, which are determined by subtracting the benefits paid out by INPS from the annual amount of the complementary benefits, are made up of two components: the first component increases the benefits to be paid by the Cassa up to 70% of the fixed items of the salary of an employee of the same level, and the second component increases the complementary benefits by a further 9%.
The assets that comprise the Cassa's capital consist of properties, in a percentage of less than 20% at book value, and for the remaining portion of investments in securities, managed almost entirely under a financial management agreement, with a minimal portion of 3% managed directly.
The population is composed of 2926 retirees, 161 active employees and 142 employees on deferred retirement.
The technical report prepared in accordance with IAS 19 criteria by the designated actuary shows that the Cassa Section's capital at 31 December 2014 amounts to EUR 412 mln, and the *DBO* (*Defined Benefit Obligation*) calculated on Pillar 1 benefits amounts to EUR 197.8 mln.

Pension Fund for personnel of former Banca Agricola Mantovana S.p.A. (Bank Register no. 1341)

The Fund, which operates on a defined benefit basis, has legal personality and full independence in terms of capital and operation, as its legal form is that of an unincorporated association under art. 36 of the Italian Civil Code.
The Fund's governance consists of a Board of Directors and a Board of Statutory Auditors with joint membership, supported by the General Manager.
The sole purpose of the Fund is to pay to eligible participants complementary benefits over and above those paid out by INPS; the participants are a closed group of retirees, presently composed of only 36 people.

Pension Fund for personnel of former Banca Antonveneta (Bank Register no. 1033)

The Fund, whose legal form is that of an unincorporated association in accordance with article 36 of the Italian Civl Code, has the sole purpose of providing benefits in addition to AGO (General Compulsory Insurance) checques, was established in 1966 and has continued to operate until the present.

In the past, retirees were offered an option to receive the value of their pension as a one-off lump sum payment, and those who opted for this payment are no longer receiving benefits from the Fund.
Although the Fund has legal personality and full independence in terms of capital, in the event of operating deficit the the co-obliged Bank is responsible for providing the wherewithal to cover such deficit.
The population eligible to receive the benefits is composed of only 34 retirees.

The defined-benefit pension funds for Parent Company's personnel of the branches in London (BMPS UK Pension Fund) and New York (Retirement Plan) are designed to pay for the employees' benefits on retirement.
As concerns the complementary pension plan for the London branch, the plan is funded by the branch itself through approximately 38% of the total salaries. The plan is administered by a Trustee whose members include active employees and the financial resources are managed by a contractor. Fund participants include approximately 20 active employees, 132 employees on deferred retirement and 50 retirees.
The plan's deficit is currently being made up through 84 monthly instalments the first of which was paid in October 2014.

As required by the Bank of Italy, the internal fund statements can be found in the annexes to the financial statements.

12.3.2 Changes in net defined liability (asset) and reimbursement rights during the year

The following tables show movements for the year in internal and external funds which, according to international accounting standards, come under the heading of defined contribution funds.

12.3.2a Changes in net defined liability (asset) and reimbursement rights during the year – Internal Funds

Item/Amount	31 12 2014			
	A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Opening balance	**(143,205)**	**176,774**	**12,074**	**45,643**
Current service cost	x	26	x	26
Interest income/expense	(3,022)	4,448	319	1,745
Remeasurement of net defined benefit liability (asset):	x	x	x	15,753
Return on plan assets excluding interest	(3,515)	x	x	(3,515)
Actuarial gains (losses) arising from changes in demographic assumptions	x	4,424	x	4,424
Actuarial gains (losses) arising from experience adjustments	x	(78)	x	(78)
Actuarial gains (losses) arising from changes in financial assumptions	x	15,192	x	15,192
Changes in effect of limiting net defined benefit asset to asset ceiling	x	x	(270)	(270)
Past service cost and gains (losses) arising from settlements	x	-	x	-
Changes in foreign exchange rates	-	-	-	-
Contributions to plan:	-	-	x	-
by employer	-	-	x	-
by employee	-	-	x	-
Payments from plan	11,345	(14,805)	x	(3,460)
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	x	-
Effect of any plan settlements	-	-	x	-
Other changes	-	-	2	2
Closing balance	**(138,397)**	**186,059**	**12,125**	**59,709**

Item/Amount	31 12 2013			
	A (-)	B (+)	C (+)	D=A+B+C
	Plan assets	Present value of DBO	Effect of asset ceiling	Net defined benefit liability (asset)
Opening balance	**(125,367)**	**154,548**	**11,340**	**40,521**
Current service cost	x	25	x	25
Interest income/expense	(5,147)	6,165	573	1,591
Remeasurement of net defined benefit liability (asset):	x	x	x	30,657
Return on plan assets excluding interest	547	x	x	547
Actuarial gains (losses) arising from changes in demographic assumptions	x	3,328	x	3,328
Actuarial gains (losses) arising from experience adjustments	x	-	x	-
Actuarial gains (losses) arising from changes in financial assumptions	x	28,213	x	28,213
Changes in effect of limiting net defined benefit asset to asset ceiling	x	x	(1,431)	(1,431)
Past service cost and gains (losses) arising from settlements	x	-	x	-
Changes in foreign exchange rates	-	-	-	-
Contributions to plan:	(23,473)	9	x	(23,464)
by employer	(23,473)	8	x	(23,465)
by employee	-	1	x	1
Payments from plan	11,827	(15,512)	x	(3,685)
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	x	-
Effect of any plan settlements	-	-	x	-
Other changes	(1,592)	(2)	1,592	(2)
Closing balance	**(143,205)**	**176,774**	**12,074**	**45,643**

12.3.2b Changes in net defined liability (asset) and reimbursement rights during the year: External Funds

Item/Amount	31 12 2014			
	A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Opening balance	**(463,769)**	**241,659**	**237,529**	**15,419**
Current service cost	x	2,135	x	2,135
Interest income/expense	(13,744)	7,887	6,494	637
Remeasurement of net defined benefit liability (asset):	x	x	x	(9,725)
Return on plan assets excluding interest	(5,549)	x	x	(5,549)
Actuarial gains (losses) arising from changes in demographic assumptions	x	2,999	x	2,999
Actuarily gains (losses) arising from experience adjustments	x	(6,274)	x	(6,274)
Actuarial gains (losses) arising from changes in financial assumptions	x	28,884	x	28,884
Change in effect of limiting net defined benefit asset to asset ceiling	x	x	(29,785)	(29,785)
Past service cost and gains (losses) arising from settlements	x	-	x	-
Changes in foreign exchange rates	(4,027)	4,570	-	543
Contributions to plan:	(3,082)	-	-	(3,082)
by employer	(3,082)	-	x	(3,082)
by employee	-	-	x	-
Payments from plan	12,204	(12,204)	x	-
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	x	-
Effect of any plan settlements	-	-	x	-
Other changes	279	-	-	279
Closing balance	**(477,688)**	**269,656**	**214,238**	**6,206**

Item/Amount	31 12 2013			
	A (-)	B (+)	C (+)	D=A+B+C
	Plan assets	Present value of DBO	Effect of asset ceiling	Net defined benefit liability (asset)
Opening balance*	**(471,695)**	**194,754**	**284,391**	**7,450**
Current service cost	x	2,174	x	2,174
Interest income/expense	(19,679)	17,454	2,452	227
Remeasurement of net defined benefit liability (asset):	x	x	x	9,047
Return on plan assets excluding interest	66	x	x	66
Actuarial gains (losses) arising from changes in demographic assumptions	x	5,486	x	5,486
Actuarily gains (losses) arising from experience adjustments	x	-	x	-
Actuarial gains (losses) arising from changes in financial assumptions	x	53,719	x	53,719
Changes in effect of limiting net defined benefit asset to asset ceiling	x	x	(50,224)	(50,224)
Past service cost and gains (losses) arising from settlements	x	-	x	-
Changes in foreign exchange rates	1,182	(1,439)	-	(257)
Contributions to plan:	(1,325)	-	x	(1,325)
by employer	(1,325)	-	x	(1,325)
by employee	-	-	x	-
Payments from plan	30,489	(30,489)	x	-
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	x	-
Effect of any plan settlements	-	-	x	-
Other changes	(2,807)	-	910	(1,897)
Closing balance	**(463,769)**	**241,659**	**237,529**	**15,419**

** The opening balances were redetermined to take into account the Bank's actual obligations to the Cassa di Previdenza Aziendale, as set out in the latter's Articles of Association. The change resulted in a reduction in the current value of the DBO and an increase in the asset ceiling, and has had no effects on balance sheet and income statement positions.*

12.3.2c Changes in net defined liability (asset) and reimbursement rights during the year – Total

Item/Amount	31 12 2014			
	A (-)	B (+)	C (+)	D=A+B+C
	Plan assets	Present value of DBO	Effect of asset ceiling	Net defined benefit liability (asset)
Internal funds	(138,396)	185,981	12,125	59,710
External funds	(477,689)	269,656	214,239	6,206
Total defined benefit funds	**(616,085)**	**455,637**	**226,364**	**65,916**

Item/Amount	31 12 2013			
	A (-)	B (+)	C (+)	D=A+B+C
	Plan assets	Present value of DBO	Effect of asset ceiling	Net defined benefit liability (asset)
Internal funds	(143,205)	176,774	12,074	45,643
External funds	(463,769)	241,659	237,529	15,419
Total defined benefit funds	**(606,974)**	**418,433**	**249,603**	**61,062**

The values of external funds for the period 2013 have been redetermined to take into account the Parent Company's actual obligations to the Cassa di Previdenza Aziendale (the company's pension scheme), as provided for under the latter's Articles of Association. The change resulted in a reduction in the current value of the DBO and an increase in the asset ceiling, and has had no effects on balance sheet and income statement positions.

12.3.3 Information on Fair value of plan assets

Item	31 12 2014			
	Internal pension plans		External pension plans	
	Listed in active markets	Not listed in active markets	Listed in active markets	Not listed in active markets
Cash and cash equivalents	95,244	-	19,212	-
of which: used by the Group	95,244	-	597	-
Equity instruments	-	-	37,860	-
of which: issued by Group	-	-	898	-
Debt instruments	43,153	-	247,671	-
of which: issued by the Group	-	-	12,524	-
Real estate	-	-	-	67,699
of which: used by the Group	-	-	-	-
Derivatives	-	-	-	-
UCITS	-	-	105,246	-
Asset-backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	**138,397**	**-**	**409,989**	**67,699**
of wich: own instruments/assets used by the Group	95,244	-	14,019	-

The table shows, for funded defined benefit plans, the total amount of plan assets. In particular, the assets refer to the following funds:

- Pension Fund for personnel of former Banca Agricola Mantovana S.p.A.
- Pension Fund for personnel of former Banca Toscana S.p.A.
- Pension Fund for personnel of former Banca Antonveneta
- Cassa di Previdenza Aziendale for Monte dei Paschi di Siena employees, defined benefit section

the total of which exceed the obligations existing at year end.

Item	31 12 2013			
	Internal pension plans		External pension plans	
	Listed in active markets	Not listed in active markets	Listed in active markets	Not listed in active markets
Cash and cash equivalents	102,590	-	26,389	-
of which: used by the Group	102,590	-	-	-
Equity instruments	-	-	18,909	-
of which: issued by Group	-	-	1,180	-
Debt instruments	40,615	-	277,329	-
of which: issued by the Group	-	-	14,838	-
Real estate	-	-	-	64,535
of which: used by the Group	-	-	-	-
Derivatives	-	-	-	-
UCITS	-	-	76,607	-
Asset-backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	**143,205**	**-**	**399,234**	**64,535**
of wich: own instruments/assets used by the Group	102,590	-	16,018	-

12.3.4 Key actuarial assumptions used

Key actuarial assumptions/percentages	31 12 2014		31 12 2013	
	Defined benefit funds		Defined benefit funds	
	Internal pension plans	External pension plans	Internal pension plans	External pension plans
Discount rates	0.93%	1.87%	2.05%	2.53%
Expected rates of salary increases	1.50%	2.04%	1.00%	1.32%

A discount rate of 0.93% was used for internal plans and 1.87% for external ones (1.09% for Provision for severance pay, see section 11.2b), calculated as a weighted average of interest rates in EUR Composite AA yield curve as at 31.12.2014, using. as weights, the ratio between the amount paid / paid in advance for each maturity and the total amount to be paid /paid in advance for the entire duration of the population considered.

12.3.5 Information on amount, timing and uncertainty of cash flows

31 12 2014

Actuarial assumption	Change in DBO	Change (%) in DBO
Discount rate		
Increase of 0.25%	(16,241)	-3.56%
Decrease of 0.25%	11,070	2.43%
Expected rates of salary increases		
Increase of 0.25%	7,018	1.54%
Decrease of 0.25%	(14,652)	-3.22%

31 12 2013

Actuarial assumption	Change in DBO	Change (%) in DBO
Discount rate		
Increase of 0.25%	(16,007)	-2.50%
Decrease of 0.25%	15,371	2.40%
Expected rates of salary increases		
Increase of 0.25%	14,941	2.35%
Decrease of 0.25%	(15,804)	-2.49%

12.3.6 Plans covering multiple employers

12.3.7 Defined benefit plans sharing risks among entities under common control

Plans having these characteristics are not present for the Group.

12.4 - Provisions for risks and charges - Other provisions

Items/Amounts	Total 31 12 2014	Total 31 12 2013
2.1 legal disputes	424,495	364,928
2.2 personnel charges	56,247	51,313
2.3 other	604,392	650,008
- clawback actions	103,430	149,767
- charges arising from contractual obligations	31,907	51,819
- customer claims	1,157	4,096
-other	467,898	444,326
Total	**1,085,134**	**1,066,249**

Provisions to the fund for legal disputes primarily includes appropriations to cover the cost of actions filed against the Bank.

Provisions for "charges arising from contractual obligations" consist in appropriations for charges deriving from contracts and agreements associated with the disposal of investments and/or business segments, completed in previous years.

Section 13 – Insurance reserves – Item 130

The tables in this section have not been completed as no data is present for either current or previous year.

Section 14 – Redeemable shares – Item 150

The tables in this section have not been completed as no data is present for the current year or for the previous year.

Section 15 – Group equity – Items 140,160,170,180,190,200 and 220

15.1 "Share capital" and "Treasury shares": breakdown

15.1.a "Share capital" breakdown

(in units of eur)

Items/Amounts	31 12 2014		31 12 2013	
	Implied par value share (a)	Par value of fully paid shares	Par value per share	Par value of fully paid shares
Ordinary shares	2.44	12,484,206,649	0.64	7,484,508,171
Total share capital		**12,484,206,649**		**7,484,508,171**

a) On 6 June 2011 the Bank's Extraordinary Shareholders' Meeting resolved that indication of the par value of the classes of shares be eliminated; accordingly, as at 31.12.2011, the so-called "Implied par value" is indicated, which is obtained by dividing the total share capital amount by the number of shares in the same category, outstanding at the reference date.

Ordinary shares are registered and indivisible. Each share entitles to one vote.

Information on the number of fully paid-up shares can be found in the notes to Table 15.2, "Share capital – number of shares: annual changes".

In July 2014, the Parent Company completed a share capital increase of EUR 4,999,698,478.00. As a result of this transaction, the share capital amounts to EUR 12,484,206,649.08, represented by 5,116,513,875 ordinary shares with no par value.

15.1.b "Treasury shares": breakdown

(in units of eur)

Items/Amounts	31 12 2014		31 12 2013	
	Implied par value share	Book Balance	Par Value	Book Balance
Ordinary shares	22	(405)	34,915,189	- 24,532,421
Total share capital	**22**	**(405)**	**34,915,189**	**(24,532,421)**

Under international accounting standards, any repurchase of treasury shares is treated as capital repayment. For this reason, the consideration recognised for share repurchase is ideally deducted directly from equity.

15.2 Share capital - Parent company's number of shares: annual changes

Item/Type		31 12 2014	31 12 2013
		Ordinary	Ordinary
A.	**Shares outstanding as at the beginning of the year**	11,681,539,706	11,681,539,706
	- fully paid	11,681,539,706	11,681,539,706
	- not fully paid	-	-
A.1	Treasury shares (-)	54,495,378	54,495,378
A.2	**Shares outstanding: opening balance**	**11,627,044,328**	**11,627,044,328**
B.	**Increases**	5,000,243,422	-
B.1	New issues	4,999,698,478	-
	- Against payment:	4,999,698,478	-
	- Business combinations	-	-
	- Bond converted	-	-
	- warrants exercised	-	-
	- other	4,999,698,478	-
	- without payment:	-	-
	- to employees	-	-
	- to directors	-	-
	- other	-	-
B.2	Sale of treasury shares	544,944	-
B.3	Other increases	-	-
C.	**Decreases**	**11,510,773,884**	**-**
C.1	Cancellation	-	-
C.2	Purchase of treasury shares	-	-
C.3	Business transferred	-	-
C.4	Other decreases	11,510,773,884	-
D.	**Shares outstanding: closing balance**	5,116,513,866	11,627,044,328
D.1	Treasury shares (+)	9	54,495,378
D.2	Shares outstanding as at the end of the year	5,116,513,875	11,681,539,706
	- fully paid	5,116,513,875	11,681,539,706
	- not fully paid	-	-

Line B.1 “New issues” refers to the new shares subscribed pursuant to the resolution for a capital increase by the Extraordinary Shareholders’ Meeting of 21 May 2014
Line C.4 “Other decreases” includes the recalculation of existing shares at the start of the period and treasury shares following the reverse split of the Parent Company’s ordinary shares at a ratio of 1 new ordinary share to 100 treasury shares that was carried out on 5 May 2014, pursuant to the resolution issued by the Extraordinary Shareholders Meeting of Banca Monte dei Paschi di Siena S.p.A. held on 28 December 2013.

Share capital consists of 5,116,513,875 ordinary shares.

15.3 Share capital: other information

On 2,952,361 ordinary shares a restriction exists on the payout of dividends since the Parent Company has acquired usufruct in these shares.

15.3a Equity instruments: breakdown and annual changes

The equity component of convertible bonds, amounting to EUR 3.0 mln, refers to bonds issued and convertible into treasury shares. This mainly concerns the value determined upon issue of the Convertible Preferred Securities in relation to the embedded option which, according to IAS 32, must be separated from the bond instrument since it is considered an equity instrument.

No changes occurred during the period.

15.4 Retained earnings: other information

See Section F, "Information on consolidated shareholders' equity" of these notes to the financial statements.

15.5 Other information

See Section F, "Information on consolidated shareholders' equity" of these notes to the financial statements.

Section 16 – Non-controlling interests - Item 210

16.1 Details of item 210 "Non-controlling interests"

Company name	31 12 2014	31 12 2013*
Equity investments in consolidated companies with significant non-controlling interests	-	-
Other equity investments	23,625	33,195
Total	**23,625**	**33,195**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

16.2 Equity instruments: breakdown and annual changes

No such instruments are present within the Group.

Other information

1 Guarantees and commitments

	Transactions	Amount 31 12 2014	Amount 31 12 2013
1)	Financial guarantees given to	2,680,952	2,925,788
	a) Banks	410,374	445,042
	b) Customers	2,270,578	2,480,746
2)	Commercial guarantees given to	4,235,414	4,823,829
	a) Banks	267,940	309,700
	b) Customers	3,967,474	4,514,129
3)	Irrevocable commitments to disburse funds	5,863,961	6,152,251
	a) Banks	224,591	480,183
	i) drawdown certain	222,017	480,183
	ii) drawdown uncertain	2,574	-
	b) Customers	5,639,370	5,672,068
	i) drawdown certain	3,458,084	3,080,341
	ii) drawdown uncertain	2,181,286	2,591,727
4)	Underlying commitments on credit derivatives: sales of protection	13,813,319	22,984,624
5)	Assets pledged as collateral for third-party commitments	129,064	44,168
6)	Other commitments	952,016	1,011,461
	Total	**27,674,726**	**37,942,121**

2 Assets pledged as collateral for liabilities and commitments

Portfolios	31 12 2014	31 12 2013
1. Financial assets held for trading	5,683,037	6,243,740
2. Financial assets designated at fair value	-	-
3. Financial assets available for sale	21,658,475	22,043,628
4. Financial assets held to maturity	-	-
5. Loans to banks	7,318,239	7,250,717
6. Loans to customers	31,148,167	34,207,946
7. Property, plant and equipment	1,412,052	1,431,469

The table summarises the assets pledged by the Parent Company as collateral for its liabilities, mainly represented by reverse repurchase agreements. The amount shown in line 6 "Loans to customers" includes approx. EUR 27.0 bn relating to mortgages sold to the vehicle company MPS Covered Bond S.r.l. as part of the Covered Bonds plan.

3 Operating leases

3.1 Future minimum lease payments due under operating leases

Items/Amounts	31 12 2014
Up to 1 year	237
From 1 to 5 years	136
Over 5 years	-
Future minimum lease payments due	373
Non-cancellable future minimum lease payments receivable	-

Since the vehicle company Perimetro Gestione Proprietà Immobiliari S.C.P.A.is included in the scope of consolidation, the lease payments to said vehicle company are cancelled as an intragroup item and are no longer represented in the table.

4 Investments in unit-linked and index-linked policies: breakdown

The Group does not hold any such investments since no company of the Group issues insurance policies.

5 Asset management and trading on behalf of third parties

Type of services	Amount 31 12 2014
1. Trading of financial instruments on behalf of third parties	
a) Purchases	13,728,633
1. Settled	13,715,216
2. Unsettled	13,417
b) Sales	14,365,937
1. Settled	14,343,413
2. Unsettled	22,524
2. Asset management accounts	
a) individual	4,281,869
b) collective	-
3. Custody and administration of securities	
a) third party securities on deposit associated with custodian bank transactions (excluding asset management)	-
1. Securities issued by companies included in consolidation	-
2. Other securities	-
b) Other third party securities on deposit (excluding asset management)	86,201,476
1. Securities issued by companies included in consolidation	19,158,547
2. Other securities	67,042,929
c) third party securities deposited with third parties	80,789,784
d) own securities deposited with third parties	49,355,458
4. Other transactions	**67,157,306**

6 Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

Type	Gross amount of financial assets (a)	Amount of financial liabilities offset in balance sheet (b)	Net amount of financial assets recognised in the balance sheet (c=a-b)	Related amounts not subject to balance sheet offsetting		Net amount (f=c-d-e) 31 12 2014	Net amount 31 12 2013
				Financial instruments (d)	Deposits of cash collateral received (e)		
1. Derivatives	8,110,049	540,610	7,569,439	5,592,474	742,032	1,234,933	994,481
2. Repurchase agreements	8,067,085	-	8,067,085	8,063,872	340	2,873	103,735
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total as at 31 12 2014	**16,177,134**	**540,610**	**15,636,524**	**13,656,346**	**742,372**	**1,237,806**	**X**
Total as at 31 12 2013	**15,970,010**	**628,195**	**15,341,815**	**13,568,062**	**675,536**	**X**	**1,098,216**

7 Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

Type	Gross amount of financial liabilities (a)	Amount of financial assets offset in balance sheet (b)	Net amount of financial liabilities recognised in the balance sheet (c=a-b)	Related amounts not subject to balance sheet offsetting		Net amount (f=c-d-e) 31 12 2014	Net amount 31 12 2013
				Financial instruments (d)	Deposits of cash collateral received (e)		
1. Derivatives	9,408,547	540,610	8,867,937	4,837,613	491,592	3,538,732	2,802,316
2. Repurchase agreements	31,514,936	-	31,514,936	31,512,970	-	1,966	80,752
3. Securities lending	-	-	-	-	-	-	0
4. Other	-	-	-	-	-	-	0
Total as at 31 12 2014	**40,923,483**	**540,610**	**40,382,873**	**36,350,583**	**491,592**	**3,540,698**	**X**
Total as at 31 12 2013	**36,579,649**	**628,195**	**35,951,454**	**32,730,150**	**338,235**	**X**	**2,883,068**

IFRS 7 requires disclosure of information for all financial instruments that:

- were offset in the balance sheet pursuant to IAS 32;
- could potentially be offset, given certain conditions, but presented in the balance sheet as open balances as they are governed by "framework offsetting agreements or similar agreements" which do not meet the criteria established in IAS 32 for offsetting.

The amount offset in the financial statement refers to trading in OTC derivatives through central counterparties managed through central counterparties of the subsidiary MPS Capital Services S.p.a.

For reconciliation between the amounts reported in column (c) "net amount of financial assets/liabilities recognised in the balance sheet" with the balances reported in "Part B – Information on the Balance Sheet", note that:

- the amount relating to derivative financial instruments, both from trading and hedging, backed by netting agreements or similar, are included in item 20 "Financial assets held for trading" and item 80 "Hedging derivatives" under Assets and in item 40 "Financial liabilities held for trading" and item 60 "Hedging derivatives" under Liabilities;
- the amount relating to repurchase agreements covered by netting agreements or similar, are included in the item "Repurchase agreements (Assets/Liabilities)" reported in the breakdown of items 20 "Financial assets held for

trading", 60 "Loans to banks" and 70 "Loans to customers" under Assets and items 10 "Deposits from banks", 20 "Deposits from customers" and 40 "Financial liabilities held for trading" under Liabililities.

Note also that:

- with regard to securities lending transactions, the transactions involving the payment of cash collateral fully owned by the lender are inlcuded in the tables in the item "Repurchase agreements";
- the repurchase agreements are recognised in the tables at amortised cost, while the financial collateral and derivative transactions are reported at their fair value.

8 Securities lending transactions

In its capacity as borrower, the Parent Company has entered into a number of securities lending agreements with leading market counterparties. These agreements are backed by other securities and total approximately EUR 2.6 bn,.

In its capacity as borrower, the Parent Company has also entered into securities lending agreements (mainly Italian government bonds) with customers, for a total of approximately EUR 3.7 bn.

These transactions, which in compliance with current accounting standards have no impact on the balance sheet, are carried out with the aim of increasing the Group's counterbalancing capacity.

9 Information on joint control activities

No such activities are carried out in the Group.

Part C – Information on the consolidated income statement

Section 1 – Interest income/expense and similar revenues/charges – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Itme/Type	Debt securities	Loans	Other transactions	Total 31 12 2014	Total 31 12 2013*
1. Financial assets held for trading	74,134	8,923	78,817	161,874	273,948
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	629,632	-	-	629,632	836,501
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	17,485	14,733	-	32,218	56,865
6. Loans to customers	48,276	4,331,049	-	4,379,325	4,805,921
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	10,238	10,238	9,060
Total	**769,527**	**4,354,705**	**89,055**	**5,213,287**	**5,982,295**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Line "1. Financial assets held for trading", in the "Other transactions" column, includes the positive net total of spreads relating to derivatives connected with financial liabilities designated at fair value (fair value option), for an amount of EUR 78.8 mln.

Lines 5 and 6, "Loans to banks" and "Loans to customers", in the "Debt securities" column, include interest income on treasury securities not listed in active markets and classified in these portfolios.

Line "7. Hedging derivatives", "Other transactions" column: the amount indicated is zero because the difference between positive and negative spreads concerning derivatives classified as hedging derivatives according to hedge accounting rules is negative. Consequently, this difference is included in Table "1.4 Interest expense and similar charges: breakdown" and details are provided in Table "1.5 Interest expense and similar charges: spreads on hedging transactions" in this section.

Line "8. "Other assets", in the "Other transactions" column, shows interest accrued on tax credits and other residual assets.

Interest other than that recognised in item 130 "Net impairment losses/reversals" and accrued during the year for positions that are classified as "non-performing" as at balance-sheet date totalled EUR 699.3 mln. This interest is calculated for financial assets measured at amortised cost under the effective interest rate method and is entered in different columns based on the original 'technical form'. Interest on arrears accrued during the year is posted to interest income only for the portion actually recovered.

1.2 Interest income and similar revenues: spreads on hedging transactions

Information on spreads relating to hedging transactions is provided in Table 1.5.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in foreign currency

Interest income from financial assets denominated in foreign currency for 2014 amounted to EUR 72.3 mln as compared to EUR 50.7 mln in 2013.

1.3.2 Interest income from finance leases

Interest income from finance lease transactions for 2014 amounted to EUR 147.7 mln as compared to EUR 146 mln in 2013.

1.4 Interest expense and similar charges: breakdown

Item/Type		Deposits	Secuties	Other transactions	Total 31 12 2014	Total 31 12 2013*
1.	Deposits from central banks	(44,281)	X	-	(44,281)	(175,584)
2.	Deposits from banks	(125,678)	X	-	(125,678)	(212,811)
3.	Deposits from customers	(881,992)	X	-	(881,992)	(999,077)
4.	Debt securities issued	X	(1,548,847)	-	(1,548,847)	(1,746,307)
5.	Financial liabilities held for trading	(12,107)	-	-	(12,107)	(12,101)
6.	Financial liabilities designated at fair valu	-	(143,369)	-	(143,369)	(250,688)
7.	Other liabilities	X	X	(6,109)	(6,109)	(4,867)
8.	Hedging derivatives	X	X	(316,633)	(316,633)	(456,506)
	Total	**(1,064,058)**	**(1,692,216)**	**(322,742)**	**(3,079,016)**	**(3,857,941)**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Lines 2, "Deposits from banks" and 3, "Deposits from customers", in the "Deposits" column, include:

- interest on payables under repurchase agreements on: treasury securities; securities obtained through repo transactions or securities lending; and securities from self-securitisations not recognised in the balance-sheet;
- the expense relating to liabilities arising from the assignment of tax credits not derecognised in accordance with IAS 39 on derecognition of financial assets.

Line 4, "Debt securities issued", indicates the interest expense accrued during the year on bonds and certificates of deposit valued at amortised cost. In particular, interest on the New Financial Instruments accrued in 2014, totalling EUR 401.42 mln, was posted to this item. It is noted that there was a change - during the first half of 2014 - in the estimation of future payments related to the reimbursement of the New Financial Instruments. The change was due to the application of a clause in the Prospectus following the partial disposal of the investment held in the Parent Company by the Fondazione Monte dei Paschi di Siena, which, under paragraph AG8 of IAS 39, resulted in a negative pre-tax impact on net interest income for the period of EUR 147.1 mln. For further information please refer to Table 3.1 'Debt securities issued: breakdown' in these Notes.

Line 6. "Financial liabilities designated at fair value" includes interest expense accrued on structured fixed-rate bonds issued and systematically hedged by derivative contracts under the fair value option.

For a trend analysis of the items concerned, reference should be made to the Report on Operations.

1.5 Interest expense and similar charges: spreads on hedging transactions

Items	Total 31 12 2014	Total 31 12 2013
A. Positive spreads on hedging transactions	698,467	684,084
B. Negative spreads on hedging transactions	(1,015,101)	(1,140,590)
C. Balance (A+B)	**(316,634)**	**(456,506)**

In line with its hedging objectives and consequent minimisation of risks in the banking book, the Group carries out both fair value and cash flow hedging transactions.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currency

Interest expense on financial liabilities denominated in foreign currency for 2014 amounted to EUR 27.7 mln as compared to EUR 27.2 mln in 2013.

1.6.2 Interest expense on liabilities from finance leases

No values are shown in this table as no data is to be reported for either the current or the previous year.

Section 2 – Fee and commission income/expense – Items 40 and 50

Fee and commission income: breakdown

Type of service / Amount	Total 31 12 2014	Total 31 12 2013*
a) guarantees issued	87,741	87,687
b) credit derivatives	-	-
c) management, brokerage and advisory services:	860,973	836,514
1. trading of financial instruments	17,104	18,278
2. currency trading	5,425	5,137
3. asset management	50,432	47,736
3.1 individual accounts	50,432	47,736
3.2. collective investment schemes	-	-
4. custody and administration of securities	8,569	11,338
5. custodian bank	-	1
6. placement of securities	39,784	81,922
7. client instructions	54,764	65,226
8. advisory on	2,396	1,048
8.1 investments	2,396	1,048
8.2 financial structure	-	-
9. distribution of third-party services	682,499	605,828
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	218,871	235,104
9.3 other products	463,628	370,724
d) collection and payment services	243,208	233,559
e) servicing of securitisations	275	150
f) factoring transaction services	15,531	17,490
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	574,021	647,256
j) other services	305,310	296,829
Total	**2,087,059**	**2,119,485**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

2.2 Fee and commission expense: breakdown

Type of service / Amount	Total 31 12 2014	Total 31 12 2013*
a) guarantees received	(97,141)	(104,222)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(110,610)	(144,990)
1. trading of financial instruments	(21,242)	(22,062)
2. currency trading	(66)	(98)
3. asset management:	(968)	(1,172)
3.1 own portfolio	(7)	(18)
3.2 third-party portfolios	(961)	(1,154)
4. custody an administration of securities	(11,450)	(12,447)
5. placement of financial instruments	(7,135)	(34,114)
6. off-site marketing of financial instruments, products and services	(69,749)	(75,097)
d) collection and payment services	(90,063)	(67,578)
e) other services	(91,514)	(145,166)
Total	**(389,328)**	**(461,956)**

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Line "a) guarantees received" includes EUR 95.2 mln of fees and commissions paid by the Parent Company for the guarantee pledged by the Italian Government on certain bond issuances and simultaneously repurchased to be used in financing transactions as part of Eurosystem financing.

For a trend analysis of the concerned items, reference should be made to the Report on Operations.

In line c) 6 "off-site marketing of financial instruments, products and services" includes fees and commission paid to Financial Advisors (EUR 1.3 mln for Widiba Spa and EUR 68.5 mln for the Bank.)

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Item/Income	31 12 2014			31 12 2013		
	Dividends	Income from units of UCITS	Total	Dividends	Income from units of UCITS	Total
A. Financial assets held for trading	3,122	616	3,738	3,247	852	4,099
B. Financial assets available for sale	19,700	13,506	33,206	8,336	4,867	13,203
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	-	-	-	-	-	-
Total	**22,822**	**14,122**	**36,944**	**11,583**	**5,719**	**17,302**

The table shows the amount of dividends received on shares traded within the trading book and non-controlling interest classified in the available-for-sale asset portfolio.

Conversely, dividends relating to the Group's subsidiaries and associates, consolidated line-by-line or under the equity method, are excluded.

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions / P&L items	Unrealized Profits (A)	Trading Profits (B)	Unrealized Losses (C)	Trading Losses (D)	31 12 2014 Net Profit (Loss) (A + B)-(C + D)	31 12 2013* Net Profit (Loss) (A + B)-(C + D)
1. Financial assets held for trading	**149,683**	**360,596**	**(62,834)**	**(87,993)**	**359,452**	**187,199**
1.1 Debt securities	148,003	335,250	(59,597)	(80,364)	343,292	159,381
1.2 Equity instruments	1,063	12,559	(2,733)	(1,887)	9,002	18,623
1.3 Units of UCITS	110	6,790	(504)	(4,489)	1,907	20,113
1.4 Loans	507	672	-	-	1,179	1,620
1.5 Other	-	5,325	-	(1,253)	4,072	(12,538)
2. Financial liabilities held for trading	**2,114**	**54,789**	**(134,543)**	**(130,819)**	**(208,459)**	**(140,556)**
2.1 Debt securities	1,897	52,860	(128,388)	(122,734)	(196,365)	(136,236)
2.2 Deposits	-	-	-	-	-	-
2.3 Other	217	1,929	(6,155)	(8,085)	(12,094)	(4,320)
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	29,746	23,221
4. Derivatives	**3,369,231**	**12,026,622**	**(2,548,408)**	**(12,951,729)**	**(100,001)**	**5,594**
4.1 Financial derivatives:	2,890,554	10,638,100	(2,149,917)	(11,595,511)	(212,491)	(70,322)
- on debt securities and interest rates	2,053,563	7,899,077	(1,378,383)	(8,547,320)	26,937	220,629
- on equity instruments and stock indices	373,092	1,819,598	(273,985)	(2,161,433)	(242,728)	(186,403)
- on currency and gold	X	X	X	X	4,283	65,439
- other	463,899	919,425	(497,549)	(886,758)	(983)	(169,987)
4.2 Credit derivatives	478,677	1,388,522	(398,491)	(1,356,218)	112,490	75,916
Total	**3,521,028**	**12,442,007**	**(2,745,785)**	**(13,170,541)**	**80,738**	**75,458**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The table shows the profit and loss attributable to the portfolio of financial assets and liabilities held for trading, except for derivative contracts hedging financial instruments under the fair value option, whose valuation results are indicated in Part C, Section 7, "Net profit (loss) on financial assets and liabilities designated at fair value – Item 110" in these notes to the financial statements.

In line "3. Other financial assets and liabilities: exchange differences", the positive or negative balance of any changes in value of financial assets and liabilities denominated in currencies other than the trading currencies has been indicated in accordance with standard practice. For trading instruments, the effect resulting from any changes due to foreign exchange is not reported separately.

Section 5 – Net profit (loss) from hedging – Item 90

5.1 Net profit (loss) from hedging: breakdown

P&L items/Values	Total 31 12 2014	Total 31 12 2013*
A. Gains on:		
A.1 Fair value hedging instruments	268,938	1,325,140
A.2 Hedged financial assets (fair value)	1,519,001	-
A.3 Hedged financial liabilities (fair value)	25,868	144,536
A.4 Cash-flow hedging derivatives	-	3,612
A.5 Assets and liabilities denominated in foreign currency	-	-
Total gains on hedging activities (A)	**1,813,807**	**1,473,288**
B. Losses on:		
B.1 Fair value hedging instruments	1,515,766	142,394
B.2 Hedged financial assets (fair value)	45,110	1,322,036
B.3 Hedged financial liabilities (fair value)	250,338	1,826
B.4 Cash-flow hedging derivatives	18,352	-
B.5 Assets and liabilities denominated in foreign currency	-	-
Total losses on hedging activities (B)	**1,829,566**	**1,466,256**
C. Net profit (loss) from hedging activities (A - B)	**(15,759)**	**7,032**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The table shows the realised income components posted to the income statement resulting from the valuation of both assets and liabilities subject to hedging, and the relevant hedging derivative contracts, including any foreign exchange differences.

For information on hedging derivatives, the gains and losses on which are indicated in lines A.1 and A.4, B.1 and B.4 of this table, see Section 8, "Hedging derivatives – Item 80" of the Assets and Section 6, "Hedging derivatives – Item 60" of the Liabilities in Part B of the notes to the financial statements.

More information on hedged assets and liabilities can be found in the tables in Part B of the notes for each section of the accounts to which hedges are posted.

Section 6 - Gains (losses) on disposal/repurchase - Item 100

6.1 Gains (losses) on disposal / repurchase: breakdown

Items / P&L items	Total 31 12 2014			Total 31 12 2013		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
Financial assets						
1. Loans to banks	668	(1,076)	(408)	2,155	(2,368)	(213)
2. Loans to customers	62,856	(102,073)	(39,217)	3,443	(65,868)	(62,425)
3. Financial assets available for sale	319,615	(110,543)	209,072	302,719	(417,766)	(115,047)
3.1 Debt securities issued	236,492	(109,188)	127,304	52,662	(406,371)	(353,709)
3.2 Equity instruments	65,469	(6)	65,463	210,791	(42)	210,749
3.3 Units of UCITS	17,654	(1,349)	16,305	39,266	(11,353)	27,913
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**383,139**	**(213,692)**	**169,447**	**308,317**	**(486,002)**	**(177,685)**
Financial liabilities						
1. Deposits from banks	-	-	-	101,363	-	101,363
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	2,357	(12,803)	(10,446)	8,056	(15,628)	(7,572)
Total liabilities	**2,357**	**(12,803)**	**(10,446)**	**109,419**	**(15,628)**	**93,791**

The table shows the net profit/loss arising on the disposal of financial assets other than those held for trading and those designated at fair value, and the net profit/loss arising on the repurchase of own financial liabilities.

With regard to financial liabilities, the repurchase of own liabilities is treated as advance repayment with derecognition of the financial instrument and subsequent realisation of gains or losses on repurchase.

The amount of EUR 102.1 mln posted to line 2 “Loans to customers” – column 'Losses', includes EUR 23.4 mln related to the sale without recourse of the whole portfolio of doubtful loans to a securitisation vehicle financed by companies belonging to the Fortress Investment Group LLC; the sales were completed in June and December.

The amount of EUR 65.5 mln, posted to line 3.2 “Financial assets available for sale - Equity instruments”, includes EUR 30.9 mln concerning the disposal of the investment accounting for 5.8% of the SIA S.p.A. share capital.

The net loss of EUR 10.4 mln posted to line 3 "Debt securities issued" of the Financial liabilities, represents the unbalance in gains (EUR 2.4 mln) and losses (- EUR 12.8 mln) arising from the repurchase, in whole or in part, of fixed and floating rate issuances completed in the course of 2014 and recognised in item “30 - Debt securities issued” of the liabilities.

Section 7 – Net profit (loss) from financial assets and liabilities designated at fair value – Item 110

7.1 Net changes in financial assets and liabilities designated at fair value: breakdown

Transaction/P&L items	Unrealized profits (A)	Realized profits (B)	Unrealized Losses (C)	Realized losses (D)	31 12 2014 Net Profit (A+B)-(C+D)	31 12 2013 Net Profit (A+B)-(C+D)
1. Financial assets					-	
1.1 Debt securities issued	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Units of UCITS	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
2. Financial liabilities	58,507	47,278	(106,478)	(3,849)	(4,542)	175,834
2.1 Debt securities issued	58,507	47,278	(106,478)	(3,849)	(4,542)	175,834
2.2. Deposits from banks	-	-	-	-	-	-
2.3. Deposits from customers	-	-	-	-	-	-
3. Financial assets and liabilities	X	X	X	X	-	-
4. Credit and financial derivatives	77,556	37,311	(41,500)	(66,993)	6,374	(165,690)
Total	**136,063**	**84,589**	**(147,978)**	**(70,842)**	**1,832**	**10,144**

The item includes solely the profit, loss, capital gains and capital losses from structured fixed-rate bonds included in the fair value option and derivative contracts through which these bonds receive natural hedging.

During the year, changes in fair value of financial liabilities (FVO) arising from changes in own creditworthiness resulted in capital losses of EUR 35.8 mln (cumulative capital gains EUR 113.5 mln), against capital gains of EUR 19.9 mln in 2013.

Changes in the fair value of liabilities issued due to changes in own creditworthiness are 'immunised' for the purpose of capital quantification.

Section 8 – Net impairment losses (reversals) – Item 130

8.1 Net impairment losses (reversals) on loans: breakdown

Transactions/ P&L items	Value Adjustments			Write - backs				Total	Total
	Specific			Specific		Portfolio			
	Write-off	Others	Portfolio	A	B	A	B	31 12 2014	31 12 2013*
A. Loans to banks	-	(871)	(1,306)	66	106	-	8,202	6,197	(13,671)
- Loans	-	(871)	(1,304)	66	106	-	-	(2,003)	(600)
- Debt securities	-	-	(2)	-	-	-	8,202	8,200	(13,071)
B. Loans to customers	(51,779)	(8,218,595)	(340,281)	496,476	243,484	-	43,063	(7,827,632)	(2,735,977)
Non-performing loans purchased	(8,093)	(187,625)		225	35,217	-		(160,276)	(3,662)
- Loans	(8,093)	(187,625)	x	225	35,217	-	x	(160,276)	(3,662)
- Debt securities	-	-	x	-	-	-	x	-	-
Other receivables	(43,686)	(8,030,970)	(340,281)	496,251	208,267	-	43,063	(7,667,356)	(2,732,315)
- Loans	(43,686)	(8,030,970)	(340,281)	496,251	208,267	-	40,430	(7,669,989)	(2,735,227)
- Debt securities	-	-	-	-	-	-	2,633	2,633	2,912
C. Total	**(51,779)**	**(8,219,466)**	**(341,587)**	**496,542**	**243,590**	**-**	**51,265**	**(7,821,435)**	**(2,749,648)**

Legend:
A = From interest
B = Other reversals

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The item includes the impacts resulting from the change in accounting estimates relating to loans and receivables classification and valuation, for a total of EUR 5,963 mln (for further information please refer to section "Disclosures pursuant to art. 114 paragraph 5 of Italian Legislative Decree no. 58/1998" in these Notes to the Consolidated Financial statements).

In particular, the column "Write-offs" shows losses recorded in relation to the derecognition of financial instruments allocated to the portfolios of loans to customers and loans to banks, whereas the "Other" column includes specific write-downs on non-performing loans subject to analytical valuation. Portfolio value adjustments were quantified with reference to 'performing' financial instruments.

Column A (specific reversals) incorporates the reversals represented by interest released on non-performing positions valued at amortised cost and interest on arrears recovered and written down in the year in which it was accrued.

For further information on loans to banks and customers, see Section 1, "Credit risk", in Part E of the notes to the financial statements.

8.2 Net impairment losses (reversals) on financial assets available for sale: breakdown

Transactions/ P&L items	Value Adjustments		Write - backs		Total 31 12 2014	Total 31 12 2013
	Specific		Specific			
	Write-offs	Others	A	B		
A. Debt securities issued	-	(272)	-	-	(272)	(1,685)
B. Equity instruments	-	(42,420)	X	X	(42,420)	(41,159)
C. Units of UCITS	-	(17,833)	X	-	(17,833)	(16,360)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(60,525)**	**-**	**-**	**(60,525)**	**(59,204)**

Legend:
A = From interest
B = Other reversals

8.3 Net impairment losses (reversals) on financial assets held to maturity: breakdown

This table has not been completed since these value adjustments were not present for the Group in 2014 or in the year of comparison.

8.4 Net impairment losses (reversals) on other financial transactions: breakdown

Transactions / P&L items	Value Adjustments			Write-backs				Total 31 12 2014	Total 31 12 2013
	Specific		Portfolio	Specific		Portfolio			
	Write-offs	Others		A	B	A	B		
A. Guarantees issued	-	(143,872)	(441)	-	-	-	6,617	(137,696)	(13,805)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	(249)	(269)	-	16	-	776	274	732
D. Other transactions	-	(5,884)	-	-	-	-	-	(5,884)	(1,242)
E. Total	**-**	**(150,005)**	**(710)**	**-**	**16**	**-**	**7,393**	**(143,306)**	**(14,315)**

Legend:
A = From interest
B = Other reversals

This table shows impairment losses/reversals (against expected loss) on guarantees issued, if drawn down.

Section 9 – Net premiums – Item 150

9.1 Net premiums: breakdown

The section was not completed, as net premiums do not exist in the Group either in the current or in the previous year.

Section 10 – Other net insurance income/expense – Item 160

The tables of this section were not completed because there is no other net insurance income/expense in the Group, either in the current or in the previous year.

Section 11 – Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Type of Expense / Area	Total 31 12 2014	Total 31 12 2013*
1. Employees	(2,039,178)	(1,729,835)
a) wages and salaries	(1,232,120)	(1,248,506)
b) social-welfare charges	(337,008)	(336,278)
c) severance pay	(42,817)	(43,870)
d) social security expenses	-	-
e) provision for staff severance pay	(9,118)	(11,914)
f) pension fund and similar obligations:	(2,129)	(2,176)
- defined contribution	(358)	(560)
- defined benefit	(1,771)	(1,616)
g) contributions to external pension funds:	(18,647)	(17,334)
- defined contribution	(15,875)	(17,085)
- defined benefit	(2,772)	(249)
h) costs related to share-based payments	-	-
i) other employee benefits	(397,339)	(69,757)
2. Other staff	(619)	(2,061)
3. Directors and Statutory Auditors	(3,725)	(4,686)
4. Retired personnel	(8,822)	(6,732)
Total	**(2,052,344)**	**(1,743,314)**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

Line f) “pension fund and similar obligations” includes amounts set aside for internal funds, while line g) “contributions to external pension funds” includes contributions paid and adjustments made to external pension funds.

Line i) “other employee benefits” includes employee incentives for employment termination for an amount of approximately EUR 342.5 mln.

11.2 Average number of employees by category

Category / Average Number	31 12 2014	31 12 2013
Employees:	**26,547**	**28,009**
a) executives	348	398
b) middle managers	10,406	11,002
c) remaining staff	15,793	16,609
Other personnel	**1**	**4**
Total	**26,548**	**28,013**

Defined benefit company pension funds: costs and revenues

Items/Amounts	31 12 2014			31 12 2013*		
	Defined benefit company pension funds		Provision for staff severance pay	Defined benefit company pension funds		Provision for staff severance pay
	Internal pension plan	External pension plan		Internal pension plan	External pension plan	
Interest income/expense	(1,745)	(637)	(8,170)	(1,591)	(227)	(11,289)
Current service cost and gains (losses) arising from settlements°°	(26)	(2,135)	(590)	(25)	(2,174)	(625)
Past service cost	-	-	-	-	-	-
Gains (losses) arising from settlements°	-	-	-	-	-	-
Other operating costs	-	-	(357)	-	-	-
Total	**(1,771)**	**(2,772)**	**(9,117)**	**(1,616)**	**(2,401)**	**(11,914)**

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

° Past service cost and gains and losses arising from settlements need not be distinguished if they occur together (IAS 19.100)

°° Only in the event of settlement not set out in the terms of the plan

11.4 Other employee benefits

No information to report pursuant to sections 131, 141 and 142 of IAS 19.

11.5 Other administrative expenses: breakdown

Items/Amounts	31 12 2014	31 12 2013*
Stamp duties	(233,303)	(213,805)
Indirect taxes and duties	(38,531)	(38,636)
Municipal real estate property tax	(23,367)	(9,509)
Subscription and purchase of publications	(416)	(424)
Property rentals	(111,384)	(238,361)
Cleaning service contracts	(16,956)	(18,293)
Insurance	(17,201)	(20,425)
Rentals	(102,496)	(40,983)
Remuneration of external professionals	(121,894)	(100,097)
Third-party data processing	(56,852)	(62,369)
Title searches and land registry surveys	(3,972)	(4,940)
Lease of equipment	(62,503)	(88,606)
Utilities	(44,112)	(47,754)
Maintenance of movable and immovable properties (used in the business)	(28,734)	(29,499)
Data transmission rental	(21,533)	(27,072)
Postage	(36,996)	(46,466)
Advertising, sponsorships and promotions	(13,750)	(18,631)
Membership dues	(5,487)	(5,534)
Reimbursement of employee car and travel expenses	(10,142)	(9,484)
Security services	(27,317)	(34,760)
Software	(56,203)	(40,863)
Corporate entertainment expenses	(4,471)	(3,008)
Expenses for non-rented investment real estate	(396)	(354)
Printing and stationery	(10,174)	(8,442)
Telephone, telefax and telegraph	(5,696)	(7,535)
Transportation	(34,003)	(37,236)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(8,681)	(7,401)
Others	(71,498)	(74,512)
Total	**(1,168,068)**	**(1,234,999)**

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The line "Advertising, sponsorships and promotions" for an amount of EUR 13.7 mln includes advertising, events and printing (EUR 7.7 mln), sponsorships and promotions (EUR 5,7 mln) and other communication expenses (EUR 0.3 mln).
The significant decrease in the item "Property rentals" is attributable to the fact that at 31 December 2013 this item included rentals payable up until 30 November 2013 by Group companies to Perimetro Gestioni Proprietà Immobiliari S.c.p.a.. As of this date, the aforesaid company was included in the Group's scope of consolidation, and as a result these rentals have become intragroup income components.
The increase in the item "Rentals" is attributable to the inclusion in this item, as of 1 January 2014, of the rental payments due by Group companies to Fruendo S.r.l.

Section 12 – Net provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

Items/Amounts	31 12 2014				31 12 2013			
	Legal disputes	Personnel costs	Others	Total	Legal disputes	Personnel costs	Others	Total
Provisions for the year	(136,882)	(17,471)	(242,793)	(397,146)	(114,350)	(20,449)	(84,750)	(219,549)
Write-backs	34,173	10,300	176,122	220,595	46,528	4,339	138,740	189,607
Total	**(102,709)**	**(7,171)**	**(66,671)**	**(176,551)**	**(67,822)**	**(16,110)**	**53,990**	**(29,942)**

Changes due to the time value of money are included in "Provisions for the year" and show the amount of “time value” accrued during the year due to the expected imminent maturity of the estimated liability.

Section 13 – Net losses (reversals) on property, plant and equipment – Item 200

13.1 Net losses (reversals) on property, plant and equipment: breakdown

Assets / P&L items	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net Profit (loss) 31 12 2014	Net Profit (loss) 31 12 2013*
Tangible assets					
A.1 Owned	(116,935)	(41,285)	-	(158,220)	(85,482)
- used in the business	(107,295)	(13,281)	-	(120,576)	(73,792)
- held for investment	(9,640)	(28,004)	-	(37,644)	(11,690)
A.2 Leased	-	-	-	-	-
- used in the business	-	-	-	-	-
- held for investment	-	-	-	-	-
Total	**(116,935)**	**(41,285)**	**-**	**(158,220)**	**(85,482)**

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Property and equipment with a finite life is tested for impairment.

Section 14 – Net adjustments to (recoveries on) intangible assets – Item 210

14.1 Net adjustments to (recoveries on) intangible assets: breakdown

\	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (loss) (a+b-c) 31 12 2014	Net profit (loss) 31 12 2013*
Intangible assets					
A.1 Owned	(110,060)	(39,077)	-	(149,137)	(100,844)
- generated internally by the company	(24,125)	(12,882)	-	(37,007)	(20,422)
- other	(85,935)	(26,195)	-	(112,130)	(80,422)
A.2 Leased	-	-	-	-	-
Total	**(110,060)**	**(39,077)**	**-**	**(149,137)**	**(100,844)**

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Amortisation mainly relates to software held by the MPS Consorzio Operativo di Gruppo and finite life intangible assets identified during the PPA process for former subsidiary Banca Antonveneta.

Section 15 – Other operating expenses (income) – Item 220

Other operating expenses

Items/Amounts	Total 31 12 2014	Total 31 12 2013*
Costs of robberies	(5,205)	(5,786)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(11,295)	(17,334)
Other expenses on real estate (real estate inventory)	(905)	(1,492)
Cost of financial lease transactions	(10,011)	(14,460)
Expenses from reassessment of market rental value "Chianti transaction"	-	(223,664)
Other	(125,004)	(137,052)
Total	**(152,420)**	**(399,788)**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The decrease in the item is principally due to the effect on the costs for 2013 of the reassessment of the lease paid to Perimetro Gestione Proprietà Immobiliari, posted in the line "Expenses from reassessment of market rental value - Chianti transaction". For further details, see Section G of the 2013 Annual Report.

Other operating income: breakdown

Items/Amounts	Total 31 12 2014	Total 31 12 2013*
Rents from investment real estate	24,515	20,847
Other revenues from real estate (real estate inventory)	1,022	1,522
Recovery of taxes	234,209	215,898
Recovery of insurance premiums	6,022	9,729
Income from financial lease transaction	4,830	7,240
Other	215,667	238,064
Total	**486,265**	**493,300**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The amount EUR 215.7 mln classified under the item "Other" includes the "fast-track facility fee" introduced by Law Decree 201/2011 ("Save Italy Decree") amounting to EUR 60 mln .

Section 16 – Gains (losses) on investments – Item 240

16.1 Gains (losses) on investments: breakdown

P&L items/Sectors	Total 31 12 2014	Total 31 12 2013*
1) Jointly owned companies		
A. Income	16	10
1. Revaluations	16	10
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	(5,003)	-
1. Write-downs	(259)	-
2. Impairment losses	(4,744)	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**(4,987)**	**10**
2) Companies subject to significant influence		
A. Income	250,654	133,388
1. Revaluations	118,131	129,887
2. Gains on disposal	83,801	1,701
3. Write-backs	23,711	-
4. Other income	25,011	1,800
B. Expense	(51,339)	(66,339)
1. Write-downs	(8,982)	(28,663)
2. Impairment losses	(42,343)	(37,676)
3. Losses on disposal	(14)	-
4. Other expenses	-	-
Net Profit (Loss)	**199,315**	**67,049**
Total	**194,328**	**67,059**

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

With reference to the figures posted to line "2) Companies subject to significant influence", the following should be noted:

- line "A.2.Gains on disposal" totalling EUR 83,8 mln mainly consists of EUR 66,2 mln related to the disposal of 11.3% of the investment held in the associate Anima Holding S.p.A., following a global sale offering aimed at the listing of ordinary shares of the Company on the Electronic Stock Market, and EUR 17,4 mln related to the disposal of the entire investment in Sorin S.p.A.;
- line "A.3. Write-backs" amounting to EUR 23.7 mln refers to the subsidiary Anima Holding S.p.A.;
- line "A.4. Other income", amounting to EUR 25 mln, refers to the sum paid in April to the Parent Company by the purchaser AXA Mediterranean Holding S.A. as adjustment of the disposal price for the equity investments in Monte Paschi Assicurazioni Danni S.p.A and Monte Paschi Vita S.p.A. (occurring in October 2007);
- line "B.2. Impairment losses" includes the write-down of Fenice Holding S.p.A. and Sansedoni S.p.A.

For further information on the methodology for determining impairment losses, please see section 10.5, part B, of these notes to the consolidated financial statements.

Section 17 – Net gains (losses) on tangible and intangible assets measured at fair value – Item 250

The section was not completed as tangible and intangible assets measured at fair value do not exist in the Group either in the current or in the previous period.

Section 18 – Impairment of goodwill – Item 260

18.1 Impairment of goodwill: breakdown

Owing to its indefinite or unlimited useful life, goodwill is tested at the end of each year to assess whether its carrying value is fairly stated or recoverable. In 2014 the test resulted in an impairment loss of EUR 661.8 mln being reported for goodwill allocated to the Cash Generating Units (CGUs), whereas in 2013 the test resulted in no impairment.

For additional information concerning the methods for conducting impairment tests, see the appropriate section in Part B of the Notes to the Financial Statements, Section 12.1 of Assets “Intangible Assets: breakdown by type".

Section 19 – Gains (losses) on disposal of investments – Item 270

19.1 Gains (losses) on disposals of investments: breakdown

P&L items/Sectors	Total 31 12 2014	Total 31 12 2013
A. Property	22,867	1,423
- Gains on disposal	23,633	3,351
- Losses on disposal	(766)	(1,928)
B. Other assets	61,834	(11)
- Gains on disposal	61,941	-
- Losses on disposal	(107)	(11)
Net Profit (Loss)	**84,701**	**1,412**

Line B "Gains on disposal" includes EUR 57.0 mln integration of the disposal price of Biverbanca (sold by the Parent Company to Cassa di Risparmio di Asti in December 2012), corresponding to the Parent Company's portion of new Bank of Italy shares held by Biverbanca and calculated in its CET1 net of substitute tax and of the effect of prudential capital requirements.

Section 20 – Tax expense (recovery) on income from continuing operations – Item 290

20.1 Tax expense (recovery) on income from continuing operations: breakdown

P&L items/Sectors	Total	
	31 12 2014	31 12 2013*
1. Current tax (-)	(101,080)	(67,850)
2. Adjustments to current tax of prior years (+/-)	(66,712)	182,949
3. Reduction of current tax for the year (+)	-	-
3.bis "Reduction in current tax for the period due to tax credits under Law 214/2011	767,411	806,894
4. Changes in prepaid taxes (+/-)	1,694,957	(286,367)
5. Changes in deferred taxes (+/-)	41,903	31,157
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**2,336,479**	**666,783**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Line "1. Current tax" mainly refers to IRES (corporate income tax) due by companies not adhering to fiscal consolidation and IRAP (regional tax on productivity) due by Group companies for the current year. No IRES expenses were recognised under fiscal consolidation since the taxable result for 2014 was negative. The line also includes, with reference to the Parent Company, the expense relating to an increase (from 12% to 26%) in the rate of the substitute tax on the adjusted value of the shareholding in the BanK of Italy in accordance with art. 4 of Law Decree no. 66/2014.

Line "2. Adjustment to current tax of previous years" shows part of the effect of the agreed settlement of the tax dispute related to the Chianti Classico transaction, completed on 22/12/2014 (see comment in the Notes – Part E – Section 4: Operational risks). This settlement, whose impact on the net result of the consolidated income statement was essentially neutral, had a different effect on the financial statements of the Parent Company, as acquiring company of MPS Immobiliare Spa and Consorzio Perimetro. In detail, the parent company recorded the negative effects of capital gain taxation originated by the assignment of the business unit from MPS Immobiliare Spa to Consorzio Perimetro completed in 2009, for a total of EUR 126.0 mln, of which 75.0 mln for IRES tax and penalties (included in the line "Adjustment to current tax of previous years"), EUR 8.9 mln interest (posted in item 20 "Interest expense and similar charges"),and EUR 42.1 mln for waiver of the use of previous consolidated tax losses (including in the line "Changes indeferred tax assets (+/-)"). As to Consorzio Perimetro, the redetermination (increase) of the tax values of originally assigned properties, a direct consequence of capital gain taxes payable by the assignor, resulted in an adjustment of previously recorded deferred taxes with a related gain of EUR 118.5 mln, of which EUR 68.8 mln recognised in the line "Changes in deferred tax liabilities (+/-)" and EUR 49.7 mln in the line "Changes in deferred tax assets (+/-)", as well as recognition of the receivable from the Tax Authority in relation to the right to higher tax depreciation on the properties for the 2009-2013 period, with a corresponding gain of EUR 11.8 mln (recorded in item 220 "Other operating expenses/ income").

Line "3.bis Reduction in current tax for the period due to tax credits under Law 214/2011" represents the positive component corresponding to the tax credit generated by the conversion of deferred tax assets by the Parent Company, MPS Leasing & Factoring S.p.a. and Consum.it, following the recognition of loss for 2013, commented in the footnote to table 14.1. of Part B of the Note to the financial statements.

Line "4. Changes in deferred tax assets", recorded after reduction as a result of the transformation discussed in point 3.bis above, shows a significant increase of deferred tax income in the period, principally attributable to loan impairment losses and to the consolidated tax loss.

20.2 Reconciliation of theoretical to actual tax charge

Items/Amounts	31 12 2014	31 12 2013*
(A) Pre-tax profit (loss) from continuing operations	(7,683,746)	(2,047,840)
(B) Pre-tax profit (loss) from groups of assets held for sale	-	(72,301)
(A+B) Pre-tax profit (loss)	**(7,683,746)**	**(2,120,141)**
Current rate of corporate income tax (IRES)	27.5	27.5
Theoretical tax rate	**2,113,030**	**583,039**
Permanent differences	(135,724)	40,498
Other	59,806	24,152
Regional tax on productivity (IRAP) - ordinary rate	299,367	40,171
Income taxes for the year	**2,336,479**	**687,860**
of which:		
Taxes on income from continuing operations	2,336,479	666,783
Taxes on the income of groups of assets held for sale	-	21,077

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The line "Permanent differences" reflects the effect of changes made to the profit reported in the income statement to determine profit subject to IRES taxation.

With respect to increases, the amount refers primarily to losses from valuation (impairment) of PEX equity investments, goodwill impairment and non-deductible interest expense (art. 96 of the Income Tax Act, TUIR); with respect to decreases, the amount refers to the tax exemption of capital gains on PEX investments (Art. 87 of the Income Tax Act, TUIR) and the deduction of IRAP.

The line "Other" mainly reflects, under expenses, the expense incurred by the Parent Company in relation to the increased rate (from 12% to 26%) of the substitute tax on the adjusted value of the shareholding in Bank of Italy in accordance with art. 4 of Law Decree no. 66/2014. For income, the ACE benefit for 2012, 2013 and 2014, accounted for during the period.

Section 21 – Profit (loss) after tax from assets held for sale and discontinued operations – Item 310

21.1 Profit (loss) after tax from assets / liabilities held for sale and discontinued operations: breakdown

P&L items/Sectors	Total 31 12 2014	Total 31 12 2013
1. Income	-	-
2. Expense	-	(72,301)
3. Profit (loss) from valuation of groups of assets and related liabilities	-	-
4. Profit (loss) from disposal	-	-
5. Taxes and duties	-	21,077
Profit (Loss)	**-**	**(51,224)**

21.2 Breakdown of income taxes on groups of assets/liabilities held for sale

	Total 31 12 2014	Total 31 12 2013
1. Current taxes (-)	-	21,077
2. Changes in prepaid taxes (+/-)	-	-
3. Changes in deferred taxes (+/-)	-	-
4. Income taxes for the period (-1 +/-2 +/-3)	**-**	**21,077**

Section 22 – Profit (loss) for the period: non-controlling interests – Item 330

22.1 Details of item 330 “profit (loss) for the period: non-controlling interests”

	Total 31 12 2014	Total 31 12 2013*
Consolidated equity investments with significant non-controlling interests	-	-
Other equity investments	(4,375)	2,036
Total	**(4,375)**	**2,036**

* *With respect to published accounts, previous period balances are reflective of changes described in the section “Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)”, which is referenced to for further details.*

Section 23 – Other information

No additional disclosure to that presented in accordance with the international accounting standards and Circular letter no. 262 of the Bank of Italy is required.

Section 24 – Earnings per Share (EPS)

24.1 Average number of diluted ordinary shares

Items/Amounts	(n. Shares) 31 12 2014	31 12 2013
Weighted average number of ordinary shares outstanding (+)	2,691,749,668	11,627,044,328
Dilutive effect from put options sold (+)	-	-
Dilutive effect from ordinary shares to be assigned as a result of treasury share-based	-	-
Dilutive effect from convertible liabilities (+)	-	-
Dilutive effect from convertible liabilities (+)	-	-
Weighted average number of ordinary shares outstanding by diluted earnings per share	**2,691,749,668**	**11,627,044,328**

The "weighted average number of ordinary shares outstanding" as at 31.12.2014 was affected by the reverse split of the Parent Company's ordinary shares at a ratio of 1 new ordinary share for every 100 shares held, pursuant to the resolution of the Extraordinary Shareholders' Meeting of Banca Monte dei Paschi di Siena S.p.A. on 28 December 2013

24.2 Other information

24.2a Reconciliation of net profit (loss) for the year - numerator for basic earnings per share

Item/Amount	31 12 2014			31 12 2013*		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Net Profit (Loss)	(5,342,892)	-	(5,342,892)	(1,383,099)	(51,217)	(1,434,316)
Profit (loss) attributable to other types of shares	-	-	-	-	-	-
Net profit (loss) attributable to ordinary shares - numerator for basic earnings per share	**(5,342,892)**	**-**	**(5,342,892)**	**(1,383,099)**	**(51,217)**	**(1,434,316)**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

24.2.b Reconciliation of net profit (loss) for the period – numerator for diluted earnings per share

Item/Amount	31 12 2014			31 12 2013*		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Net Profit (Loss)	(5,342,892)	-	(5,342,892)	(1,383,099)	(51,217)	(1,434,316)
Dilutive effect from convertible liabilities	-	-	-	-	-	-
Profit (loss) attributable to other types of shares	-	-	-	-	-	-
Interest expenses on convertible instruments (+)	-	-	-	-	-	-
Other (+/-)	-	-	-	-	-	-
Net profit (loss) attributable to ordinary shares - numerator for diluted earnings per share	**(5,342,892)**	**-**	**(5,342,892)**	**(1,383,099)**	**(51,217)**	**(1,434,316)**

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

24.2.c Basic and diluted earnings per share

(in eur)

Item/Amount	31 12 2014			31 12 2013*		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Basic Earnings per Share	(1.985)	-	(1.985)	(0.119)	(0.004)	(0.123)
Diluted Earnings per Share	(1.985)	-	(1.985)	(0.119)	(0.004)	(0.123)

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The loss per base share is calculated by dividing the Parent Company's overall net result by the weighted average of ordinary shares issued.

It should be noted that, as at 31 December 2014, the loss per diluted share coincides with the loss per base share as a result of the negative result recognised.

Part D – Consolidated statement of comprehensive income

Consolidated Statement of Comprehensive Income

31 12 2014

Items	Gross	Income Tax	Net
Proft (loss) for the period	X	X	(5,347,267)
Other income components without reversal to profit & loss			
Tangible assets	-	-	-
Intangible assets	-	-	-
Defined benefit plans	(42,729)	11,657	(31,072)
Non-current assets held for sale	-	-	-
Share of valuation reserves of equity instruments valued at equity	(78)	-	(78)
Other income components with reversal to profit & loss			
Hedges of foreign investments:	**-**	**-**	**-**
a) changes in fair value	-	-	-
b) reversal to profit & loss	-	-	-
c) other changes	-	-	-
Exchange differences:	**8,800**	**(3,247)**	**5,553**
a) changes in value	-	-	-
b) reversal to profit & loss	-	-	-
c) other changes	8,800	(3,247)	5,553
Cash flow hedges:	**31,261**	**(14,896)**	**16,365**
a) changes in fair value	13,399	(3,458)	9,941
b) reversal to profit & loss	-	-	-
c) other changes	17,862	(11,438)	6,424
Financial assets available for sale:	**512,636**	**(182,123)**	**330,513**
a) changes in fair value	422,416	(155,094)	267,322
b) reversal to profit & loss	120,071	(36,886)	83,185
- impairment provisions	60,524	(14,125)	46,399
- realised net gains/losses	59,547	(22,761)	36,786
c) other changes	(29,851)	9,857	(19,994)
Non-current assets held for sale:	**(28,969)**	**1,948**	**(27,021)**
a) changes in value	-	-	-
b) reversal to profit & loss	(30,861)	2,075	(28,786)
c) other changes	1,892	(127)	1,765
Share of valuation reserves of equity investments valued at equity:	**45,529**	**(15,080)**	**30,449**
a) changes in fair value	45,262	(15,080)	30,182
b) reversal to profit & loss	-	-	-
- impairment provisions	-	-	-
- realised net gains/losses	-	-	-
c) other changes	267	-	267
Other income components	**526,450**	**(201,741)**	**324,709**
Total comprehensive income (Item 10 + 130)	**526,450**	**(201,741)**	**(5,022,558)**
Consolidated comprehensive income attributable to non-controlling interests	(6,395)	2,039	(4,356)
Consolidated comprehensive income attributable to Parent Company	**X**	**X**	**(5,018,202)**

Part E – Information on risks and hedging policies

Note: Public Disclosure (Basel III Pillar) is published on the Group's website: www.mps.it/Investor+Relations.

Foreword

A summary of the organisation of the Montepaschi Group's risk governance and the related processes and key functions is described below. A description of the risk integration model and an Economic Capital analysis as at 31 12 2014 is also provided.

For more detailed information on the bank's Risk Governance and risk culture, please refer to the content of the Section "Group profile and business model – Governance and control systems" of the Consolidate Report on Operations.

Risk governance system

The risk governance system adopted by the Group is characterised by a clear-cut distinction of roles and responsibilities of the different functions at first, second and third levels of control. In 2014, the organisational structure was further improved to ensure that the Group's internal control system is more robust, risk management actions are more incisive and the entire risk management and control process is effective.

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the statutory bodies of the Parent Company. In particular:

- The Parent Company Board of Directors defines and approves strategic guidelines and risk management policies and, at least once a year, quantitatively expresses the Group's overall risk appetite in terms of economic capital;
- The Board of Statutory Auditors and the Control and Risk Committee evaluate the level of efficiency and adequacy of the internal control system, with particular regard to risk control;
- The CEO/General Management is responsible for ensuring compliance with risk policies and procedures.
- The Director in charge of the internal control and risk management system, appointed in compliance with the Corporate Governance Code for listed companies, is responsible for creating and maintaining an effective system of internal control and risk management.

Specific management committees responsible for risk issues have been established in order to promote efficiency and flexibility in the decision-making process and facilitate interactions between the various company departments involved.

- the Risk Committee establishes Risk Management policies and ensures overall compliance with the limits defined for the various operating levels; proposes the allocation of capital to be submitted to the Board of Directors for approval; evaluates the risk profile reached and therefore the capital consumption (Regulatory and Economic) at both Group level and for each individual company of the Group; analyses risk-return performance indicators.
- the Finance and Liquidity Committee formulates the principles and strategic guidelines relating to proprietary finance; it resolves upon and submits proposals regarding exposure to interest rate and liquidity risk in the banking book and defines capital management actions.
- the Credit, Credit Policies and Credit Assessment Committee formulates policies in relation to credit processes and formulates an opinion, at least once per year, on credit policies by verifying their commercial sustainability and consistency with risk appetite levels; approves, at last annually, company policies pertaining to credit assessment, including for the purposes of subsequently reporting these in the financial statements.

As part of the internal control system, third-level controls are carried out by the Internal Audit Area, second-level controls by the Risk Management Division and first-level controls by the Business Control Units (BCUs).

- The Internal Audit Area performs an independent and objective "assurance" and advising activity, aimed both at monitoring operations compliance and risk trends (including through on-site audits) as well as assessing the efficiency of the overall internal control system in order to improve the effectiveness and efficiency of the organisation.

- The Risk Division, which reports directly to the CEO, includes a risk management department, a compliance department, an anti-money laundering department and an internal approval department. This Division therefore has the following tasks:
  - guarantee the overall functioning of the risk management system;
  - verify capital adequacy as part of the ICAAP process and the Risk Appetite Framework (RAF), as well as ensure that significant transactions are consistent with the RAF;
  - define strategic policies for the loan portfolio;
  - perform the compliance and anti-money laundering duties envisaged in governing regulation;
  - ensures the necessary reporting flows to the Group's Top Management and Governance bodies.

  Specifically, within the Risk Division:
  - the Risk Management Area defines the integrated methods of risk measurement/analysis and ensures they are constantly monitored. It develops the internal risk models used for regulatory management purposes and monitors compliance with the operational limits established by the Board of Directors;
  - the Validation, Monitoring and Risk Reporting Area verifies the continuous reliability of the results of the risk measurement system and ensures they are consistent with regulatory instructions. It validates the models, including those not used for regulatory purposes. This Area also prepares the mandatory disclosures and management reporting on risks.
- The outlying BCUs operating within the subsidiaries or main business areas, carry out compliance checks on the transactions for which they are responsible and are the first level of organisational supervision of transactions within the broader internal control system.

Requirements of autonomy and independence of the Risk Division

Autonomy and independence are ensured by mechanisms facilitating relations and functional links with the Corporate Bodies having strategic supervision, management and control functions.

In particular, the Board of Directors appoints and removes the Head of the Parent Company's Risk Division, upon proposal by the Audit and Risk Committee, with the assistance of the Appointments and Remuneration Committee, having consulted the Board of Statutory Auditors.

The remuneration of the Head of the Parent Company's Risk Division is determined and approved by the Board of Directors upon proposal by the Appointments and Remuneration Committee, having heard the opinion of the Audit and Risk Committee, having consulted the Board of Statutory Auditors.

Activities relating to the international Regulatory framework

- Pillar 1: since 2008, the Group has used internal models validated by the Bank of Italy for the measurement and management of credit risk (AIRB - Advanced Internal Rating Based) and operational risk (AMA - Advanced Measurement Approach). Over time, and in collaboration with the Supervisory Authorities, these models have been further enhanced and their scope of application extended to Group entities not originally included in the initial validation scope. The methodology and implementation adjustments required by the Basel III regulatory structure continued in 2014.
- Pillar 2: during the year, the internal managerial models were further enhanced and certain actions were taken to improve the Group's Internal Capital Adequacy Assessment Process (ICAAP), which was disclosed to the Bank of Italy as required.

- Pillar 3: public disclosure is provided on a quarterly basis through the Group's internet site www.mps.it/Investor+Relations and is continuously updated in accordance with regulatory developments.

An analysis of the Group's Economic Capital

The Overall Economic Capital (or Overall Absorbed Capital) is the minimum amount of capital resources required to cover economic losses resulting from unforeseen events caused by the simultaneous exposure to different types of risk.

The main types of risks incurred by the Montepaschi Groups in its day-to-day operations can be summarily described as follows:

- Credit risk (including concentration risk);
- Counterparty risk;
- Issuer risk;
- Trading book market risk;
- Banking book interest rate risk (Asset & Liability Management - ALM);
- Liquidity risk;
- Equity investment portfolio risk;
- UCITS risk;
- operational risk;
- business risk;
- real estate risk;
- reputational risk.

Risks inherent in investment products/services for the Group's customers are also monitored, to protect the customer and preventing any potential repercussions in terms of reputation.

All of the types of risk mentioned above are involved in quantifying the overall Economic Capital, with the exception of liquidity and reputational risk that, instead, are mitigated through organisational policies and processes.

Risk assessment models

The Risk Management Area regularly quantifies the Group's Economic Capital for each type of risk and periodically reports these to the Risk Committee and Governing Bodies as part of the reporting flows prepared by the Risk Division.

The measurements models used are mainly internally developed and based on a Value-at-Risk (VaR) approach.

In the calculation of Overall Economic Capital, the measures relating to each type of risk are standardised both in terms of time horizons (yearly holding period) and selected confidence interval – in line with the Group's target rating of the Group – and are subjected to intra-risk and inter-risk diversification processes.

The table below summarises the salient features of the individual internal models used by risk type, with the final column showing how risk integration is handled for purposes of calculating overall Economic Capital.

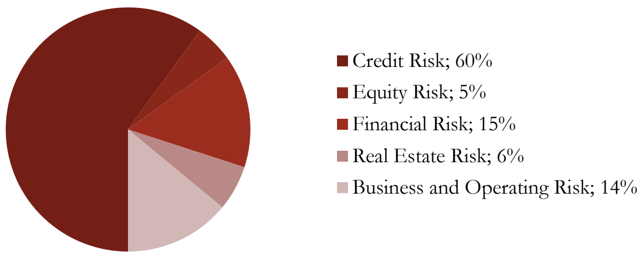
Risk measurement models - key features

Main characteristics of models

Type of risks	Measure	Model	Risk factors	Correlation	Economic Capital Treatment
Performing loans	1Y VaR, 99.93%	Credit VaR Internal model	PD and LGD differentiated by type of counterparty, CCF differentiated by product	Correlation based on multivariate analysis between internal default macroeconomic variables	t-Student Copula
Equity investments	3M VaR, 99%	Montecarlo VaR	Volatility in stock prices and comparable indices	Correlations between Stock prices Correlation between proxy indices	1Y, 99.93%, t-Student Copula
Market (Banking Book)	1Y, shift 25bp sensitivity	Maturity Gap	Bucketing on parallel and twist shift nodes of Interest rates		1Y, 99.93%, t-Student Copula
Market (Trading Book)	1day VaR 99%	VaR hystorical simulation – full Revaluation	All market risk factors(IR, EQ, FX, CS,…)	Implicit in the full revaluation historical simulation	1Y, 99.93%, t-Student Copula
Operational	1Y VaR, 99.9%	LDA integrated with external data, in addition to qualitative self	Frequency and *severity* by *event type*	T-Student Copula approach between different event type	99.93%, t-Student Copula
Business	1Y EaR 99%	Parametric EaR	Volatility of costs and revenues	Correlation between costs and revenues	99.93%, t-Student Copula
Real Estate	1Y VaR, 99%	Parametric VaR	Volatility of real estate indices	Correlation between proxy indices	99.93%, t-Student Copula

Other measurable risk factors of significance (e.g. Issuer Risk, UCITS risk) are included in Economic Capital, on an add-on, non-diversified basis. Their quantification for Economic Capital purposes is carried out on the basis of methodologies borrowed from the regulatory Supervisory approaches.

Economic Diversified Capital
MPS Group - 31 12 2014



Financial Risk includes risks inherent in the trading portfolio and the ALM Banking Book.

Section 1 – Risks of the banking group

1.1 Banking group - Credit risk

Qualitative information

1.1.1 General aspects

Within the guidelines of the Business Plan approved by the Board of Directors of the Parent Company, and in line with the evolution of the supervisory regulatory framework, the Group pursues the priority objective of improving the quality of the managed loan book and consequently reducing the cost of credit.

The Group's credit activity is managed with a view to monitoring risk and enhancing growth opportunities, through the development of credit policies and systems aimed at making the most of trend data in connection with individual borrowers, against a background of in-depth knowledge and strategic management of positions.

1.1.2 Credit risk management policies

Organisational aspects

As its distinctive mission, the Credit Division performs activities of credit risk taking and operational monitoring of credit quality, giving guidance and support to the network in credit activities, monitoring trends in the cost of credit and ensuring coverage of the Group's major risks and financial restructuring transactions. It also supervises the overall distressed debt portfolio, defining and implementing its management policies and optimizing its performance (times, costs and results) in terms of collection of doubtful loans and loans in arrears.

More specifically, the organisational model aims at improving the level of service provided by the Division to the sales & distribution network and product companies, by:

- improving risk assumption activities, which are first and foremost in the monitoring of credit quality;
- reducing response times to support Network activities with a view to optimising costs;
- monitoring the full roll-out of particularly complex operations such as corporate restructuring plans, with the use of appropriate professional skills;
- maximising debt collection activities on insolvent customers by leveraging on innovative methods;
- providing a services unit to support the division and all Head Office structures.

At the end of the year the bank's Board of Directors approved a major reorganization of the Credit Division, which will deploy its effects in 2015. The objective of this initiative was to improve supervision by the General Management on the more problematic loans, for a more effective and efficient management and collection of these debts.

The key innovations introduced are described below:

- the responsibility for monitoring and supervising the quality of the managed loan book has been transferred from the Loan Disbursement and Quality Area - which will therefore focus solely on loan disbursement - to the Specialised Credit Services which will also use locally based units to perform these monitoring activities;
- the responsibility for managing substandard loans has been transferred from the Problem Loan Management Area to the Debt Collection Area. The local structures dedicated to substandard loan management now directly report to the Debt Collection Area. The responsibility for managing and supervising the portfolio of restructured loans and loans under restructuring remains with the Problem Loan Management Area.

The reorganisation resulted in a different allocation of activities among the 4 areas of the Credit Division; conversely, the responsibilities of the Staff that provides administrative support to the Deputy General Manager, Head of Credit, and facilitates the handling of cross-divisional matters.

The Loan Disbursement Area (formerly Loan Disbursement and Quality Area) is responsible for loan disbursement, monitors significant loan risks and manages country risk.

The Restructured Loans Area (formerly Problem Loan Management Area) manages problem loans that require the implementation of restructuring actions. Particular focus was given to the operational consequences of the new debt crisis solution tools for companies introduced by recent bankruptcy law amendments.

The Distressed Credit Risk and Debt Collection Area has made it possible to centralise in one single unit all in-court and out-of-court debt collection activities for "non performing" loans and direct substandard loan management. Its "mission" is to maximise results from debt collection activities using both traditional debt collection methodologies (legal action and external companies for mass debt collection on small-ticket receivables) and more advanced methods connected with portfolio disposals or using companies specialised in debt collection.

The developments in progress will lead the area to become the point of reference for debt collection at any stage of the exposure's life cycle, regardless of loan classification.

The Specialised Credit Services Area provides services to the credit supply chain to ensure operational continuity. The Area is committed to developing and upgrading credit assessment and post-disbursement monitoring processes made available to the Network, post-disbursement services for the real-estate loan sector and servicing activities on securitisations and covered bonds. During the year, a rating service was created within the Area with the task to determine customer rating. This will allow for a closer interaction with the Network to make assistance more effective, generate more synergies and enable a more efficient transfer of knowledge. Responsibility for supervising the quality of the bank's loan portfolio have been transferred to this Area.

The operating model of the Bank's eight loan chain Regional Areas has been thoroughly revised during the year, with the objective to improve the interactions of Regional Area credit structures both with the branch network and with the general management. The new operating model was rolled out to all 8 Regional Areas during the second half of the year.

The key innovations introduced in the Regional Area structure are:

- the creation of a structure (Loan Execution department) responsible for cascading the loan quality control objectives set by the central management to the branch network. This action ensures not only faster transmission of loan quality objectives from the centre to the periphery, but also greater effectiveness of the process to monitor these objectives and greater efficiency of corrective action implementation processes in case of significant deviations between requests and executions;
- the creation of structures (loan and quality departments) with responsibility for supervising loan quality in a limited number of branches. Each structure component has been assigned branches to be supported, on site or otherwise, in all matters concerning loan-related activities. This initiative has already allowed a reduction in average loan processing times due to the improved sharing process developed between branch managers and the regional government structures;
- transfer of responsibility for substandard counterparty risk management from the commercial manager, who operates at the branch, to a specialist based at the Regional Area. The objective achieved in this case was, on the one hand, to leave more time to commercial managers to assist the best customers, and on the other to assign the management of the more problematic counterparties to specialists.

Credit quality, which is determined in accordance with Supervisory guidance, is constantly monitored by central and outer units.

Management, measurement and control systems

Starting in 2008, statistical models aimed at creating the Internal Rating Model and rating assignment processes were authorised by the Supervisory Authority for the calculation of capital requirements using the Advanced IRB approach (AIRB).

The prudential regulation requires the Parent Company to adopt the following credit risk measures needed to calculate regulatory capital (AIRB approach): Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The new methodology with the greatest impact on risk measurements is "Probability of Default", which is a reflection of the borrower's rating, meaning its ability to meet obligations assumed over a time horizon of one year. Thus, a rating is a probability-based approach to risk assessment, and represents a projection of portfolio quality that forms a part of daily processes of credit facility assessment, loan management and pricing, as well as of the procedures used to determine loan loss provisions and reports used by management.

The statutory adoption of risk criteria has made it possible for the Bank to obtain significant operational advantages, both in terms of a higher accuracy in credit budgeting forecasts and in terms of a more effective monitoring of credit aggregates: based on the risk criteria, the Group sets the process for the yearly budgeting of credit items and makes accurate and sustainable forecasts in relation to the loan book, substandard and doubtful loan flows and loan-loss provisions.

Forecast sustainability is ensured by the definition of concrete loan book actions which are communicated to the outlying networks through an internal regulatory document as well as by amending the credit disbursement and management processes and criteria.

All credit processes use the borrower rating as a decision-making driver, and they are conceived as a function of the specific nature of various customer segments in order to optimise the use of resources employed in loan management/monitoring and to achieve the right balance between the push for sales and an effective loan management system. The internal rating system, which affects the Corporate and Retail portfolios, is based on the development of several statistical models specialised by customer type with the aim of assigning a solvency rating for prospective borrowers (first-time lending models based on financial and demographic information taken from outside databases) and for existing borrowers (for which behavioural models have also been used, which incorporate internal performance data).

With a view to increasing efficiency levels in managing internal ratings, the locally situated Rating Agencies have become the single point of reference for all units on rating issues. The new role of the Rating Agencies will allow for a closer interaction with the Network to make assistance more effective, generate more synergies and enable a more efficient transfer of knowledge.

Credit risk is analysed in-house for management purposes using the Credit Portfolio Model, which was developed internally by the Parent Company and produces detailed outputs in the form of traditional risk measures such as Expected Loss, Unexpected Loss and intra-risk diversified Economic Capital with a representative period of one year and a confidence interval calibrated to the target rating assigned to the Group. Several inputs are considered: Probability of Default (PD), Loss Given Default (LGD) rates, number and types of guarantees supporting the credit facility, internal operational Exposure at Default (EAD).

The internal PD, LGD and EAD models for risk measurement are one of the main elements of assessment for all Group units involved in the credit industry, both at Head Office level (Risk Management, Credit Division, Chief Financial Officer, General Management, Risk Committee, Board of Directors) and at branch level (Rating agencies and Relationship Managers). The Group is currently authorised to use the Advanced Internal Rating Based (AIRB) models to determine capital requirements against credit risk on the portfolios of "exposures to businesses" and "retail exposures" of Banca Monte dei Paschi di Siena, MPS Capital Services and MPS Leasing & Factoring, and is awaiting validation of the EAD parameter and roll-out of the domestic NBFI portfolio for these counterparties.

The development of the internal rating systems involved the adoption of strict and advanced statistical methodologies in compliance with the requirements set out in the regulations; at the same time, models were selected in such a way as to make results consistent with the historical experience of the bank in credit management. Lastly, in order to optimise the proper use of these new instruments, the rating models were shared with a top-down approach – from Risk Management down to individual client managers. Estimation of the LGD model was based on internal data relative to capital flows, recoveries and expenses actually incurred on positions transferred to the doubtful loans portfolio. Results obtained from model application were then compared with data recorded by the Debt

Collection Area which, within the Credit Division, is dedicated to the management and recovery of non-performing loans.

The main characteristics of the advanced rating systems are as follows:

- for all validated regulatory portfolios, the rating is calculated with a counterparty-based approach for each individual borrower, in line with the accepted management practice which provides for the assessment of credit risk, both in the disbursement and monitoring phases;
- each individual counterparty is assigned a single rating at banking Group level, based on the set of information pertaining to all lending banks within the AIRB scope; the LGD is different for each company given the diversity of products issued and the type of customers to whom they are offered;
- the rating model segmentation is defined in such a way as to make the individual model clusters consistent with commercial objectives, credit processes and regulatory portfolios set out in the regulations;
- the calculation of the final rating is differentiated by type of counterparty. The credit process envisages a level of in-depth analysis proportional to counterparty risk: the assessment of loan disbursements is based on a complex multi-level structure for medium-large corporate counterparties (SME and Large Corporate (LC) segments), whose exposure and concentration risks are higher, and a simplified structure for Small Business and Retail clients;
- in line with this process, the final rating for SMEs and LC is the result of a number of different factors: statistical rating, qualitative rating, overrides and valuation of the 'economic group' which businesses belong to; for SB and Retail counterparties the rating is calculated only on the basis of statistical factors;
- the rating has a 12-month internal validity period and is usually reviewed on a yearly basis, except for rating reviews following well-structured codified practices or that are brought forward on client managers' request or following serious counterparty deterioration;
- LGD reflects the economic (and not only the accounting) loss incurred; for this reason, LGD estimates must also include the costs incurred for the recovery process and a time factor;
- loss given default is differentiated by type of loans and a LGD value is assigned at the level of each individual transaction; it is differentiated by geographical area since historical and current recovery rates are different among Northern Italy, Central and Southern Italy and Islands;
- loss on defaulted positions other than doubtful loans is estimated with a Cure Rate approach. With regard to counterparties whose exposures are administratively classified as Substandard, Restructured and Past Due, the percentage of exposures reverting back to a performing status was calculated and used to adjust the estimated LGD, starting from doubtful loans.

The Montepaschi Group has adopted a single Master Scale for all types of exposures; this enables all units involved in credit management to immediately compare the risk level associated with different counterparties or portfolios; furthermore, the probabilities of default of internal rating classes were mapped against Standard & Poor's external rating scale so as to make internal risk measurements comparable to those available on the financial market.

The development and monitoring of rating systems has been functionally assigned to Risk Management and is subject to control by the Internal Validation and Internal Control functions.

The Montepaschi Group has used PD, LGD and EAD parameters, estimated for regulatory purposes to calculate Risk Weighted Assets, also for other operational and internal management purposes. These provide the basis of calculation for different systems of measurement and monitoring, and specifically for the:

- measurement of economic capital for credit risk;
- calculation of risk-adjusted performance and measurement of value creation;
- risk-adjusted pricing processes;
- across all credit processes (disbursement, review, management and follow-up) which are fully "engineered" in the Electronic Loan File application (it. Pratica Elettronica di Fido or PEF), under which the borrower's rating is the result of a process which evaluates - in a transparent,

structured and consistent manner - all the economic-financial, behavioural and qualitative information regarding customers with whom the bank has credit risk exposures.

The Credit Portfolio Model developed within the Monte dei Paschi di Siena Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined threshold value for a representative period (normally one year). The synthetic variable expressing the creditworthiness of the counterparty is known as the Credit Worthiness Index (CWI), which consists in both the risk that is specific to a counterparty and the systemic risk. Each counterparty's creditworthiness sensitivity to changes in macroeconomic factors is estimated using an econometric model of multivariate regression between the counterparty's probability of default (PD) variable and selected credit drivers. The breakdown of losses is estimated with suitable statistical functions which approximate the breakdown of losses by counterparty through the use of conditioned default probabilities.

The portfolio model output provides detailed measures for individual positions as well as the absorbed operating capital component and indicates the extent of portfolio diversification.

The model displays the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographical area, business area, rating class and continental areas. Other information derived from the Credit Portfolio Model concerns "what-if" analyses produced for certain discriminating variables such as probability of default, LGD rates, changes in the value of collaterals and in margins available on credit lines, in order to quantify the levels of Expected Loss and Economic Capital should the underlying (discretionary or trend-based) assumptions materialise.

In compliance with the guidelines set forth by the Basel Committee and Best Practices, new prudential supervisory provisions for banks require credit institutions to carry out adequate stress testing exercises.

The Montepaschi Group regularly conducts stress tests on all risk factors. Stress tests are used to assess the bank's capacity to absorb large potential losses in extreme though plausible market situations, so as to identify the measures necessary to reduce the risk profile and preserve assets.

Stress tests are developed on the basis of discretionary and trend-based scenarios.

- trend-based scenarios: assumptions are made of shocks that are due to a combination of risk factors which were historically observed in the past and whose recurrence and plausibility retain a certain degree of likelihood;
- discretionary scenarios: assumptions are made of shocks that are due to a combination of risk factors which may emerge in the near future, depending on the foreseeable environmental, social and economic developments. Simple discretionary scenarios are currently being developed (variation of a single risk factor) as are multiple ones (variation of several risk factors simultaneously). Simple discretionary scenarios are calibrated to independently deal with one category of risk factors at a time, assuming shocks do not spread to the other factors. Multiple discretionary scenarios, on the other hand, aim to assess the impact of global shocks that simultaneously affect all types of risk factors.

The Montepaschi Group's methodological approach to stress-testing is based upon the identification of main risk factors whose objective is to select events or combinations of events (scenarios) which reveal specific vulnerabilities at Group-level. To this end, specific stress plans have been put in place on Pillar I risks (credit, market and operational) which were then made to converge – together with stress events designed ad hoc on other risk factors – into an overall Pillar II stress test plan, aimed at determining the potential impact on the Group within the ICAAP process.

With regard to Credit risk in particular, the Montepaschi Group has defined a macro-economic regression model to estimate the variations in the Probability of Default as a function of changes in the main credit drivers. Credit drivers which significantly describe PD variations are identified beforehand.

On the basis of the regression model, credit driver disturbances are then estimated according to the current and prospective economic situation. The shock applied to the credit drivers determines the change in credit portfolio PD, triggering the simulation of a hypothetical counterparty downgrading, with consequent risk variations in terms of Expected Loss, Unexpected Loss and input from new Defaults.

The results from the stress test are submitted to the Top Management and Board of Directors. They are formally examined by the Board of Directors as part of the ICAAP Annual Report approval process, with a view to providing a self-assessment of the current and prospective capital adequacy of the Montepaschi Group.

Credit policies

The credit policy definition process, fed with data input from the metrics described above, has been based on analytical portfolio estimates and has continuously been optimised and fine-tuned.

The model adopted, which is integrated in the Group's budgeting process, is aimed at identifying credit development and management processes that will meet business targets within the limits of the financial and regulatory capital that the Group identifies as maximum acceptable risk, by setting out criteria for customer selection and approaches for the identification of portfolios to be re-qualified/run off in different ways depending on customer segment, business sector, geographic area, quality of counterparties, form of lending and collateral pledged.

The process starts out from the MPS Group's strategic objectives regarding credit and any existing structural constraints and, taking into account the expected macroeconomic scenario, develops and defines the strategic guidelines within three main areas:

- **Analysis of attractiveness**: Classification of "attractiveness" of portfolio clusters (Customer Segment, Economic Sector and Regional Area, Counterparty Quality) on the basis of risk/return and scenario; sub-division of loan book into Areas of Focus (Development and Requalification) characterised by diversified lending strategies;
- **Allocation of credit production**: Formulation of loan development objectives based on the level of attractiveness and concentrated in the Area of Development;
- **Requalification actions**: Short-term loan downsizing strategies on riskier clusters (Area of Requalification), aimed at improving the quality of the performing loans. Management activities and organisational actions to reduce defaults and improve recovery of the non-performing loans portfolio.

The process culminates in the approval of the credit policy guidelines by the Board of Directors, consequent review of the internal regulatory framework of reference and transmission of guidelines and quantitative objectives to the regional structures and individual operating units.

Loan disbursement processes

Loan disbursement processes are aimed at improving the effectiveness, efficiency and level of service in loan management with the goal of:

- standardising and automating loan proposals and risk assessment to the extent possible;
- adapting processes to the branch network's organisational and operational requirements;
- assessing creditworthiness, also through the assignment of internal ratings to individual borrowers;
- improving customer response time.

The procedure available to the branch network and the Head Office for managing all phases of the loan disbursement process consists in the Electronic Loan File (it. Pratica Elettronica di Fido or P.E.F.). This tool is continually optimised with the aim of improving both response time and the selection of acceptable risk.

The assessment and approval methods implemented in the P.E.F. reflect the principles and rules of the internal rating system. Thus, methods differ depending on whether the customer is an individual/consumer (retail) or a business (a corporation with revenues under EUR 5 million, or a corporation with revenues over EUR 5 million) and on whether the customer is a prospect or existing customer.

In keeping with the regulatory provisions issued by the Supervisory Authority, the P.E.F. was designed to use one single rating when borrowers have relationships with several MPS Group banks. In terms of activities aimed at complying with AIRB requirements, the assignment of decision-making authorities in the loan disbursement process based on risk-based approaches is one of the key elements in meeting the expertise requirements mandated by the Bank of Italy. These approaches, which escalate to decision-making bodies having higher levels of power in the event of higher levels of risk underlying the credit facility, made it possible to achieve regulatory and operational advantages.

In 2014, modifications were implemented to the loan assessment and approval processes for Retail customers:

- the substandard loan decision-making process and related powers were reviewed to reflect the organisational changes in head office and network units;
- a requirement of prior authorisation ("pre-approval") was introduced on payments in the absence of sufficient funds in the account to be debited;
- the scope of application of the process rating is now limited to customers with a turnover of more than EUR 5 million (the previous limit was EUR 2.5 million);
- the internal rating assignment process has been extended to the entire Non-Banking Financial Institution portfolio.

Monitoring processes

The Credit Monitoring process introduced in 2012 as a single tool for the management of post-disbursement activities is an effective aid to obtain credit cost reduction by leveraging two main factors:

- identification of high insolvency risk positions ('screening');
- 'customer-type differentiated' treatment of positions (dedicated 'routing').

Identification of high insolvency risk positions

Ordinary-risk positions are scanned by a 'screening' engine which selects the highest-risk positions on a weekly basis, so as to identify the counterparties bound to become insolvent at a sufficiently early stage. Screening is based on a 'performance risk indicator' (it.: "indicatore di rischio andamentale", IRA) which summarises a set of critical elements including the worsening of leading indicators, ratings, information on related counterparties and days past due (with thresholds differentiated by customer segments and amounts used). "Customised" parameters make it possible to diversify the screening criteria for risk positions by type of customer with respect to the criteria used by the "Loan Performance Management" system.

'Customer-type differentiated' treatment of positions

This choice was based on the need for differentiating the treatment of positions by customer segments, in the conviction that a corporate client cannot be treated in the same way as a retail client and that specific client management needs should be met with 'ad hoc' processes. Ordinary-risk positions, reported as higher risk by the 'screening' engine, are routed to specific processing queues depending on the type of customer and credit facility involved:

- a 'Mass Retail' procedure for 'Retail Family' clients;
- a 'Standard Retail' procedure for Retail, Affluent and Private customers, as well as small-sized businesses with limited exposure;
- a dedicated Corporate procedure for corporate customers.

A process was started in 2014 to extend Credit Monitoring to the substandard borrowers portfolio.

New functions have been implemented, such as the concentration within the Regional Area of portfolios on which to perform collection actions through external collectors and the extension of the process to Large Corporate and Financial Advice customers, transferred to WIDIBA at the end of the year.

Moreover, specialisation of the management process applicable to loans under restructuring is about to be completed. This will allow to manage through credit monitoring the entire loan restructuring plan negotiation and approval process.

Credit risk mitigation policies

With reference to the retail and corporate loan portfolio, the Montepaschi Group does not apply any netting processes to the credit risk exposures with on- or off-balance sheet items with opposite sign. The Montepaschi Group adopts policies to reduce counterparty risk with institutional counterparties, by entering into netting agreements according to the international ISDA and ISMA standards and related collateral agreements for both derivatives and repos (repurchase agreements).

The main forms of real guarantees for credit protection used by the Montepaschi Group include pledges, mortgages and other collateral (insurance, guarantee funds).

As at today, the pledge of sums or the pledge of securities and mutual funds deposited with the Bank and mortgages on properties account for over 98% of the nominal amount of collaterals received and ensure full compliance with regulatory/legal/organisational requirements set out by the New Supervisory Regulations for the enforcement of credit risk mitigation standards.

The Montepaschi Group has developed one single process for the acquisition of collaterals which is at the same time a working instrument and the expression of the Group's management policies. The management of collateral is activated after loan disbursement is approved and its process is organised into a number of different stages:

- acquisition (including multiple acquisition): the controls of (formal and amount) consistency with the guarantees proposed during the authorisation phase are performed in this stage;
- adjustment/change/amendment: useful to amend the characteristics of a guarantee without interrupting loan protection;
- query: gives information about the present data and the historical trend of guarantees received;
- repayment/cancellation.

If the measures for monitoring collaterals on loans show operational irregularities during the acquisition phase or any inadequacies/losses of the values received as a pledge, events falling within the scope of credit monitoring policies are put in place, which trigger operational obligations of credit risk assessment.

The Montepaschi Group accepts different instruments to protect loans which can be summarised in the following categories:

- Guarantees (including omnibus guarantees and personal guarantees issued by third parties);
- Endorsement;
- Guarantee policy;
- Credit mandate;
- Strong/binding patronage letter;
- Negotiable instruments;
- Performance bond agreement;
- Debt delegation;
- Expromission;
- Assumption of debt;
- Personal Collateral governed by foreign law;
- Credit derivatives:
    - credit default swaps;

- total return swaps;
- credit linked notes.

The main parties issuing the above credit-protection instruments are:

- Sovereign governments and central banks,
- Public sector and local agencies,
- Multilateral development banks,
- Regulated intermediaries,
- Guarantee institutions (Confidi),
- Companies and individuals.

Over 90% of personal guarantees are traceable to companies and individuals as guarantors. Only to a limited portion of these customers can an internal rating be assigned, since these guarantors are not borrowers of Group companies.

The main concentration of collaterals is linked with retail mortgage loans. However, it cannot be referred to as risk concentration by virtue of the principle of risk fragmentation which is implicit in this type of customers. The value of properties underlying real estate guarantees is updated through the measurement of the average values of the real estate market. Any information on the evaluations is provided, on a half-yearly basis, by specialised industry operators (extraordinary updates may be generated by significant variations in the very short period).

The disbursement of loans secured by collaterals is subject to specific control measures, differentiated by type of guarantee pledged, which are applied during the phase of disbursement and monitoring.

The general requirements for ensuring the legal certainty and enforceability of guarantees are verified by checking compliance with the following relevant conditions:

- binding nature of the legal obligation entered into by the parties and enforceability in the event of legal proceedings;
- documented evidence and enforceability of the instrument against third parties in all relevant jurisdictions for the purpose of its exercise and execution;
- timely liquidation in case of non-fulfilment;
- compliance with organisational requirements.

With reference to compliance with organisational requirements, mitigation of risk is ensured by:

- the presence of an IT system in support of the life cycle phases of the guarantees (acquisition, valuation, management, re-valuation and enforcement);
- the existence of regulated policies for the management of guarantees (principles, practices, processes), available to all users.

Non-performing financial assets

The Credit Division, in consultation with the Risk Division for non-performing financial assets assessed on a collective basis, oversees the process for the updating and usage of non-performing loan assessment criteria, availing itself of the Credit Assessment Staff within the Specialised Credit Services Area. Within its area of competence, the Staff ensures appropriate implementation of the operating rules and processes of assessment; it operationally coordinates the Functions involved in the various steps of the process, verifies and organises data and information received.

The Parent Company's Credit Committee dedicates a specific session to collectively validating the fairness of assessments and doubtful amounts for preparation of financial statements by the Credit Assessment Staff with regard to Non-performing, Substandard and Restructured loan books of the Networks and Group companies.

Quantitative Information

A. Credit quality

For the purpose of quantitative disclosure on credit quality, the term "credit exposures" excludes equity securities and Units of UCITS while the term "exposures" includes equity securities and Units of UCITS.

A.1 Non-performing and performing loans: amounts, value adjustments, changes, breakdown by business sector and geographical area

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Banking Group						Other entities		Total
	Doubtful loans	Substandard loas	Restructured	Past-due	Past-due not impaired	Other assets	Impaired	Other	
1. Financial assets held for trading	532	55,062	1,157	2,555	557	16,805,966	-	-	16,865,829
2. Financial assets available for sale	122	2,115	459	-	-	22,396,609	-	-	22,399,305
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Loans to banks	1,262	23,604	-	-	2,499	7,695,388	-	-	7,722,753
5. Loans to customers	8,445,307	11,443,159	1,562,071	1,692,558	4,459,147	92,085,496	-	-	119,687,738
6. Financial assets designated at fair value	-	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	612,957	-	-	612,957
Total 31 12 2014	**8,447,223**	**11,523,940**	**1,563,687**	**1,695,113**	**4,462,203**	**139,596,416**	**-**	**-**	**167,288,582**
Total 31 12 2013*	**8,882,961**	**7,569,079**	**1,700,642**	**2,978,541**	**5,389,403**	**155,102,550**	**-**	**1,787,511**	**183,410,687**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts changes in accounting estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

The table provides a breakdown of the various portfolios of financial assets by credit quality using the definition of non-performing exposure set out by the Bank of Italy and adopted for the purposes of the financial statements.

Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that the items "Loans to banks" and "Loans to customers" include not only loans but also other types of assets (e.g. securities). All amounts are book values, and thus, net of any related doubtful amounts.

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

Portfolio/quality	Non perfoming assets			Performing			Total (Net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	128,837	69,531	59,306	X	X	16,806,523	16,865,829
2. Financial assets available for sale	9,156	6,460	2,696	22,396,609	-	22,396,609	22,399,305
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	79,586	54,720	24,866	7,704,807	6,919	7,697,887	7,722,753
5. Loans to customers	45,324,754	22,181,659	23,143,095	97,448,435	903,792	96,544,643	119,687,738
6. Financial assets designated at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	612,957	612,957
Total A	**45,542,333**	**22,312,370**	**23,229,963**	**127,549,851**	**910,711**	**144,058,619**	**167,288,582**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	X	X	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	-	-	-	-
6. Financial assets designated at fair value	-	-	-	X	X	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	X	X	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31 12 2014	**45,542,333**	**22,312,370**	**23,229,963**	**127,549,851**	**910,711**	**144,058,619**	**167,288,582**
Total 31 12 2013*	**36,289,968**	**15,158,745**	**21,131,223**	**143,625,532**	**680,126**	**162,279,464**	**183,410,687**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

The table provides a breakdown of the various portfolios of financial assets by credit quality using the definition of non-performing exposure set out by the Bank of Italy and adopted for the purposes of the financial statements.

Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that the items "Loans to banks" and "Loans to customers" include not only loans but also other types of assets (e.g. securities).

All amounts are book values, before and after any doubtful amounts.

With regard to the disclosure requested by Bank of Italy in its notice of 7 February 2014, as at 31 December 2014 the Group had 828 positions relating to creditors who had filed a "blank" request for a pre-insolvency creditor arrangement procedure "Concordato in bianco" for a net exposure of approx. EUR 1,351.7 mln and 152 positions relating to creditors who had filed a request for a pre-insolvency creditor arrangement with going concern "Concordato in continuità" for a net exposure of approx. EUR 225.2 mln.

Pursuant to Bank of Italy's requirements, the following table reports performing loans to customers, broken down by portfolio into exposures whose terms were renegotiated in collective agreements, exposures renegotiated by the Group for customers in financial difficulties granted by the Group and other exposures. For both groups, past-due positions are reported by months behind schedule (the amounts of past due loans to be repaid in instalments includes both the amount past due and the amount becoming due and payable).

Portafogli / qualità	Exposure renegotiated under collective agreements					Exposures renegotiated by the Group for customers in financial difficulties					Other exposures					Total net exposure
	Past due up to 3 mounths	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year	Not past due	Past due up to 3 mounths	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year	Not past due	Past due up to 3 months	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year	Not past due	
1 Financial assets held for trading	-	-	-	-	-	-	-	-	-	-	-	-	543	14	16,805,966	16,806,523
2 Financial assets availabel for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22,396,609	22,396,609
3 Financial assets held to maturity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4 Loans to banks	-	-	-	-	-	-	-	-	-	-	2,292	-	206	-	7,695,389	7,697,887
5 Loans to customers	14,799	1,295	6,656	7,898	623,208	107,343	46,399	74,505	35,024	1,686,085	2,879,973	485,713	608,413	187,872	89,779,460	96,544,643
6 Financial assets designated to fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7 Financial assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8 Hedging derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	612,957	612,957
Total net performing exposure	14,799	1,295	6,656	7,898	623,208	107,343	46,399	74,505	35,024	1,686,085	2,882,265	485,713	609,162	187,886	137,290,381	144,058,619

The column 'Exposures renegotiated by the Group for customers in financial difficulties' includes also the exposures renegotiated under collective agreements, for a total amount of 1,116.4 mln (consisting in: 54.3 mln up to three months overdue; 29.4 mln between three and six months overdue; 29.6 mln between 6 and 12 months overdue; 5.7 mln more than 12 months overdue; 997.4 mln performing)

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A.1.3 Banking Group - Balance sheet and off-balance sheet exposure to banks: gross and net amounts

31 12 2014

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	39,847	38,463	X	1,384
b) Substandard loans	44,572	18,844	X	25,728
c) Restructured loans	-	-	X	-
d) Past due	-	-	X	-
e) Other assets	8,744,016	X	6,919	8,737,096
Total A	**8,828,435**	**57,307**	**6,919**	**8,764,208**
B. Off-balance-sheet exposure				
a) Non performing	130	67	X	63
b) Other	5,090,860	X	1,260	5,089,600
Total B	**5,090,990**	**67**	**1,260**	**5,089,663**
Total (A+B)	**13,919,425**	**57,374**	**8,179**	**13,853,871**

The table provides a breakdown of exposures with banks by credit quality, using the definition of impaired exposures set out by the Bank of Italy and adopted for the purposes of the financial statements.

Thus, all balance-sheet exposures are stated at book values, before and after any doubtful amounts. In particular, balance-sheet exposures encompass all financial assets related to banks arising from financial statement Item 20 "Financial assets held for trading," Item 30 "Financial assets designated at fair value," Item 40 "Financial assets available for sale" and Item and 60 "Loans to banks" with the exception of derivative contracts which are considered as off-balance-sheet in this section.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

A.1.4 Banking Group Balance-sheet exposure to banks: changes in gross impaired loans

Source/Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**27,369**	**58,544**	**-**	**-**
- of which: transferred but not derecognised	-	-	-	-
B. Increases	**13,861**	**3,846**	**-**	**-**
B.1 Transfers from performing loans	-	365	-	-
B.2 transfers from other impaired loans	13,532	-	-	-
B.3 other increases	329	3,481	-	-
C. Other decreases	**1,383**	**17,818**	**-**	**-**
C.1 transfers to performing loans	-	-	-	-
C.2 write-offs	126	-	-	-
C.3 collections	-	4,285	-	-
C.4 amounts realised upon disposal of position	-	-	-	-
C.4 bis losses from disposal	12	-	-	-
C.5 transfers to other categories of impaired exposure	-	13,533	-	-
C.6 other decreases	1,245	-	-	-
D. Gross exposure, closing balance	**39,847**	**44,572**	**-**	**-**
- of which: transferred but not derecognised	-	-	-	-

With regard to balance-sheet exposures to banks, the table shows changes in non-performing exposures in the course of the year.

Since the entire portfolio of financial asset exposures to banks is subject to classification by credit quality, exposures include not only loans but also other types of assets (e.g. securities). Balance-sheet exposures are expressed at book value.

A.1.5 Banking Group - Balance-sheet exposure to banks: changes in overall value adjustments

31 12 2014

Source / Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	**25,384**	**31,063**	**-**	**-**
- of which: transferred but not derecognised	-	-	-	-
B. Increases	**13,673**	**737**	**-**	**-**
B.1 value adjustments	614	737	-	-
B.1bis loss from disposal	12	-	-	-
B.2 transfers from other categories of impaired exposures	12,756	-	-	-
B.3 Other increases	291	-	-	-
C. Other decreases	**594**	**12,956**	**-**	**-**
C.1 write-backs from valuation	42	199	-	-
C.2 write-backs from collection	-	-	-	-
C.2bis profit from disposal	-	-	-	-
C.3 write-offs	126	-	-	-
C.4 transfers to other categories of impaired exposure	-	12,757	-	-
C.5 other decreases	426	-	-	-
D. Closing balance of overall adjustments	**38,463**	**18,844**	**-**	**-**
- of which: transferred but not derecognised	-	-	-	-

With regard to balance-sheet exposures to banks, the table shows changes in overall value adjustments on impaired exposure during the year.

Since the entire portfolio of financial assets to banks is subject to classification by credit quality, value adjustments shown refer not only to loans but also to other types of assets (e.g. securities). Balance-sheet value adjustments are expressed at book value

A.1.6 Banking Group - Balance sheet and off-balance sheet exposure to customers: gross and net amounts

31 12 2014

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	24,334,463	15,888,859	X	8,445,603
b) Substandard loans	16,993,066	5,549,907	X	11,443,159
c) Restructured loans	2,043,900	481,371	X	1,562,529
d) Past due	1,957,954	265,396	X	1,692,558
e) Other assets	128,737,307	X	903,792	127,833,515
Total A	**174,066,690**	**22,185,533**	**903,792**	**150,977,364**
B. Off-balance-sheet exposure				
a) Non performing	1,439,516	345,048	X	1,094,468
b) Other	25,620,063	X	57,259	25,562,804
Total B	**27,059,579**	**345,048**	**57,259**	**26,657,272**
Total (A+B)	**201,126,269**	**22,530,581**	**961,051**	**177,634,636**

The table provides a breakdown by credit quality using the definition of impaired exposure set forth by the Bank of Italy and adopted for the purposes of the financial statements.

Please see the report on operations for quantification of and reporting on capital ratios for coverage of lending relationships.

Thus, all balance-sheet exposures are stated at book values, before and after any doubtful amounts. In particular, balance-sheet exposure summarises all financial assets related to customers arising from financial statement Item 20 “Financial assets held for trading,” Item 30 “Financial assets designated at fair value,” Item 40 “Financial assets available for sale" and Item 70 “Loans to customers” with the exception of derivative contracts which are considered as off-balance-sheet in this section.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

Balance-sheet exposure also includes loans sold but not derecognised in relation to performing and non-performing securitisation transactions.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

A.1.7 Banking Group - Balance sheet exposure to customers: changes in gross non-performing loans

31 12 2014

Source / Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**21,561,865**	**9,440,201**	**1,923,548**	**3,135,005**
- of which: transferred but not derecognised	15,037	7,106	-	14,632
B. Increases	**4,305,203**	**11,467,702**	**1,103,470**	**1,922,654**
B.1 transfers from performing loans	529,381	7,955,832	400,067	1,759,344
B.2 transfers from other impaired loans	2,988,508	2,583,485	540,733	31,408
B.3 other increases	787,314	928,385	162,670	131,902
C. Other decreases	**1,532,605**	**3,914,837**	**983,118**	**3,099,705**
C.1 transfers to performing loans	1,907	92,278	3,597	394,322
C.2 write-offs	909,839	29,438	33,633	9,094
C.3 collections	454,786	809,573	211,495	271,786
C.4 amounts realised upon disposal of position	66,142	4,224	-	2,941
C.4 bis Losses from disposal	69,435	-	-	-
C.5 transfers to other categories of impaired exposure	16,466	2,975,761	734,386	2,417,519
C.6 other decreases	14,030	3,563	7	4,043
D. Gross exposure, closing balance	**24,334,463**	**16,993,066**	**2,043,900**	**1,957,954**
- of which: transferred but not derecognised	37,620	50,199	-	31,154

With regard to balance-sheet exposures to customers, the table shows changes in non-performing exposures during the year. In particular, write-offs include reductions due to loan redemptions. Since the entire portfolio of financial asset exposures to customers is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (e.g. securities). Balance-sheet exposures are expressed at book value.

Item C.2 “Write-offs” also includes write-offs of positions that have been completely amortised.

A.1.8 Banking Group - Balance sheet exposure to customers: changes in overall value adjustments

31 12 2014

Source / Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	**12,681,393**	**1,929,603**	**233,119**	**216,852**
- of which: transferred but not derecognised	3,560	717	-	799
B. Increases	**4,786,536**	**4,677,422**	**396,429**	**254,372**
B.1 value adjustments	3,878,336	4,494,036	324,733	191,791
B.1bis loss from disposal	72,288	-	-	-
B.2 transfers from other categories of impaired exposures	591,142	123,801	71,514	736
B.3 other increases	244,770	59,585	182	61,845
C. Other decreases	**1,579,070**	**1,057,118**	**148,177**	**205,828**
C.1 write-backs from valuation	462,738	358,162	33,890	110,712
C.2 write-backs from collection	74,102	32,891	844	6,913
C.2bis profit from disposal	46,723	-	-	-
C.3 write-offs	909,840	29,438	33,633	9,094
C.4 transfers to other categories of impaired exposures	5,549	633,186	79,803	68,655
C.5 other decreases	80,118	3,441	7	10,454
D. Closing balance of overall adjustments	**15,888,859**	**5,549,907**	**481,371**	**265,396**
- of which: transferred but not derecognised	14,355	10,919	-	3,565

With regard to balance-sheet exposures to customers, the table shows changes in overall value adjustments on non-performing exposure subject to country risk during the year.

Since the entire portfolio of financial asset exposures to customers is subject to classification by credit quality, exposure includes not only loans but also other types of assets (e.g. debt securities, etc.). Balance-sheet exposures are expressed at book value.

Item C.3 “Write-offs” also includes write-offs of positions that have been completely amortised.

Exposures sold but not derecognised, under captions “A” and “D - of which: sold but not derecognised" refer to non-performing assets in performing securitisations.

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 31 December 2014.

The exposures are broken down by accounting categories. For securities classified as 'Loans and Receivables (L&R)' and "Loans", the book value (amortised cost) is also reported.

(in milions of eur)

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets held for trading		Financiale assets available for sale		L&R	L&R	Financial assets HFT
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentina	0.48	0.27	-	-	-	-	-
Austria	(12.93)	(13.30)	-	-	-	-	12.35
Belgium	(9.92)	(10.56)	89.25	99.75	-	-	12.35
Bosnia	0.01	0.01	-	-	-	-	-
Brazil	0.07	0.15	-	-	-	-	-
China	-	-	-	-	-	-	(3.58)
Croatia	-	-	10.00	10.66	-	-	-
Denmark	-	-	-	-	-	-	15.65
Finland	-	-	-	-	-	-	37.06
France	(9.44)	(9.90)	-	-	-	-	12.35
Germany	(83.47)	(88.93)	-	-	-	-	12.35
Greece	0.01	0.01	-	-	-	-	-
Ireland	0.00	0.00	-	-	-	-	12.36
Italy	1,950.07	1,999.42	18,722.06	21,805.14	461.11	3,252.10	500.87
Mexico	0.95	1.21	-	-	-	-	-
Norway	-	-	-	-	-	-	12.36
Holland	0.07	0.08	-	-	-	-	16.47
Poland	-	-	10.00	11.07	-	-	-
Portugal	(2.50)	(2.86)	15.00	15.48	-	-	12.36
United Kingdom	0.05	0.07	-	-	-	-	12.36
Romania	0.27	0.28	10.00	10.51	-	-	-
Russia	-	0.00	-	-	4.47	-	-
Spain	(13.07)	(13.56)	100.00	110.27	-	-	12.36
United States	0.18	0.21	-	-	-	-	-
Turkey	(0.22)	(0.42)	10.00	10.93	-	-	-
Venezuela	(0.20)	(0.10)	-	-	-	-	-
Other Countries	-	-	26.55	26.55	-	-	12.36
Total 31 12 2014	**1,820.42**	**1,862.09**	**18,992.86**	**22,100.36**	**465.58**	**3,252.10**	**690.03**
Total 31 12 2013	**3,109.06**	**3,214.46**	**20,986.63**	**22,182.56**	**359.42**	**3,298.39**	**873.87**

Details on the Group's exposure is presented taking into consideration that, according to instructions from the European Securities and Markets Authority (ESMA), "sovereign debt" is defined as bonds issued by central and local Governments and by government Entities, as well as loans disbursed to said entities.

These financial instruments were measured according to the standards applicable to the category they belong to.

The overall exposure consists almost entirely in Italian debt and is concentrated under the AFS accounting category. This AFS exposure is nearly exclusively towards level 1 of the fair value hierarchy, with the exception of EUR 425 mln in government bonds.

Exposures to Portugal and Spain reported in the accounting portfolios "Financial assets available for sale" and "L&R" were not written down as it was determined that there was no objective evidence of impairment strictly associated, in this specific case, with the issuer's capacity to meet its obligations.

Following are the details of Italian AFS reserves and credit derivatives (in EUR/mln):

AFS securities: Italy	31 12 2014	31 12 2013
Book value	21,805.1	21,631.0
AFS reserve (after tax)	(564.1)	(936.5)
of which: hedging effect (after tax)	(2,301.8)	(1,598.4)

Credit derivatives - Italy	31 12 2014	31 12 2013
Purchase of protection		
Nominal	(3,791.3)	(4,626.2)
Positive fair value	285.6	773.4
Negative fair value	0.1	-
Sale of protection		
Nominal	4,292.4	5,515.0
Positive fair value	0.2	0.1
Negative fair value	357.4	(970.3)

A.2 Classification of exposure by external and internal ratings

A.2.1 Banking Group - Breakdown of balance sheet and off-balance sheet exposures by external ratings

31 12 2014

Esposures	External rating classes						No Rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Balance-sheet exposure	552,868	4,103,731	30,194,146	846,472	337,461	92,125	123,743,187	159,869,990
B. Derivatives	373,250	4,004,493	2,167,597	304,027	47,075	3,437	9,219,453	16,119,332
B.1 Financial derivatives	31,460	894,090	198,822	44,382	263	-	1,676,462	2,845,479
B.2 Credit derivatives	341,790	3,110,403	1,968,775	259,645	46,812	3,437	7,542,991	13,273,853
C. Guarantees issued	7,426	276,015	466,360	107,596	143,536	33	5,954,522	6,955,488
D. Commitments to disburse fun	25,396	43,746	2,091,421	63,874	11,649	5,324	4,425,958	6,667,368
E. Others	23,493	395,271	423,179	53,179	1,562	-	1,108,063	2,004,747
Total	982,433	8,823,256	35,342,703	1,375,148	541,283	100,919	144,451,183	191,616,925

class 1=AAA/AA- class 2=A+/A- class 3=BBB+/BBB- class 4=BB+/BB- class 5=B+/B- class 6=lower than B-

The external rating categories used to complete the table are from Standard & Poor's. The exposures shown are those reported in Table A.1.3 (exposures to banks) and A.1.6 (exposures to customers) above. If multiple external ratings are assigned, the rating is selected based on Bank of Italy's criteria (when two ratings are available, the lower of the two is used, and when three or more ratings are assigned, the second highest rating is selected). To ensure relevance of information, internal cross-reference tables were used to convert classification by various rating agencies into classification by Standard & Poor's.

External ratings cover about 24.6% of total exposure. 20.8% of exposure covered by external ratings is with customers having a credit rating equivalent to S&P classes between AAA and A-.

A.2.2 Banking Group - Breakdown of balance sheet and off-balance sheet exposures by internal ratings

31 12 2014

Exposures	Internal rating classes							No rating	Total
	High quality	Average quality	Fair quality	Mediocre quality	Poor quality	Default	Group administrative default		
A. Balance-sheet exposure	**14,105,644**	**18,181,768**	**27,556,486**	**13,738,850**	**1,931,488**	**16,837,187**	**6,408,421**	**60,981,727**	**159,741,571**
B. Derivatives	**26,229**	**287,637**	**242,729**	**102,586**	**4,071**	**58,999**	**7,372**	**15,389,710**	**16,119,333**
B.1 Financial derivatives	19,018	131,301	221,754	102,586	4,071	58,999	7,372	2,300,379	2,845,480
B.2 Credit derivatives	7,211	156,336	20,975	-	-	-	-	13,089,331	13,273,853
C. Guarantees issued	**816,808**	**1,817,238**	**2,244,668**	**564,332**	**34,918**	**371,019**	**114,483**	**992,022**	**6,955,488**
D. Commitments to disburse fund	**40,530**	**200,446**	**777,703**	**509,187**	**101,709**	**315,937**	**187,213**	**4,534,643**	**6,667,368**
E. Others	**176,936**	**303,406**	**270,411**	**25,175**	**6,781**	**-**	**7,776**	**1,214,262**	**2,004,747**
Total	**15,166,147**	**20,790,495**	**31,091,997**	**14,940,130**	**2,078,967**	**17,583,142**	**6,725,265**	**83,112,364**	**191,488,507**

The table provides a breakdown of customers of the MPS Group by risk categories assigned on the basis of ratings arising from internal models. For this purpose, account is given only of exposures (borrowers) for which an internal rating is periodically recorded for models/legal entities/portfolios which have been subject to a validation process with the regulatory authorities without any cross-reference from official ratings to internal ratings especially with regard to the following customer segments: "Banks," "Non-banking financial institutions," and "Governments and Public Administration". Thus, based on this provision, exposures related to the latter segments, even if covered by official ratings, were reported as "unrated" in the internal rating models.

The table shows that 14% of exposures rated internally come from High Quality customers (Master Scale categories AAA and A1), 19% from Good Quality Customers (Master Scale categories A2, A3 and B1), 29% from Fair Quality customers (Master Scale categories B2, B3, C1 and C2), 14% from Mediocre Quality customers (Master Scale categories C3, D1, D2 and D3) and 2% from Poor Quality customers (Master Scale categories E1, E2 and E3). Customers rated as Investment Grade (Master Scale categories AAA-B1) accounted for 33% of total internally rated exposures.

Unrated exposures totalled approx. EUR 83 bn, or 43% of the total portfolio amount.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Banking Group - Secured exposures to banks

31 12 2014

	Amount of Net Exposure	Real guarantees				Personal guarantees										Total real and personal guarantees
						Credit derivatives						Unsecured signature loans				
							Other derivatives									
		Real estate mortgages	Real estate leasing	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities		
1. Secured balance-sheet exposures:	**502,626**	**21,654**	**-**	**657,446**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**89**	**24**	**679,213**
1.1 totally secured	502,610	21,654	-	657,446	-	-	-	-	-	-	-	-	89	12	679,201
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	16	-	-	-	-	-	-	-	-	-	-	-	-	12	12
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures:	**879,989**	**-**	**-**	**174**	**847,342**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**847,517**
2.1 totally secured	230,119	-	-	174	242,725	-	-	-	-	-	-	-	-	-	242,899
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	649,870	-	-	-	604,617	-	-	-	-	-	-	-	1	-	604,618
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The table shows the amount of balance-sheet exposures to banks that are partially or fully secured. Thus, the table does not correspond to total balance-sheet exposures since it excludes the unsecured portion. As in the tables above, balance-sheet exposures to banks include not only loans but all financial assets, except for derivative contracts. As regards personal guarantees, the economic segments to which guarantors and sellers of protection belong (in the case of unsecured loans and credit derivatives, respectively) are identified making reference to the classification criteria provided for in the brochure “classification of customers by segments and groups of economic activity” published by the Bank of Italy. In the column 'Net exposure amount', the exposure amount includes performing and non-performing securitisation transactions, the loans of which have not been derecognised.

The fair value of collaterals estimated as at the balance sheet date is shown in the columns "Real guarantees" and "Personal guarantees"; if such information is not available, the contractual value is reported.

A.3.2 Banking Group - Secured exposures to customers

31 12 2014

	Amount of Net Exposure	Real guarantees				Personal guarantees									Toal real and personal guarantees
						Credit derivatives					Unsecured signature loans				
							Other derivatives								
		Real estate mortgages	Real estate leasing	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	**88,168,839**	**147,070,205**	**3,306,109**	**11,694,380**	**2,241,135**	**-**	**-**	**-**	**-**	**-**	**5,064**	**817,492**	**70,272**	**81,032,557**	**246,237,214**
1.1 totally secured	84,014,762	146,639,137	3,306,109	11,304,560	2,194,568	-	-	-	-	-	3,949	556,021	61,672	79,617,901	243,683,917
- of which non perfroming	16,955,365	35,156,359	748,532	441,398	426,105	-	-	-	-	-	3,446	107,249	29,742	20,198,789	57,111,620
1.2 partially secured	4,154,077	431,068	-	389,820	46,567	-	-	-	-	-	1,115	261,471	8,600	1,414,656	2,553,297
- of which non perfroming	1,151,018	392,948	-	89,219	6,165	-	-	-	-	-	67	10,216	3,712	707,021	1,209,348
2. Secured off-balance sheet exposures:	**4,737,340**	**819,516**	**-**	**852,079**	**1,252,993**	**-**	**-**	**-**	**-**	**-**	**-**	**6,518**	**73,851**	**4,494,050**	**7,499,007**
2.1 totally secured	3,927,429	817,611	-	817,334	886,624	-	-	-	-	-	-	5,977	61,650	4,337,481	6,926,677
- of which non perfroming	497,170	523,133	-	5,324	12,669	-	-	-	-	-	-	5	54,849	564,441	1,160,421
2.2 partially secured	809,911	1,905	-	34,745	366,369	-	-	-	-	-	-	541	12,201	156,569	572,330
- of which non perfroming	74,462	1,761	-	441	2,487	-	-	-	-	-	-	-	11,738	23,219	39,646

In addition to balance-sheet exposures, the table shows the amount of off-balance-sheet exposures to customers, including derivative contracts, which are fully or partially secured. As regards personal guarantees, the economic segments to which guarantors and sellers of protection belong (in the case of unsecured loans and credit derivatives, respectively) are identified making reference to the classification criteria provided for in the brochure “classification of customers by segments and groups of economic activity” published by the Bank of Italy. The fair value of collaterals estimated as at the balance sheet date is shown in the columns "Real guarantees" and "Personal guarantees"; if such information is not available, the contractual value up to the net exposure value is reported.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

Exposure/ Customers	Governments			Other public entities			Financial companies			Insurance companies			Non financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance-sheet exposure																		
A.1 Doubtful loans	269	-	X	686	739	X	39,408	168,929	X	6	42	X	7,136,611	13,176,676	X	1,268,623	2,542,473	X
A.2 Substandard	-	-	X	3,022	1,724	X	174,379	64,217	X	-	-	X	9,821,205	4,891,963	X	1,444,553	592,003	X
A.3 Restructured loans	-	-	X	-	-	X	57,642	8,595	X	-	-	X	1,407,836	452,692	X	97,051	20,084	X
A.4 Past due	16	17	X	21,118	22,497	X	9,930	2,341	X	-	-	X	1,053,564	169,694	X	607,930	70,847	X
A.5 Other exposure	27,990,617	X	1,262	2,850,457	X	94,037	14,259,310	X	9,569	540,276	X	588	48,604,921	X	665,005	33,587,934	X	133,331
Total A	27,990,902	17	1,262	2,875,283	24,960	94,037	14,540,669	244,082	9,569	540,282	42	588	68,024,137	18,691,025	665,005	37,006,091	3,225,407	133,331
B. Off-balance-sheet exposures																		
B.1 Doubtful loans	-	-	X	-	-	X	-	-	X	-	-	X	84,908	186,172	X	6,885	655	X
B.2 Substandard	-	-	X	366	-	X	5,336	3,729	X	-	-	X	826,203	123,896	X	5,791	323	X
B.3 Other non performing	-	-	X	-	-	X	-	-	X	-	-	X	145,842	30,144	X	19,137	129	X
B.4 Other exposures	8,956,688	X	3	310,229	X	88	2,885,526	X	185	526,846	X	8	11,503,718	X	55,213	523,316	X	1,762
Total B	8,956,688	-	3	310,595	-	88	2,890,862	3,729	185	526,846	-	8	12,560,671	340,212	55,213	555,129	1,107	1,762
Total (A+B) 31 12 2014	36,947,590	17	1,265	3,185,878	24,960	94,125	17,431,531	247,811	9,754	1,067,128	42	596	80,584,808	19,031,237	720,218	37,561,220	3,226,514	135,093
Total (A+B) 31 12 2013*	40,530,898	1	1,022	3,072,169	987	3,266	17,082,842	134,094	13,586	1,682,812	6	524	94,277,456	12,769,633	574,216	39,990,308	2,267,872	139,510

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

Balance sheet exposures reported in the table below are the same as those reported in the financial statements, net of any doubtful amounts and inclusive of specific/portfolio value adjustments, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy. The business segments to which borrowers and collateral providers belong are identified making reference to the classification criteria provided for in the brochure “Classification of customers by segments and groups of economic activity” published by the Bank of Italy.

B.2 Banking Group - Breakdown of on- and off-balance-sheet exposures to customers by geographic area (book values)

Exposure/Geographic Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments
A. Balance-sheet esposures										
A.1 Doubtful loans	8,390,074	15,762,522	50,793	111,231	2,072	2,761	2,444	10,593	220	1,752
A.2 Substandard loans	11,413,861	5,537,154	26,755	11,354	259	95	2,152	806	132	498
A.3 Restructured loans	1,504,977	473,166	57,552	8,205	-	-	-	-	-	-
A.4 Past due	1,667,655	265,188	24,305	158	357	41	5	-	236	9
A.5 Other exposure	118,697,160	888,344	8,293,405	10,041	462,609	2,929	294,441	2,215	85,900	263
Total A	141,673,727	22,926,374	8,452,810	140,989	465,297	5,826	299,042	13,614	86,488	2,522
B. Off-balance-sheet exposures										
B.1 Doubtful loans	91,018	186,418	700	271	75	138	-	-	-	-
B.2 Substandard loans	837,513	127,948	184	-	-	-	-	-	-	-
B.3 Other non performing	146,826	30,273	18,152	-	-	-	-	-	-	-
B.4 Other exposures	15,874,972	56,357	7,934,702	715	722,499	143	99,129	41	75,022	3
Total B	16,950,329	400,996	7,953,738	986	722,574	281	99,129	41	75,022	3
Total (A+B) 31 12 2014	158,624,056	23,327,370	16,406,548	141,975	1,187,871	6,107	398,171	13,655	161,510	2,525
Total (A+B) 31 12 2013*	173,843,040	15,753,698	20,333,101	137,168	1,838,455	4,771	389,435	6,392	232,455	2,688

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" which is referenced to for further details.*

Balance-sheet exposures reported in the table below are the same as those reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.
Amounts are stated before and after any doubtful amounts.
Exposures are broken down geographically by the country of residence of the borrower.

B.3 Banking Group - Breakdown of on- and off-balance-sheet exposures to banks by geographic area (book values)

Exposure/Geographic Areas	ITALIY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure										
A.1 Doubtful loans	-	-	908	18,401	348	19,933	36	23	92	106
A.2 Substandard loans	25,372	17,812	356	1,032	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposure	5,117,607	1,915	2,994,630	4,530	445,703	17	159,142	362	20,014	95
Total A	5,142,979	19,727	2,995,894	23,963	446,051	19,950	159,178	385	20,106	201
B. Off-balance-sheet exposures										
B.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	63	67	-	-	-	-	-	-
B.3 Other non performing	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	900,167	50	2,827,751	671	331,406	8	69,706	93	98,738	438
Total B	900,167	50	2,827,814	738	331,406	8	69,706	93	98,738	438
Total (A+B) 31 12 2014	6,043,146	19,777	5,823,708	24,701	777,457	19,958	228,884	478	118,844	639
Total (A+B) 31 12 2013*	8,545,171	10,251	6,758,071	39,404	999,427	20,603	154,688	308	123,123	410

Balance-sheet exposures reported in the table below are the same as those reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of risk and valued using the measurement of criteria set forth by the Bank of Italy.

Amounts are stated before and after any doubtful amounts.

Exposures are broken down geographically by the country of residence of the borrower.

B.4 Large exposures

Item/Amount	31 12 2014	31 12 2013
a) Book value	82,221,110	46,158,105
b) Weighted value	8,466,965	4,644,980
c) Number	11	6

Regulations provide for positions to be defined as "large exposures" by making reference to credit-risk unweighted exposures.

An exposure is deemed as a "large exposure" when its amount is equal to or greater than 10% of regulatory capital.

Pursuant to the afore-mentioned regulations, exposures in government securities were also included.

As a result of the loss for the period, the Group recorded a significant equity reduction also for regulatory purposes, both at consolidated and at individual level (Parent Company and some subsidiaries).

This equity reduction caused, for some positions, the limits on Large Exposures to be exceeded.

Actions have already been initiated (including recapitalisation of the subsidiaries) to reduce shortly the value of these exposures within the limits set by the prudential regulation.

C. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

Qualitative information

Structures, processes and goals

In keeping with the organisational model established at Group level for the governance and management of risks, securitisation risk is governed by a specific Group directive.

The Parent Company's Group Capital Management & Securitisation Service establishes general practices and coordinates activities in relation to securitisation transactions. The criteria and rules for managing securitisation transactions are instead determined by the Parent Company's "Specialised Credit Services" Area. More specifically, the Special-purpose Loans and Securitisations service within this Area is responsible for establishing operational guidelines and general practices for the securitisation of performing loans. For this purpose, it looks after related aspects and obligations associated with servicing activities and monitors the performance of existing transactions through monthly and quarterly reports on collections of remaining principal, positions in arrears and disputed positions arising from securitisation transactions.

The Special-purpose Loans and Securitisations Service prepares summary reports on portfolios sold. As part of critical situation management, this Service notifies cases that may pose potential risks for noteholders to the relevant functions in the organisation.

In its capacity as third-level control body, the Risk Audit Service uses sampling procedures to periodically validate:

- whether the degree of recoverability of loans sold is accurate and, as a result, whether the fair value of securities issued is appropriate;
- whether line checks assigned to the various units have been carried out and roles and responsibilities properly identified; it also verifies:
- the compliance of reporting/accounting procedures with current regulations in collaboration with other units, as necessary;
- the existence of any conflicts of interest with respect to noteholders; and compliance, on a sampling basis, with the obligations of Law 197/91, as amended.

Non-performing securitisations, on the other hand, are handled by the Debt Collection Area, while all activities connected with the securitisation of loans originated by other subsidiaries (in particular, Consum.it SpA and Mps Capital Services) are managed by them.

Quantitative Information

C.1 Banking Group - Exposures arising from securitisation transactions broken down by quality of underlying assets

31 12 2014

Quality of underlying assets/Exposures	Balance-sheet esposure						Guarantee issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:	1,206,028	1,213,189	2,511,108	2,582,057	137,099	137,415	-	-	-	-	-	-	-	-	-	-	-	-
a) Non performing	-	-	19,771	19,771	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	1,206,028	1,213,189	2,491,337	2,562,286	137,099	137,415	-	-	-	-	-	-	-	-	-	-	-	-
B. With third-party underlying assets:	96,149	96,050	2,636	2,588	1,538	773	-	-	-	-	-	-	-	-	-	-	-	-
a) Non performing	49,994	49,891	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Others	46,155	46,159	2,636	2,588	1,538	773	-	-	-	-	-	-	-	-	-	-	-	-

In relation to securitisation transactions with own and third-party underlying assets, the table indicates balance-sheet exposures, unsecured exposures, and other forms of 'credit enhancement'.

'Third-party' securitised exposures exclusively include balance-sheet exposures and consist in securities issued by third parties' vehicles.

C.2 Banking Group - Exposures arising from major own securitisation transactions broken down by type of securitised assets and exposures

31 12 2014

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs	Book value	write-downs/ write-backs
A. Fully derecognised																		
A.1 CASAFRT TM DE40																		
- non residential mortagages	656,561	(3,260)	115,482	- 20,328	2,821	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 PATAG ZC DE 16																		
- bond	64,086	(3,901)	-	-	4,094	(315)	-	-	-	-	-	-	-	-	-	-	-	-
B.Partially derecognised																		
C. Not derecognised																		
A.14 SIENA MORTGAGES 10-7																		
- residential mortgages	-	-	1,978,275	-	130,500	-	-	-	-	-	-	-	-	-	-	-	-	-
A.13 SIENA CONSUMER																		
- consumer credit	492,542	-	488,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

In relation to securitisation transactions with own underlying assets, the table indicates balance-sheet exposures, unsecured exposures, and other forms of 'credit enhancement'.

C.3 Banking Group - Exposures arising from major 'third-party' securitisation transactions broken down by type of securitised asset and type of exposure

31 12 2014

Type of securitised asset/ Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs
A.1 AyT CEDULAS CAJAS GLOBAL																		
-bond	5,434	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 BERICA ABS 2 SRL																		
-residential mortgages	2,780	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 ATLSM TV DE45																		
- bonds	1,647	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.4 CLARF-TV 11/60 A2																		
-residential mortgages	8,473	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 CLARIS ABS 2011 SRL																		
- cunsomer loans	6,495	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.6 COLOMBO Srl																		
-residential mortgages	-	-	2,273	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.7 LOCAT TV DE28																		
- bonds	-	-	315	46	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.8 ENTASI Srl																		
- non-performing loans	49,891	103	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

31 12 2014

Type of securitised asset/ Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs
A.9 Spoleto Mortgages																		
- first mortgages real estate loans	641	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.10 SUNRISE SRL																		
- residential mortgages	5,680	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.11 SUNRI TV NO31																		
- Bonds	15,009	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.12 SEMPER FINANCE 2007-1 G.M.B.H																		
- residential mortgages	-	-	-	-	773	765	-	-	-	-	-	-	-	-	-	-	-	-

The table indicates the exposures assumed by the Group in relation to each third-party securitisation transaction, and also reports the contractual type of assets sold. The column “Write-downs/write-backs” indicates the amount of any write-downs or write-backs during the year as well as depreciations and revaluations posted to profit and loss or directly to equity reserves, in the case of AFS securities

The only exposure to non-performing securitisations for an amount of EUR 49.9 mln is in the case of Entasi S.r.l.

Exposures to third parties represented by junior notes refer to the securitisation of Semper Finance 2007-1 for an amount of EUR 0.7 mln.

C.4 Banking Group - Exposures arising from securitisation transactions broken down by portfolio and type

Exposure/portfolio	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	Total 31 12 2014	Total 31 12 2013
1. Balance-sheet exposure	**889,743**	**-**	**-**	**-**	**52,712**	**942,455**	**741,359**
- Senior	766,806	-	-	-	49,891	816,697	622,513
- Mezzanine	118,070	-	-	-	-	118,070	110,864
- Junior	4,867	-	-	-	2,821	7,688	7,982
2. Off-balance-sheet exposures	**254**	**-**	**-**	**-**	**-**	**254**	**54,296**
- Senior	254	-	-	-	-	254	54,296
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

The table indicates the Group's exposures in relation to each of its own and third-party securitisation transactions, and also reports balance-sheet portfolios to which these assets were allocated.

C.5 Banking Group – Total amount of securitised assets underlying junior securities or other forms of credit enhancement

31 12 2014

Asset/Amount	Plain vanilla securitisations	Synthetic securitisations
A. With own underlying assets	**3,535,356**	**-**
A.1 Fully derecognised	-	-
1. Doubtful loans	-	X
2. Substandard loans	-	X
3. Restructured loans	-	X
4. Past-due	-	X
5. Other assets	-	X
A.2 Partially derecognised	-	-
1. Doubtful loans	-	X
2. Substandard loans	-	X
3. Restructured loans	-	X
4. Past-due	-	X
5. Other assets	-	X
A.3 Not derecognised	3,535,356	-
1. Doubtful loans	23,265	-
2. Substandard loans	39,280	-
3. Restructured loans	-	-
4. Past-due	27,589	-
5. Other assets	3,445,222	-
B. With third-party underlying assets:	**2,000**	**-**
B.1 Doubtful loans	-	-
B.2 Substandard loans	-	-
B.3 Restructured loans	-	-
B.4 Past due	2,000	-
B.5 Other assets	-	-

The table indicates, in terms of junior securities and other forms of credit enhancement held, the amount of the existing portfolio of securitised assets on reporting date broken down by quality of securitised assets and origin (own or third-party assets).

Line "A.3 Not derecognised" comprises the underlying assets recognised under assets in the balance sheet, broken down by quality of receivables, in relation to the performing securitisation of residential mortgage loans, Siena Mortgages 10-7 and Siena Consumer.

C.6 Banking Group - Special purpose securitisation vehicles

Securitisation/Vehicle company name	Registered office	Consolidation	Assets			Liabilities		
			Credit	Debt securities	Other	Senior	Mezzanine	Junior
SIENA MORTGAGES 10-7/ Siena Mortgages 10-7 S.r.l.	Conegliano (TV) - Via V. Alfieri n.1	YES	2,755,138	-	-	1,745,578	879,061	130,499
CASAFRT TM DE40/ Casaforte Srl	Rome - Via Eleonora Duse n.5	YES	1,455,776	-	-	1,201,657	146,204	107,915
PATAGONIA F 1/80 ZC / Patagonia Finance SA	Luxembourg	YES	-	249,800	35,706	280,928	-	4,578
SIENA CONSUMER/ Siena Consumer S.r.l.	Conegliano (TV) - Via V. Alfieri n.1	YES	993,337	-	-	493,518	488,300	11,519
COLOMBO 01/26 TV/COLOMBO Srl	Milan - Via Mario Pagano 50	NO	39,544	-	-	-	19,772	19,772
SUNRI 1A - TV 14/31/ Sunrise Srl	Milan - Via Bernina	NO	1,171,611	-	-	566,911	303,000	301,700
SUNRI 2014 - 2 A1/ Sunrise Srl	Milan - Via Bernina	NO	1,574,000	-	-	850,000	319,000	405,000
ATLSM 4 A - TV 14/43/ Atlantes SME	Lisboa - Avenida Josè Malhoa 22, 1099-012	NO	845,192	-	-	382,792	55,000	407,400
LOCAT SEC 06/28 TV/ Locat Securitisation Vehicle SRL	Conegliano (TV) - Via Vittorio Alfieri 1	NO	259,445	-	-	43,445	152,000	64,000
SEMPER IF TV 07/49/ Semper Finance LTD	Frankfurt am Main - Eyssenecksstrasse 4	NO	18,088	-	-	-	8,323	9,765
SPOLETO MTG 04/35 TV/Spoleto Mortgages	Conegliano (TV) - Via Vittorio Alfieri 1	NO	16,199	-	-	1,707	7,246	7,246
CLARF-TV 11/60 A2/ Claris finance SRL	Rome - Via Eleonora Duse 53	NO	944,123	-	-	740,935	203,188	-
CLAAB - TV 12/60/ Claris ABS	Conegliano (TV)Via Vittorio Alfieri 1	NO	1,949,995	-	-	1,295,463	654,532	-
BERICA - TV 09/48/ Berica Residential MBS SRL	Vicenza - Via Btg. Framarin 18	NO	719,937	-	-	544,987	174,950	-
Entasi SRL	Rome - via Tomacelli nr. 132	NO	160,000	-	-	160,000	-	-
AYT Cedulas Cajjas Global	Madrid - Paseo de la Castellana n. 143	NO	2,295,000	-	120,393	2,292,000	-	123,393
Total			**15,197,385**	**249,800**	**156,099**	**10,599,921**	**3,410,576**	**1,592,787**

C.7 Banking Group - Non-consolidated special purpose securitisation vehicles

Balance-sheet item/Type of structured entity	Accounting portfolio: Assets		Total assets (A)	Accounting portfolio: Liabilities	Total liabilities (B)	Net book (C=A-B)	Maximum exposure to loss (D)	Difference between exposure to loss and book value (E=D-C)
	Financial assets held for trading	Loans to customers		Financial Liabilities hekd for trading				
ENTASI 2 2016 TV	-	49,891	49,891	-	-	49,891	49,891	-
ATLSM 4 A-TV 14/43	1,647	-	1,647	-	-	1,647	1,647	-
COLOMBO 01/26 TV	2,274	-	2,274	-	-	2,274	2,274	-
SPOLETO MTG 04/35 TV	641	-	641	-	-	641	641	-
LOCAT SEC 06/28 TV	315	-	315	-	-	315	315	-
CLARF-TV 11/60 A2	8,473	-	8,473	-	-	8,473	8,473	-
CLAAB-TV 12/60	6,495	-	6,495	-	-	6,495	6,495	-
SUNRI 1A-TV 14/31	5,680	-	5,680	-	-	5,680	5,680	-
BERICA-TV 14/61	2,780	-	2,780	-	-	2,780	2,780	-
SUNRI 2014-2 A1	15,009	-	15,009	-	-	15,009	15,009	-
SMPER 1F TV 07/46	773	-	773	-	-	773	773	-
Total	44,086	49,891	93,977	-	-	93,977	93,977	-

The table includes, in the column 'Loans to Customers', the interest held by the Parent Company in the entity ENTASI 2 2016 TV, a securitisation vehicle whose only purpose is the raising of funds to purchase a portfolio of non-performing loans from a bank outside the Group.

The column 'Financial assets held for trading' includes the interests held by the subsidiary MPS Capital Services S.p.A. as described below:

- COLOMBO 01/26 TV: vehicle established pursuant to Law no. 130/1999. Originator: Credito Fondiario. It is a portfolio of Italian loans to the Italian public administration. Specifically, it includes 97 loans to institutions like Italian Regions (52.7%), Ministry of Treasury (13.2%), Provinces and Municipalities (28.8%) and ASLs (Local Healthcare Companies) (5.3%);
- SUNRI 1A-TV 14/31: vehicle established pursuant to Law no. 130/1999. Originator: Agos. A portfolio of personal consumer loans, all performing, issued to individuals residing in Italy. The portfolio consists of 308,473 positions;
- SUNRI 2014-2 A1: vehicle established pursuant to Law no. 130/1999. Originator: Agos. This is a portfolio of personal consumer loans (75%), loans to purchase new automobiles (8.01%), loans to purchase used automobiles (7.99%), furniture loans (5%) and special purpose loans (4%), all performing, issued to individuals residing in Italy. The portfolio consists of 264,416 positions;
- ATLSM 4 A-TV 14/43: Portuguese loan securitisation vehicle. The portfolio includes loans to Portuguese small and medium sized enterprises. These are performing loans granted to small and medium sized enterprises for a total of 7,766 positions;
- LOCAT SEC 06/28 TV: vehicle established pursuant to Law no. 130/1999. Originator: Locat Spa. The portfolio consists of 24,919 finance lease contracts granted in Italy;
- SMPER IF TV 07/46: vehicle subject to the laws of the Federal Republic of Germany. Originator: Eurohypo AG. A portfolio of commercial and residential mortgages originated in Germany;
- SPOLETO MTG 04/35 TV: vehicle established pursuant to Law no. 130/1999. Originator: Banca Popolare di spoleto SpA. The portfolio is composed of 700 contracts, 78% of which for residential mortgages, 15% for commercial mortgages and 7% for industrial loans;
- CLARF-TV 11/60 A2: vehicle established pursuant to Law no. 130/1999. Originator: Veneto Banca Scpa. A portfolio of 12,406 residential mortgages granted to individuals residing in Italy;
- CLAAB-TV 12/60: vehicle established pursuant to Law no. 130/1999. Originator: Veneto Banca Group. A portfolio of 23,950 residential mortgages granted to individuals residing in Italy;
- BERICA-TV 09/48: vehicle established pursuant to Law no. 130/1999. Originator: Banca Popolare di Vicenza Spca. A portfolio comprised of 13,209 residential mortgages granted to residents of Italy;

Maximum exposure to the risk of loss has been determined to be equal to book value. During the year under review, the Group did not provide and does not intend to provide financial or other support.

<u>*C.8 Banking Group - Servicer activities - Collections of securitised loans and redemptions of securities issued by special purpose vehicles*</u>

31 12 2014

Servicer	Special Purpose Vehicle	Securitised assets (year-end data)		Loans collected during the year		Percentage of securities redeemed (year-end data)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired assets	Performing loans	Impaired assets	Performing loans	Impaired assets	Performing loans
BMPS	Siena Mortgages 10-07 S.r.l.	70,363	2,484,150	747	250,581	0.0%	26.6%	0.0%	0.0%	0.0%	0.0%
BMPS	Casaforte Srl	-	1,414,350	-	47,714	0.0%	20.0%	0.0%	0.0%	0.0%	0.0%
MPS CAPITAL SERVICES	Siena SME 11-01	-	-	596	174,955	0.0%	57.8%	2.6%	97.4%	77.7%	0.0%
CONSUM.IT	Siena Consumer S.r.l.	10,066	947,039	38	533,294	0.0%	50.3%	0.0%	0.0%	0.0%	0.0%
	Total 31 12 2014	80,429	4,845,539	1,381	1,006,544						
	Total 31 12 2013	32,343	5,660,485	58	333,623						

The table shows own securitisations where the Parent Bank plays the role of servicer. With reference to multi-originator securitisation transactions, the originator banks are in charge of servicing in relation to the portion of loans sold

C.9 Banking Group - Consolidated special purpose securitisation vehicles

The Group carried out securitisation transactions chiefly to optimise its liquidity profile; besides placement on the market, the securities were sold to perform refinancing transactions with the ECB and repurchase agreements with the market.

The paragraphs below describe the characteristics of the Group's securitisation transactions originated in previous years and ongoing as at 31 December 2014 where the securities were partly placed on the market or with retail customers, as well as information on the nature of the risks associated with the interests in consolidated securitisation vehicles.

In view of these transactions, the Parent Company allocated reserves in support of the vehicles, should such funds be needed upon occurrence of certain events. As at 31.12.2014 these reserves amounted to EUR 576.3 mln.

Securitisations originated in previous financial years, outstanding as at 31.12.2014

Siena Mortgages 10-7

On 30 September 2010, a portfolio of 34,971 performing residential mortgages originated by MPS was sold for approx. EUR 3.5 bn. As at 31/12/2014, the remaining debt balance amounted to EUR 2,554.5 mln (28,906 outstanding mortgages).

To fund the acquisition of the portfolio, the Vehicle issued residential mortgage-backed securities (RMBS); Class A1 and A2 notes were placed with market investors, whereas the remaining classes of notes issued were underwritten by the Parent Company and part of them were subsequently placed with market investors. Market placement of classes A1 and A2 did not entail the derecognition of the underlying assets from the balance sheet of the Parent Company (transferor), which has substantially retained all risks and rewards associated with the property of the assets sold. Consequently, an offsetting entry for the cash flows arising from the disposal of tranche A1 and A2 was posted on the liabilities side of the balance sheet.

Siena Consumer Srl

This securitisation transaction was carried out in 2013 through the sale to the vehicle "Siena Consumer Srl" of a portfolio consisting of 200,542 personal loans, autoloans, and special-purpose loans originated by Consum.it S.p.A. of approximately EUR 1.5 bn. As at 31/12/2014, the remaining debt balance amounted to EUR 957.1 mln (200,005 outstanding mortgages).

To finance the purchase of this portfolio the Vehicle issued ABS securities, of which those in Class A were placed with institutional investors; the remaining classes were subscribed by the Originator.

Market placement of class A did not entail the derecognition of the underlying assets from the balance sheet of the Parent Company (transferor), which has substantially retained all risks and rewards associated with the property of the assets sold. Consequently, an offsetting entry for the cash flows arising from the disposal was posted on the liabilities side of the balance sheet.

As subordinated lender, upon occurrence of a Commingling Reserve Trigger (Rating MPS < BBB- for Fitch and BBB (low) for DBRS) the Parent Company shall pay to the vehicle in advance the amount of the Commingling Reserve up to a maximum of EUR 188 mln. The Parent Company has also issued a guarantee in favour of the subsidiary Consum.it to supervise the correct performance of its activities as servicer of the subsidiary, for up to a maximum amount of EUR 500 mln.

Lastly, should the Originator exercise its early redemption right, the parent company and the subsidiary Consum.it take joint responsibility for paying to senior subscribers any additional costs arising from the redemption.

Gonzaga Finance S.r.l.

The Gonzaga Finance Srl securitisation was closed on 16 February 2015; the transaction had been completed in 2000 by Banca Agricola Mantovana.

Casaforte

This securitisation was carried out in 2010 and consisted in the transfer to Vehicle Casaforte Srl of a pool of receivables arising from a mortgage loan granted to the consortium company, Perimetro Gestione Proprietà Immobiliari. The underlying receivables were fully derecognised from the Parent Company's balance sheet, since the associated risks and rewards were -both formally and substantially- transferred to the vehicle. As st 31/12/2014 the residual debt amounts to EUR 1,414.3 mln. In December 2013 the Bank announced the completed buyback in full of the PGPI 2010 equity financial instruments and related Class Z Notes for a value of approximately EUR 70 mln. As a result of these purchases, the Bank acquired control of the Company, which was subsequently consolidated in the Financial Statements.

At the reporting date, Casaforte Class A Notes amounting to EUR 546 mln placed with third-party investors are posted under item "30 – Debt securities issued" of the liabilities in the consolidated balance sheet. The Group is committed to repurchasing these securities from investors at a price calculated on the basis of the equivalent issue spread.

§ § §

Patagonia

Patagonia Finance S.A. is a vehicle that issued asset-backed securities (ABS) which were subscribed by insurance companies and pledged as collateral of unit linked policies. The vehicle invests in subordinated securities issued by BMPS.

For all the securitisation transactions described above, during the period under review the Parent Company and its subsidiaries have not provided any financial or other support without being obliged under the contract.

There are no cases of financial or other support to a previously non-consolidated structured entity as a result of which the structured entity was controlled by the Group.

The Group does not intend to provide financial or other support to consolidated securitisation vehicles, nor to assist entities in obtaining financial support.

Securitisation transactions completed in 2014

No new securitisation transactions have been completed.

D. Information on structured entities (other than securitisation vehicles)

D.1 Consolidated structured entities

This paragraph was not completed as no such entities are present.

D.2 Structured entities not consolidated for accounting purposes

D.2.1 Structured entities consolidated for supervisory purposes

This paragraph was not completed as no such entities are present.

D.2.2 Other structured entities

Qualitative information

For disclosures pursuant to IFRS 12 please refer to the comments provided under the tables below.

Quantitative Information

31 12 2014

Balance sheet item/Type of structured entity	Accounting portfolio: Assets		Total assets A)	Accounting portfolio: Liabilities	Total liabilities (B)	Net book value (C=A-B)	Maximum exposure to loss (D)	Difference between exposure to loss and book value (E=D-C)
	Held for trading	Available for sale		held for trading				
1. Special Purpose vehicles	-	63,914	63,914	-	-	63,914	63,914	-
2. UCITS	1,447,172	123,261	1,570,434	867,431	867,431	703,003	3,293,392	2,590,389
Total	**1,447,172**	**187,176**	**1,634,348**	**867,431**	**867,431**	**766,917**	**3,357,306**	**2,590,389**

Vehicle companies

The aggregate includes, in the column 'Financial assets available for sale', the interest held by the Parent Company in the entity Anthracite Rated Investments (Jersey) Ltd Series 54, a vehicle company under liquidation consisting mainly of cash and cash equivalents and units of hedge funds.

Maximum exposure to the risk of loss has been conventionally determined, in line with the other entities presented in the table, with reference to book value. However, it should be noted that given the composition of the entity the risk of loss does not exceed EUR 7.5 mln, equal to the value of the hedge fund units.

During the year under review, the Group did not provide and does not intend to provide financial or other support.

UCITS

The aggregate includes, in the column 'Financial assets held for trading':

- EUR 2.9 mln relating to the interests held by the subsidiary MPS Capital Services S.p.A in units of open-ended asset funds and Exchange Traded Funds investing in stocks, bonds and derivatives. These units are purchased by MPS Capital Services for the hedging of risks associated with the issue of fund structured bonds placed through the network by the Parent Company or for repurchase on the secondary market of the structured funds that had been originally structured;
- EUR 1,442.0 mln relating to exposures, with a positive fair value, of the subsidiary MPS Capital Service S.p.A. in credit and financial derivatives to the counterparties Rainbow (EUR 1,287.0 mln) and foreign open-ended asset funds (PRIMA PR 100 AZ, PRIMA SWE 3 etc.) managed by Anima Funds PLC (EUR 155 mln). Rainbow is an Irish fund managed by Anima Asset Management, divided into subfunds purchased by MPS AXA Financial Limited, which are the funds to which are linked the services of the Unit Linked policies placed with the latter's customers with the name “AXA MPS Valore Performance”. MPS Capital Services operates with Rainbow as counterparty with which the derivatives included in the fund assets are negotiated;
- EUR 2.2 mln relating to interests held by the Parent Company in hedge fund units, in particular side pocket and holdbacks on total redemptions.

The column 'Financial assets available for sale' includes:

- EUR 121.7 mln relating mostly (EUR 116.1 mln) to interests held by the Parent Company in private equity funds, whose purpose is to increase the value of the respective equity through mainly medium to long-term investments chiefly in the purchase and/or subscription of shares, units and securities in general representing the equity of target enterprises, exclusively in the best interest of the investors. The residual portion of the Parent Company's UCITS portfolio (EUR 5.6 mln) consists of hedge funds, in particular side pocket, funds under liquidation and holdbacks on total redemptions.
- EUR 1.5 mln relating to units of a closed-end real estate fund for qualified investors only, held by the subsidiary MPS Capital Services. The fund's objective is to maximise income for its investors through a growing dividend yield as well as increased value of portfolio assets.

The column 'Financial liabilities held for trading' includes:

- EUR 177.5 mln relating to uncovered positions on UCITS units such as Anima Liquidity I, Prima Med Term BD I, Prima Sh Term BD I, Prima Fd Europe Eqt. These open-ended securities funds invest primarily in euro denominated bonds with ratings higher than investment grade. MPS Capital Services finances short selling by borrowing securities, indirectly, from the Parent Company's customers and concomitantly enters into a Total Return Swap where it receives the instruments' performance and pays an interest rate;
- EUR 689,9 mln relating to the negative fair value of the credit and financial derivatives of the subsidiary MPS Capital Services S.p.A. to the counterparties Rainbow (EUR 545.3 mln) and foreign open-ended asset funds (PRIMA PR 100 AZ, PRIMA SWE 3 etc.) managed by Anima Funds PLC (EUR 144 mln).

The entities in question raise funds through the issue of units.

Maximum exposure to the risk of loss was determined to be equal to book value for exposures to UCITS units other than the financial and credit derivatives for which reference is made to notional value.

During the year under review, the Group did not provide and does not intend to provide financial or other support to the non-consolidated structured entities referred to above.

There are no sponsored non-consolidated entities for which the Group holds no interests at the reporting date.

E. Transfers

A. Financial assets sold and not fully derecognised

Qualitative information

For a description of the transactions contained in the tables reported in this section, please refer to the footnotes of the tables themselves.

With a particular regard to transactions in debt securities against medium and long term repurchase agreements, please refer to the Part B of these Notes to the Financial Statements.

Quantitative Information

E.1 Banking Group - Financial assets sold and not derecognised: book value and full value

Type/portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Financial asset held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31 12 2014	31 12 2013
A. Balance-sheet assets	5,687,565	-	-	-	-	-	20,061,775	-	-	-	-	-	820,082	-	-	3,997,469	-	-	30,566,891	29,029,122
1. Debt securities	5,642,258	-	-	-	-	-	20,061,775	-	-	-	-	-	820,082	-	-	462,113	-	-	26,986,228	24,758,845
2. Equity instruments	45,307	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	45,307	76,584
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,535,356	-	-	3,535,356	4,193,693
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31 12 2014	**5,687,565**	**-**	**-**	**-**	**-**	**-**	**20,061,775**	**-**	**-**	**-**	**-**	**-**	**820,082**	**-**	**-**	**3,997,469**	**-**	**-**	**30,566,891**	**X**
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*90,134*	-	-	*90,134*	*X*
Total 31 12 2013	**6,090,336**	**-**	**-**	**-**	**-**	**-**	**17,561,411**	**-**	**-**	**-**	**-**	**-**	**210,846**	**-**	**-**	**5,166,529**	**-**	**-**	**X**	**29,029,122**
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*31,699*	-	-	*X*	*31,699*

Key:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
C = Financial assets sold and partially recognised (full value)

The table reports the book value of financial assets sold but not derecognised, and still partially or fully reported in balance sheet assets. Line “1. Debt securities" exclusively includes securities sold in repurchase agreements; the amount in line "4. Loans" refers to performing loans included in securitisation transaction without derecognition, Siena 10-7 and Siena Consumer S.r.l.

E.1.1 – Types of transfers of financial assets not derecognized

Item/Amount	Total 31 12 2014	Total 31 12 2013
Repurchase agreements	26,944,474	24,779,363
Securitisations	3,535,356	4,193,693
Securities lending	87,061	56,066
Transfers	-	-
Others	-	-
Total	**30,566,891**	**29,029,122**

E.2 Banking Group - Financial liabilities associated with transferred financial assets that are not derecognised: book value

Liabilities/ Asset Portfolios	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Deposits from customers	**1,482,417**	**-**	**15,495,302**	**-**	**-**	**518,431**	**17,496,150**
a) relating to fully recognised assets	1,482,417	-	15,495,302	-	-	518,431	17,496,150
b)relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from banks	**289,055**	**-**	**3,658,543**	**-**	**548,870**	**390,973**	**4,887,441**
a) relating to fully recognised assets	289,055	-	3,658,543	-	548,870	390,973	4,887,441
b) relating to partially recognised assets	-	-	-	-	-	-	-
3. Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31 12 2014	**1,771,472**	**-**	**19,153,845**	**-**	**548,870**	**909,404**	**22,383,591**
Total 31 12 2013	**2,084,836**	**-**	**14,784,444**	**-**	**146,328**	**1,439,780**	**18,455,388**

The table indicates the book value of financial liabilities posted as offsetting entries to financial assets sold and not derecognised partially or in their entirety from balance sheet assets. This category only involves liabilities posted against repurchase agreements.

E.3 Banking Group - Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

Type/ Portfolio	Financial assets held for trading		Financial assets designated at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31 12 2014	31 12 2013
A. Balance-sheet assets	-	-	-	-	-	-	-	-	-	-	3,590,384	-	3,590,384	4,148,025
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Equity instruments	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	3,590,384	-	3,590,384	4,148,025
B. Derivatives	-	-	X	X	X	X	X	X	X	X	X	X	-	-
Total assets	-	-	-	-	-	-	-	-	-	-	3,590,384	-	3,590,384	4,148,025
C. Associated financial lia	-	-	-	-	-	-	-	-	-	-	964,693	-	X	X
1. Deposits from customer	-	-	-	-	-	-	-	-	-	-	-	-	X	X
2. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	964,693	-	X	X
Total liabilities	-	-	-	-	-	-	-	-	-	-	964,693	-	964,693	1,087,162
Net value 31 12 2014	-	-	-	-	-	-	-	-	-	-	2,625,691	-	2,625,691	X
Net value 31 12 2013	-	-	-	-	-	-	-	-	-	-	3,060,863	-	X	3,060,863

Key:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)

The amount reported in the column "Loans to customers – fair value" exclusively refers to the fair value of receivables sold with securitisation Siena 10-7 and Siena Consumer S.r.l., which continue to be fully recognised in the Parent Company's and in the subsidiary Consum.it balance sheet assets. The amount of EUR 964.7 mln reported under associated liabilities refers to the fair value of the portion of senior notes sold to a leading banking counterparty as part of the same securitisation. The Parent Company and the subsidiary Consum.it have recognised a liability with the notes-issuing vehicles as an offsetting entry for the cash flows arising from this disposal. Against this liability, the creditor's entitlement to repayment is limited to cash flows arising from the assets underlying senior notes sold.

B. Financial assets sold and fully derecognised with assessment of "continuing involvement"

Qualitative information

Quantitative information

None to report as at 31 December 2014.

E.4 Banking Group – Covered bond transactions

Characteristics of the Covered Bond Issuance Programmes

In the course of 2010, the Parent Company launched a programme for the issuance of Covered Bonds for an amount of EUR 10,000 mln. The programme is intended to place a new product on the market, offering covered bonds as a preferred instrument for financial profile improvement in the short and mid term. In light of the developments in the financial markets, the programme should be considered as part of a wider strategy, aimed at:

- curbing the costs of funding: covered bonds are widely preferred, inasmuch as they are issued directly by the Bank and their repayment is guaranteed by a segregated pool of assets (in this case, residential mortgage loans); in the event of issuer bankruptcy, covered bond holders enjoy a right of recourse on a portfolio of segregated high-quality assets and are, therefore, willing to accept a lower yield than the one offered by similar uncovered bonds;
- diversifying the Bank's funding sources on the international market;
- lengthening its average debt maturity profile.

With a view to improving the efficiency and stability of the Group's Counterbalancing Capacity, in 2012 a second issuance programme was authorised for a maximum of EUR 20 bn. The covered bonds were not explicitly rated when launched but, in the course of 2013, were assigned a rating (A) by the agency, DBRS. The programme is not intended for the market but for transactions eligible as collateral in refinancing transactions through the European Central Bank.

The structure of the Group's Covered Bond programmes requires fulfilment of the following activities:
a) the Parent Company or another Group company transfers, without recourse, a pool of assets, which may consist of cash and other assets as appropriate (real-estate backed, residential and commercial mortgage loans, receivables from or guaranteed by the Public Administration and securities issued as part of securitisations involved these same types of loans and receivables), to the vehicles MPS Covered Bond S.r.l. and MPS Covered Bond 2 S.r.l., thereby forming a segragated cover pool;
b) the Transferor grants a subordinated loan to the vehicle, for the purpose of financing payment of the assets' purchase price by the vehicle;
c) the Parent Company issues covered bonds secured by an autonomous, irrevocable and unconditional first-demand guarantee issued by the vehicle for the only benefit of the bond-holding investors and senior debtors in the Programme; the guarantee involves limited recourse to the assets of the Cover Pool owned by the vehicle (guarantor).

Accounting treatment

Pursuant to IAS 39, the derecognition of a financial instrument from the balance sheet of the transferor is determined on the basis of the substance of the contract, not its legal form.
Having said this, the deal is recognised as follows:

- transferred loans continue to be reported in the Parent Company's balance sheet under sub-item "Loans" of item 70 " Loans to customers" on the asset side, inasmuch as the Parent Company retains the risks and rewards of ownership of the loans transferred;

- the loan disbursed by the Parent to the Vehicle is not classified as a separate item in the balance sheet, since it is offset with the amount due to the Vehicle in which the initial transfer price was recognised.

  The loan, therefore, is not subject to credit risk assessment, because this risk is entirely reflected in the assessment of transferred loans, which continue to be reported in the Parent Company's balance sheet.
- loans are subject to movements based on own events (figures and assessment); instalments collected by the Parent (which also acts as a servicer) are reallocated daily to the Vehicle's "Collection Account" and accounted for by the Parent as follows:
- collection of principal from borrower is recognised as an offsetting entry to the reduction in the loan to the borrower;
- reallocation of principal to the Vehicle is recognised as an offsetting entry to the recognition of a loan to the Vehicle;
  - this loan is paid off upon repayment of the subordinated loan;
  - interest from borrower is recognised as an offsetting entry to Account 10 "Interest income: Loans to customers" (interest on loans continues to be recognised on an accrual basis);
  - reallocation of interest to the Vehicle is recognised as an offsetting entry to the recognition of a loan to the Vehicle;
  - this loan is paid off upon collection of the receive leg of the Cover Pool Swap.
- the vehicles “MPS Covered Bond S.r.l.” and “MPS Covered Bond 2 S.r.l.” are invested in by the Parent Company for a control stake of 90%, recognised under Item 100 “Equity Investments” and included in the Group's consolidated financial statements under the comprehensive approach.
- bonds issued are posted to Item 30 "Debt securities issued" on the liabilities side, and related interest expense is recognised on an accrual basis.

In consideration of the characteristics and accounting treatment of the deal, the swaps associated to the transaction are not recognised in the balance sheet, since their recognition would entail, pursuant to par. AG49 of IAS 39, a duplication of rights and obligations already recognised due to loans transferred being maintained on the balance sheet.

Risks and Control Measures

In order to allow the transferee to meet the obligations of the collateral pledged, the Parent Company uses appropriate Asset & Liability Management techniques to secure a trend of substantial balance between the maturities of cash flows arising from the assets sold and maturities of payments due in relation with the covered bonds issued and other costs of the transaction.

The Programmes were structured in compliance with applicable rules and regulations which authorise the issuance of covered bonds only if the transferring and issuing banks meet certain capital requirements.

The structure of the debt issuance programmes of the Parent Company (transferor and servicer) is subject to stringent regulatory requirements and calls for continuous actions by the Specialised Credit Processes and Services Area; Finance, Treasury & Capital Management and Risk Management Areas, as well as supervision by an external auditor (Deloitte & Touche) as Asset Monitors. In particular, these actions include:

- assessment of capital requirements mandated by Supervisory Instructions when it comes to covered bond issuance programmes;
- assessment of the quality and integrity of assets transferred with regard, in particular, to the estimated value of properties, both residential and non-residential, on which a mortgage in relation with the asset-backed loans is placed; this assessment may result in repurchases, integrations and additional transfers of supplemental assets;
- assessment of an appropriate ratio being maintained between bonds issued and assets transferred as collateral (Cover Pool - mortgage and residential assets; commercial assets for the second programme);

- assessment of transfer limits and integration practices;
- assessment on whether risks are effectively and adequately hedged by derivative contracts in relation to the transaction.

In the course of 2013, the mitigation strategy for interest rate risk on the first Programme was restructured in order to minimise the Vehicle's exposure to market counterparties. In particular, the newly-defined strategy aims to only cover the Vehicle's net exposure to interest rate risk, as opposed to the nominal amount. At the same time, the outsourcing of three Covered Bond Swaps with market counterparties was carried out.

The paragraphs below provide information on the nature of the risks associated with the interest in the MPS Covered Bond S.r.l. vehicle, whose assets are pledged as collateral of bond issues of the Parent Company partly placed with the market.

In particular, the terms of the agreements that could require the Group to provide financial support to the vehicle MPS Covered Bond S.r.l. are as follows:

- the Parent Company undertakes, in accordance with the programme's terms, to ensure compliance over time with the regulatory and contractual tests determined according to the methodologies set by the rating agencies from time to time
- if the Parent Company's rating decreases below BBB- (Fitch) and Baa3 (Moody's), the repayment of each subordinated loan will be delayed by 6 months after the original expiry;
- in accordance with the Master Definition Agreement, the Parent Company shall allocate and change the amount of the variable liquidity reserve according to criteria agreed upon with the rating agencies.

During the period under review the Parent Company and its subsidiaries have not provided any financial or other support without being obliged under the contract.

There are no cases of financial or other support to a previously non-consolidated structured entity as a result of which the structured entity was controlled by the Group.

The Group does not intend to provide financial or other support to the vehicle, nor to assist the entity in obtaining financial support.

Description of individual issuances

Here follows a summary of the main characteristics regarding transfers in the first Programme:

Cover Pool transfer date	Type of seuritised assets	Transferor	Total value of asset transferrd (in units of €)	No. Of mortagage loans transferred	Breakdown of transferred debtors by business sectors
25 05 2010	Residential mortgage loans	Banca MPS	4,413,282,561	36,711	100% natural persons
19 11 2010	Residential mortgage loans	Banca MPS	2,400,343,585	19,058	100% natural persons
25 02 2011	Residential mortgage loans	Banca MPS	3,887,509,799	40,627	100% natural persons
25 05 2011	Residential mortgage loans	Banca MPS (ex Banca Antonveneta)	2,343,829,924	26,804	100% natural persons
16 09 2011	Residential mortgage loans	Banca MPS	2,323,368,355	27,973	100% natural persons
14 06 2013	Residential mortgage loans	Banca MPS	415,948,266	4,259	100% natural persons
Total			**15,784,282,490**	**155,432**	

As part of the first Programme, the Parent Company completed a total of nineteen issuances, twelve of which had not yet matured or been repaid early for a total, as at 31/12/2014, of EUR 8,320 mln, of which EUR 5,450 mln were placed on the market, while EUR 2,870 mln were repurchased by the Bank.

Seven issues were made in 2014 for a total amount of EUR 4,300 mln, of which one already redeemed (EUR 400 mln), repurchased for a total of EUR 1,900 mln and two placed with the market for EUR 2,000 mln.

Date of issue	Notional Amount	Coupon	Frequency	Date of maturity
20 02 2014	400,000,000	3mE + 2.00%	Quarterly	june -2016 (redeemed)
20 02 2014	400,000,000	3mE + 2.00%	Quarterly	march- 2017
20 02 2014	500,000,000	3mE + 2.00%	Quarterly	June - 2017
20 02 2014	500,000,000	3mE + 2.00%	Quarterly	september - 2017
17 04 2014	1,000,000,000	2.875%	Annual	april - 2021
16 07 2014	1,000,000,000	2.875%	Annual	july - 2024
26 09 2014	500,000,000	2.875%	Annual	july - 2024
Total	**4,300,000,000**			

Here follows a summary of the main characteristics regarding transfers in the <u>second Programme</u>:

Cover Pool transfer date	Type of seuritised assets	Transferor	Total value of asset transferrd (in units of €)	No. Of mortagage loans transferred	Breakdown of transferred debtors by business sectors
27 04 2012	Residential mortgage loans	Banca MPS	2,384,995,478	27,047	100% natural persons
22 06 2012	Residential and commercial mortage loans	Banca MPS	2,478,270,455	13,993	Mixed
24 08 2012	Residential and commercial mortage loans	Banca MPS	1,401,965,498	17,353	Mixed
21 09 2012	Residential and commercial mortage loans	Banca MPS	2,473,677,574	9,870	Mixed
15 02 2013	Residential mortgage loans	Banca MPS	1,286,740,404	9,033	Mixed
21 06 2013	Residential mortgage loans	Banca MPS	2,147,692,217	12,771	Mixed
29 03 2014	Residential mortgage loans	Banca MPS	1,464,170,335	5,645	Mixed
Total			**13,637,511,961**	**95,712**	

As part of the second Programme, the Parent Company completed sixteen issuances (excluding 3 which matured or were redeemed), for a total as at 31/12/2014 of EUR 8,100 mln, which were not intended for the market but repurchased by the Bank and used as collateral for refinancing transactions in the Eurosystem.

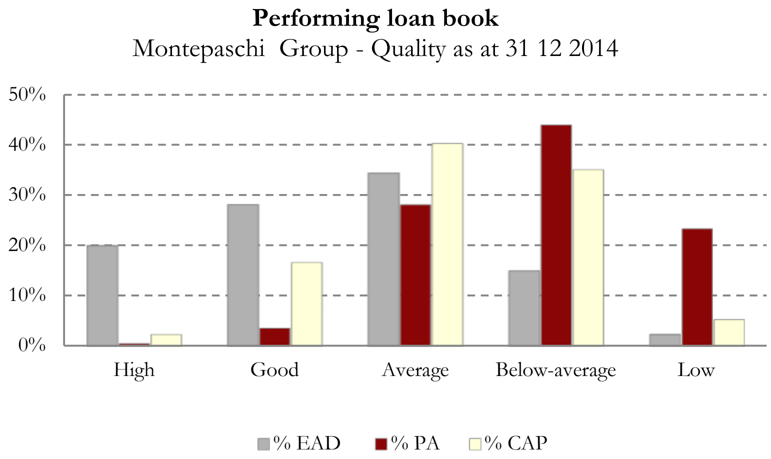
2014 saw the disposal of a portfolio of 5645 performing mortgages granted to natural and legal persons residing in Italy, with no outstanding instalments at the date of portfolio valuation and meeting other identified selection criteria comparable to those used for previous disposals, for an amount of approximately EUR 1,464 mln.

As part of the second Covered Bond Programme, the following issue was made in 2014:

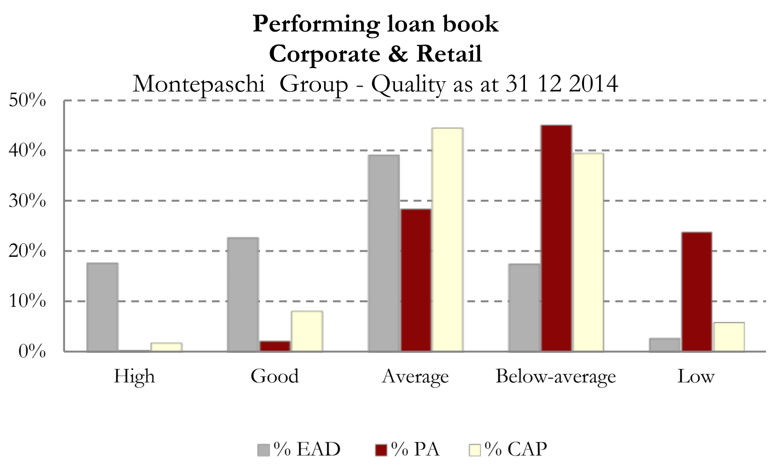
Date of issue	Notional Amount	Coupon	Frequency	Date of maturity
12 11 2014	300,000,000	3mE + 1.00%	Quarterly	january - 2018

F. Banking group - Credit risk measurement models

The chart below provides a credit quality breakdown of the Montepaschi Group portfolio as at 31 December 2014 (excluding financial asset positions). The following graph shows that about 48% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.

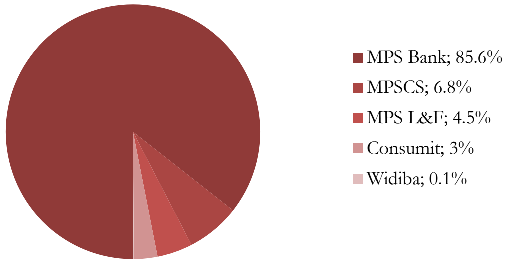


On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 31.12.2014, high or good quality exposure accounted for approximately 41% of total exposure:



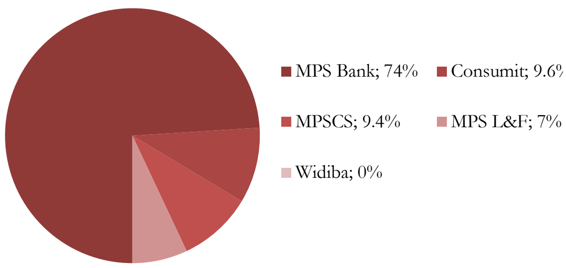
With reference to Risk Exposure, the Parent Company covers 85.6% of the Group's total, while MPS Capital Services, MPS L&F, Consum.it and Widiba jointly cover the remaining 14.4%:

Risk Exposure
Montepaschi Group - 31 12 2014

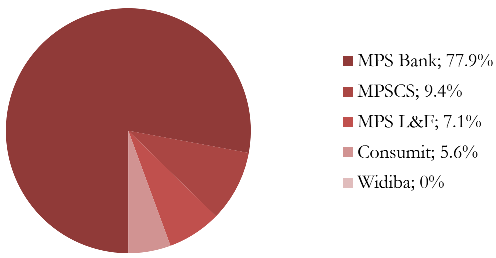


As concerns risk measures, the highest incidence is represented by the Parent Company. With regard to Expected Loss, the Parent Company accounts for 74%, followed by Consum.it and MPS Capital Services (9.6% and 9.4% respectively), while the remainder (7%) is assigned to cover the risks of MPS Leasing & Factoring.
Conversely, with regard to Economic Capital vs. credit risk, the Parent Company accounts for 77.9%, followed by MPS Capital Services (9.4%) and MPS Leasing & Factoring (7.1%) while Consum.it accounts for the residual portion of 5.6%.

Expected Loss
Montepaschi Group - 31 12 2014

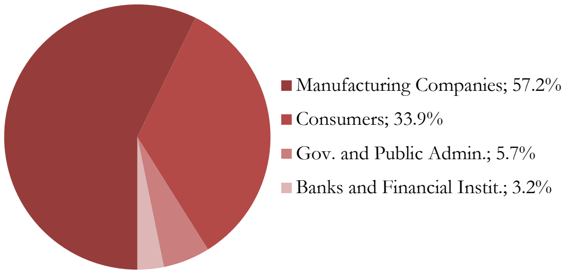


Economic Capital
Montepaschi Group - 31 12 2014



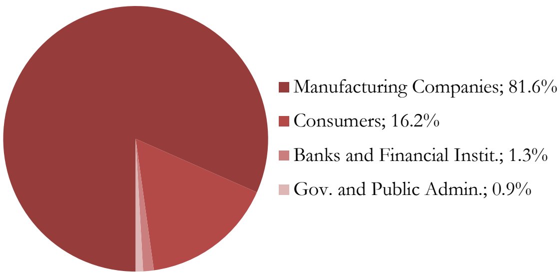
An analysis conducted at the end of 2014 shows that the Group's risk exposure is mainly toward “Manufacturing Companies” (57.2% of total loans disbursed) and “Households” (33.9%). The remaining portion is broken down between "Government and Public Administration" and "Banks and Financial Institutions", respectively at 5.7% and 3.2%.

Risk Exposure
Montepaschi Group - 31 12 2014

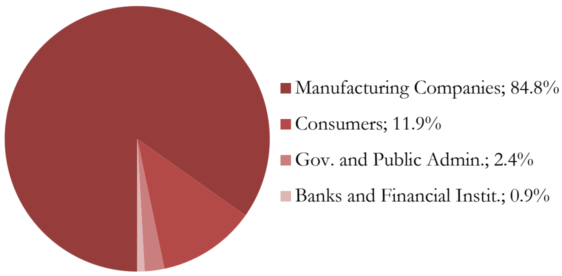


In terms of risk measures, the analysis reveals that Manufacturing Companies account for 81.6% of the Expected Loss and 84.8% of the Economic Capital. The portion for “Households” comes to 16.2% for Expected Loss and 11.9% for Economic Capital respectively.

Expected Loss
Montepaschi Group - 31 12 2014

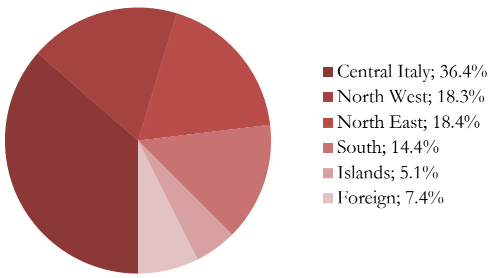


Economic Capital
Montepaschi Group - 31 12 2014

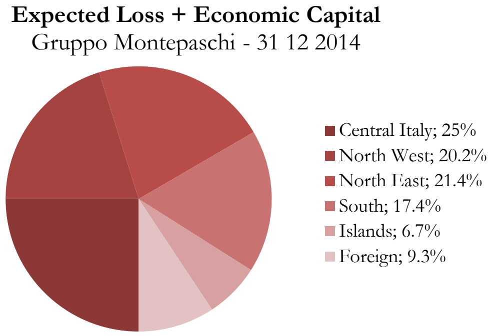


An analysis of the geographical breakdown of Group customers shows that exposure to risk is primarily concentrated in Italy’s Central regions (36.4%), followed by the North East and North West (18.4% and 18.3%), Southern Italy (14.4%), foreign countries (7.4%) and Italy's islands (5.1%):

Risk Exposure
Gruppo Montepaschi - 31 12 2014

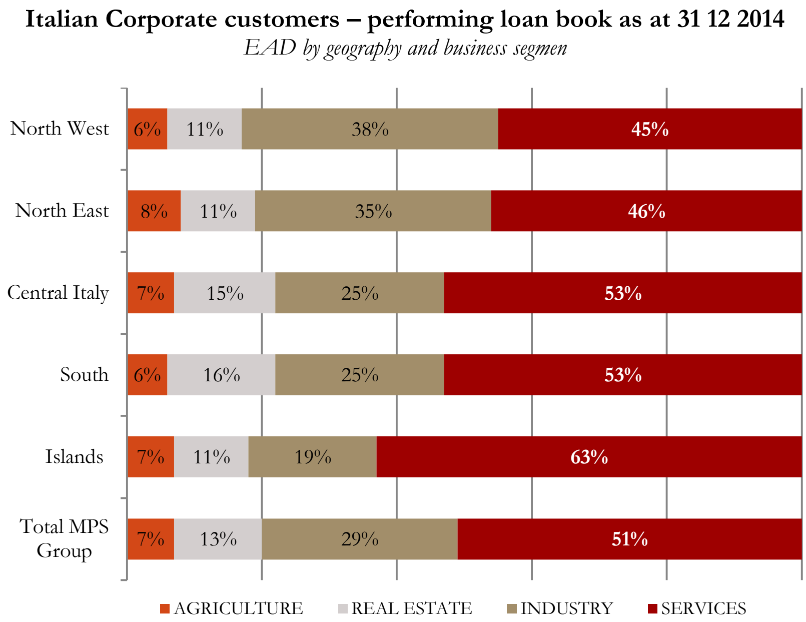


Overall risk measures (expected loss + economic capital) are also higher in Central Italy (25%) in North East Italy (21.4%) and North West Italy (20.2%) due to the greater concentration of loans in those areas. These are followed by Southern Italy (17.4%), Foreign Countries (9.3%) and the Islands (6.7%):



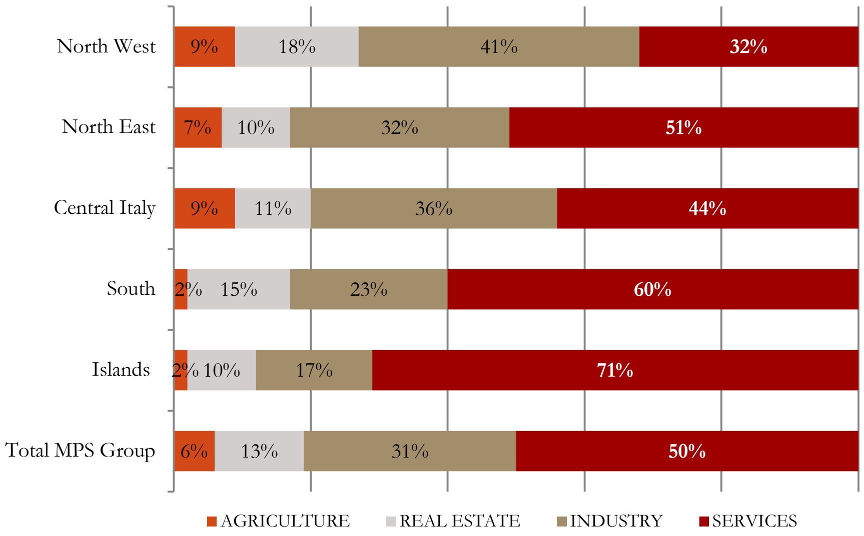
Lastly, the following graphs show a percentage breakdown for Italian corporate customers of Default Exposure and overall risk measures (Expected Loss + Economic Capital) by Geographic Areas and Business Sectors.

The largest share of Default Exposure for businesses in all Geographic Areas is accounted for by the "Services" sector. Out of the Group's total exposure, the share of Services accounts for 51% and is followed by Industry (29%), Building (13%) and Agriculture (7%).



Overall risk measures, defined as the sum of Expected Loss and Economic Capital, are also higher for the Services business sector in all Geographic Areas, with the exception of the North West of Italy where the Industrial sector accounts for the largest share (41%).

Italian Corporate customers – performing loan book as at 31 12 2014
EL+ECAP by geography and business segment



The comparison between expected loss and actual loss is performed on an annual basis by the internal control function as part of PD and LGD backtesting procedures.

1.2 – Banking groups - Market risks

1.2.1 Interest rate and price risk – regulatory trading book

Market risks relating to the Trading Book

Market risk management model for the Trading Book

The Group's Regulatory Trading Portfolio (RTP), or Trading Book, is made up of all the Regulatory Trading Books managed by the Parent Bank (BMPS) and MPS Capital Services (MPSCS). The Trading Portfolios of the other subsidiaries are immune to market risk. Trading in derivatives, which are brokered on behalf of customers, calls for risk to be centralised at, and managed by, MPSCS.

The market risks in the trading book of both the Parent Company and the other Group entities (which are relevant as independent market risk taking centres), are monitored in terms of Value-at-Risk (VaR) for operational purposes. The Group's Finance and Liquidity Committee is responsible for directing and coordinating the overall process of managing the Group's proprietary finance thereby ensuring that the management strategies of the various business units are consistent.

The Group's Trading Book is subject to daily monitoring and reporting by the Risk Management Area of the Parent Company on the basis of proprietary systems. VaR for management purposes is calculated separately from the operating units, using the internal risk measurement model implemented by the Risk Management function in keeping with international best practices. However, the Group uses the standardised methodology in the area of market risks solely for reporting purposes.

Operating limits to trading activities, which are established by the Board of Directors of the Parent Company, are expressed by level of delegated authority in terms of VaR, which is diversified by risk factors and portfolios, monthly and annual stop losses and Stress. Furthermore, the trading book's credit risk, in addition to being included in VaR computations and in the respective limits for the credit spread risk component, is also subject to specific operating limits for issuer and bond concentration risk which specify maximum notional amounts by type of guarantor and rating class.

VaR is calculated with a 99% confidence interval and a holding period of 1 business day. The Group adopts the method of historical simulation with daily full revaluation of all basic positions, out of 500 historical entries of risk factors (lookback period) with daily scrolling. The VaR calculated in this manner takes account of all diversification effects of risk factors, portfolios and types of instruments traded. It is not necessary to assume, a priori, any functional form in the distribution of asset returns, and the correlations of different financial instruments are implicitly captured by the VaR model on the basis of the combined time trend of risk factors.

From the point of view of methodological adjustment, in the last quarter of 2014 the commodity risk factor was introduced in the internal management model: this completes the representation of risk in the Group's financial portfolios.

The management reporting flow on market risks is periodically transmitted to the Risk Committee, the Group's Top Management and the Board of Directors of the Parent Company in a Risk Management Report, which keeps Executive Management and governing bodies up to date on the overall risk profile of the Group.

The macro-categories of risk factors covered by the Internal Market Risk Model are IR, EQ, CO, FX and CS as described below:

- IR: interest rates on all relevant curves, inflation curves and related volatilities;
- EQ: share prices, indexes, baskets and relative volatilities;
- CO: commodity prices, indexes and baskets;
- FX: exchange rates and related volatilities;
- CS: credit spread levels.

VaR (or diversified or net VaR) is calculated and broken down daily for internal management purposes, even with respect to other dimensions of analysis:

- organisational/management analysis of portfolios,
- analysis by financial instrument,

- analysis by risk family.

It is then possible to assess VaR along each combination of these dimensions in order to facilitate highly detailed analyses of events characterising the portfolios.

In particular, with reference to risk factors the following are identified: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Commodity VaR (CO VaR), Forex VaR (FX VaR) and Credit Spread VaR (CS VaR). The algebraic sum of these items gives the so-called Gross VaR (or non-diversified VaR), which, when compared with diversified VaR, makes it possible to quantify the benefit of diversifying risk factors resulting from holding portfolios on asset class and risk factor allocations which are not perfectly correlated. This information can also be analysed along all the dimensions referenced above.

The model enables the production of diversified VaR metrics for the entire Group in order to get an integrated overview of all the effects of diversification that can be generated among the various banks on account of the specific joint positioning of the various business units.

Moreover, scenario and stress-test analyses are regularly conducted on various risk factors with different degrees of granularity across the entire tree structure of the Group's portfolios and for all categories of instruments analysed.

Stress tests are used to assess the bank's capacity to absorb large potential losses in extreme market situations, so as to identify the measures necessary to reduce the risk profile and preserve assets.

Stress tests are developed on the basis of discretionary and trend-based scenarios. Trend-based scenarios are defined on the basis of previously-registered real situations of market disruption. Such scenarios are identified based on a time frame in which risk factors were subjected to stress. No particular assumptions are required with regard to the correlation among risk factors since trend-based data for the stress period identified has been measured.

Stress tests based upon discretionary scenarios assume extreme changes occurring to certain market parameters (interest rates, exchange rates, stock indices, credit spreads and volatility) and measure the corresponding impact on the value of portfolios, regardless of their actual occurrence in the past. Simple discretionary scenarios are currently being developed (variation of a single risk factor) as are multiple ones (variation of several risk factors simultaneously). Simple discretionary scenarios are calibrated to independently deal with one category of risk factors at a time, assuming shocks do not spread to the other factors. Multiple discretionary scenarios, on the other hand, aim to assess the impact of global shocks that simultaneously affect all types of risk factors.

It should be noted that the VaR methodology described above is, for operational purposes, also applied to the portion of the Banking Book consisting of financial instruments that are similar to trading instruments (eg. AFS bonds/Equity instruments). The measurements and charts below refer to the Regulatory Trading Portfolio only.

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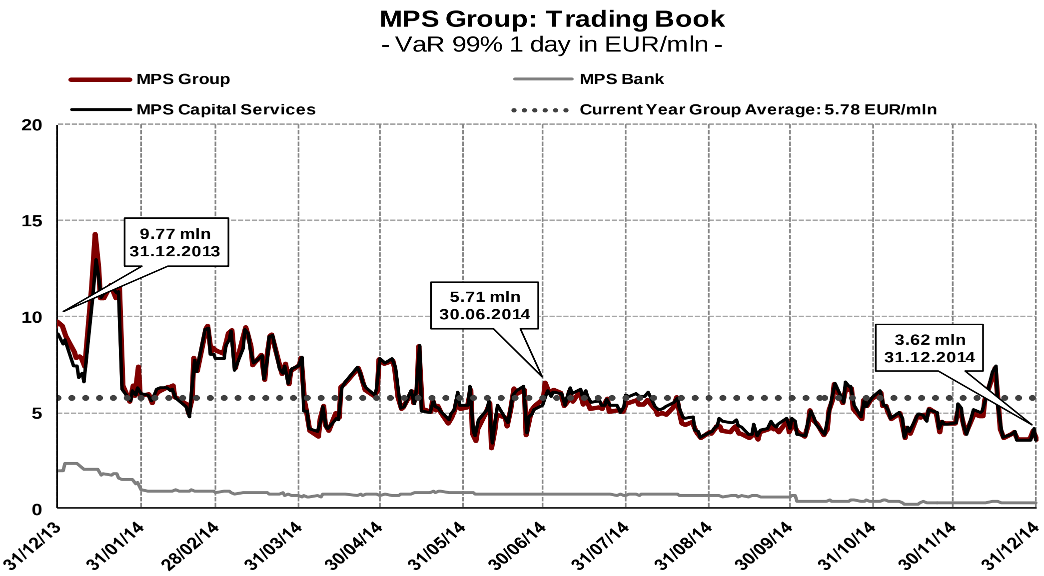
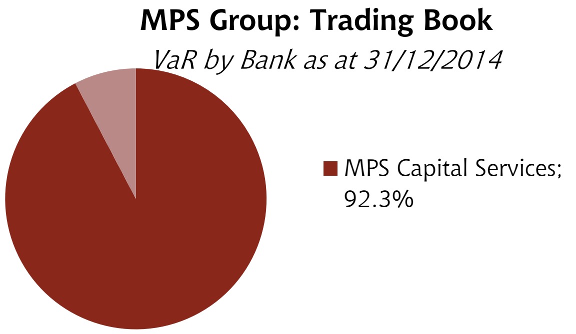
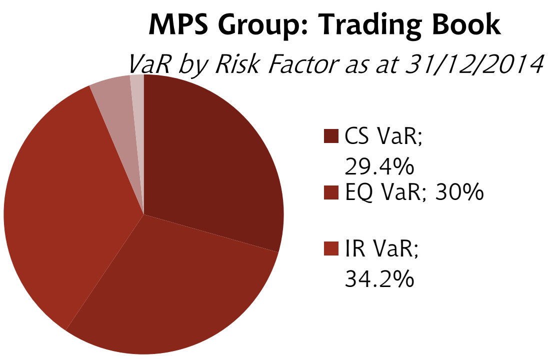
During 2014, market risks in the Group's Regulatory Trading Book in terms of VaR showed a decreasing trend in volatility and absolute risk level compared to the previous year. VaR variability was affected primarily by the IR segment of the subsidiary MPSCS due to its trading activities, mostly in Long Futures and Interest Rate Future Options and by activities associated with MPSCS structuring and hedging of policies, also MPSCS.





With regard to legal entities, the Group's market risks are concentrated on MPSCS (92.3%), followed by the Parent Company (7.7%).



A breakdown of VaR by risk factors as at 31.12.2014 shows that approx. 29.4% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 30.0% was absorbed by equity risk factors (EQ VaR), 34.2% was absorbed by interest rate risk factors (IR VaR) and the remaining 4.8% by foreign exchange risk factors (FX VaR). Commodity risk factors (CO VaR) have a marginal incidence of 1.6% of the total VaR.

MPS Group: Trading Book VaR 99% 1 day in EUR/mln

	VaR	Date
End of Period	3.62	31/12/2014
Min	3.18	11/06/2014
Max	14.33	14/01/2014
Average	5.78	

During 2014, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 3.18 mln recorded on 11.06.2014 and a high of EUR 14.33 mln on 14.01.2014 with an average value registered of EUR 5.78 mln. The Group's VaR stood at EUR 3.62 mln as at 31.12.2014.

VaR model backtesting

The Group has implemented a backtesting procedure compliant with current regulations governing Market Risk as part of its own risk management system.

Backtesting refers to a series of tests conducted on VaR model results against day-to-day changes in the trading book value, with a view to assessing the model's forecasting capacity as regards the accuracy of risk metrics generated. If the model is robust, by periodically comparing the estimated daily VaR against daily trading losses from the previous day, the result should be that actual losses greater than the VaR occur with a frequency consistent with that defined by the confidence level.

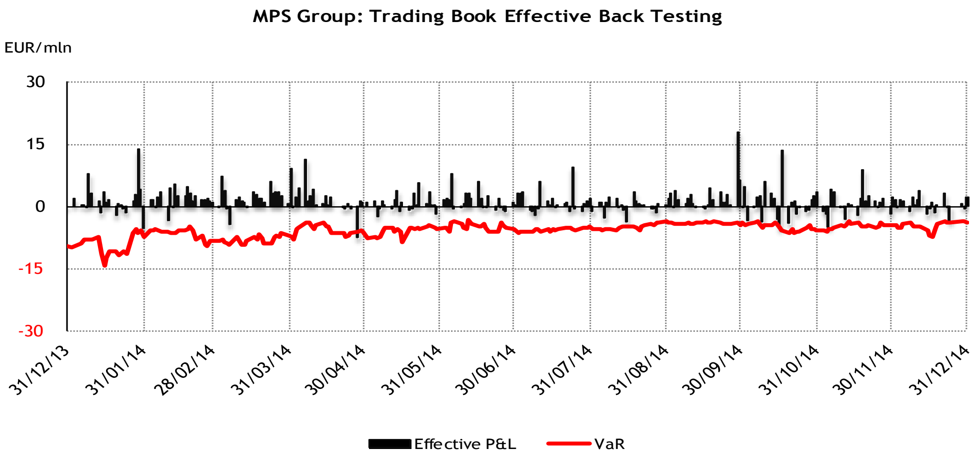
Based on supervisory instructions (Bank of Italy Circular 263/06, as amended), the Risk Management Area considered it appropriate to apply the theoretical and actual backtesting methods and integrate these into the Group's management reporting system.

The first type of test (**theoretical backtesting**) has a stronger statistical significance in reference to measuring the accuracy of the VaR model ("uncontaminated test").

The second type of test (**actual backtesting**) meets the need for verifying the VaR model's forecasting reliability in reference to actual Bank operations (daily trading P&L) less the effect of any interest accrued between trading days t-1 and t on the securities and less the effect of fees and commissions.

These "clean" P&L results (the "actual P&L") are compared with the previous trading day VaR. If the losses are greater than those forecast by the model an "exception" is recorded.

The chart below shows the Actual Backtesting results of the internal Market Risks model in relation to the Group's Regulatory Trading Book for 2014:



The backtesting shows only one exception during the year on the Group trading book, details of which are as follows:

- 16/10/2014: a negative day for the market (BTP-Bund spread +9 bps; EUR Swap 10y + 11bp) with significant effects on the trading book of the subsidiary MPS Capital Services.

Qualitative information

A. General

Each bank of the MPS Group which is relevant as a market risk-taking centre contributes to the generation of interest rate risk and price risk in the overall Trading Book.

A.1 Interest rate risk

With reference specifically to the Parent Company, the Finance, Treasury & Capital Management Area (FTCMA) within the CFO division is the Business Area in charge of trading. The Global Markets Division carries out trading activities for MPSCS.

The FTCMA manages a proprietary portfolio which takes trading positions on interest rates and credit. In general, interest rate positions are taken by purchasing or selling bonds, and by creating positions in listed derivatives (futures) and OTCs (IRS, swaptions). Trading is carried out exclusively on the Bank's own behalf, with objectives of absolute return, in compliance with the delegated limits of monthly and yearly VaR and Stop Loss.

In particular, the FTCMA operates in the short-term portion of the main interest rate curves, mostly through bonds and listed derivatives.

With regard to credit risk in the trading book, the equity positions are generally managed through the purchase or sale of bonds issued by companies or by creating synthetic positions in derivatives. The activity is oriented to achieving a long or short position on individual issuers, or a long or short exposure on specific commodities. The activity is carried out solely on the Bank's own behalf with objectives of absolute return and in compliance with other specific issuer and concentration risk limits approved by the Board of Directors.

A.2 Price risk

The Business Area in charge of the Parent Bank's trading activity with respect to price risk is the FTCMA which manages a proprietary portfolio and takes trading positions on equities, Stock Exchange indexes and commodities. In general, positions on equity securities are taken both through the purchase/sale of equities and through the positions created in listed derivatives (e.g. futures) and OTC (e.g. options). Trading is carried out exclusively on the Bank's own behalf, with objectives of absolute return, in compliance with the delegated limits of monthly and yearly VaR and Stop Loss. Similarly, the Global Markets Division carries out trading activities for MPSCS.

B. Interest rate and price risk: operational procedures and measurement methods

With regard to the market risk management process concerning the management and methods for measuring interest rate and price risk, see the above paragraph entitled "Market risk management model for the trading book".

Quantitative Information

1. Regulatory trading book: breakdown of balance sheet assets/liabilities and financial derivatives by residual life (repricing date)

This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

2. Regulatory trading book: breakdown of exposures in equity instruments and stock indices by major countries of the listing market

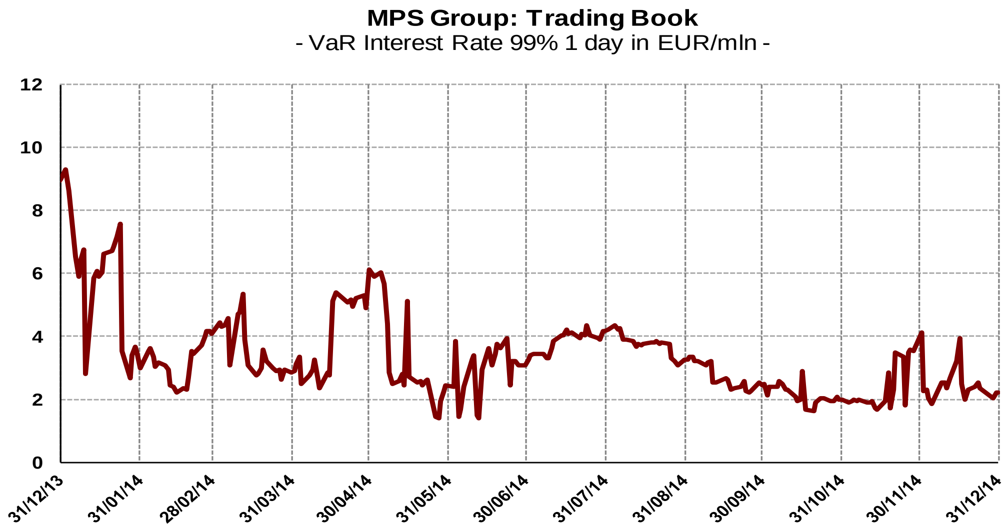
This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

3. Regulatory trading book: internal models and other sensitivity analysis methods

The rate and price risk of the Trading Book is monitored in terms of VaR and scenario analysis.

3.1 Interest rate risk

Each business unit within the Group operates independently on the basis of the objectives and powers it has been assigned. The positions are managed by special desks provided with specific operational limits. Each desk adopts an integrated risk management approach (covering more than rate risk, when allowed) in order to benefit from the natural hedge resulting from simultaneously holding positions on risk factors that are not perfectly correlated. The VaR by risk factor (specifically, Interest Rate VaR) has operational relevance for the purpose of risk management analyses, even though it is the global VaR diversified among risk factors and portfolios that is used by the operating units. Below is information on the Group's diversified Interest Rate VaR:



The trend in Interest Rate VaR in 2014 was influenced by the trading activities of the subsidiary MPSCS, primarily in long futures and interest rate future options, activities by MPSCS relating to the structuring and hedging of policies, and partly by rate reductions recorded during the year.

MPS Group: Trading Book
VaR Interest Rate 99% 1 day in EUR/mln

	VaR	Date
End of Period	2.22	31/12/2014
Min	1.39	12/06/2014
Max	9.29	02/01/2014
Average	3.31	

Simulations include the following interest rate risk scenarios:

- +100 bp parallel shift for all interest rate and inflation curves,
- -100 bp parallel shift for all interest rate and inflation curves,
- +1% parallel shift for all surfaces of volatility of all interest rate curves.

All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	(1.88)
Interest Rate	-100bp all Interest Rate Curves	(64.99)
Interest Rate	+1% all Interest Rate Volatility	0.02

The asymmetry in the interest rate scenarios +100 bp and -100 bp is due mainly to the effect of the floor applied to the curves owing to the low level in interest rates reached in the Euro area around the end of the year.

To complete the interest rate risk analysis, details are also provided on the credit spread risk of the Group's Trading Book associated with the volatility of issuers' credit spreads. The VaR by risk factor (specifically, Credit Spread VaR) has operational relevance for the purpose of risk management analyses, even though it is the overall VaR diversified among all risk factors and portfolios that is used by the operating units.

During 2014, the trend in Credit Spread VaR was largely influenced by the trading activities of the subsidiary MPSCS in long futures and interest rate future options.

MPS Group: Trading Book
VaR Credit Spread 99% 1 day in EUR/mln

	VaR	Date
End of Period	1.91	31/12/2014
Min	1.18	26/08/2014
Max	8.00	14/01/2014
Average	3.32	

For the purposes of sensitivity analysis, the simulation scenario is as follows:
- +1 bp parallel shift for all credit spreads.

All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

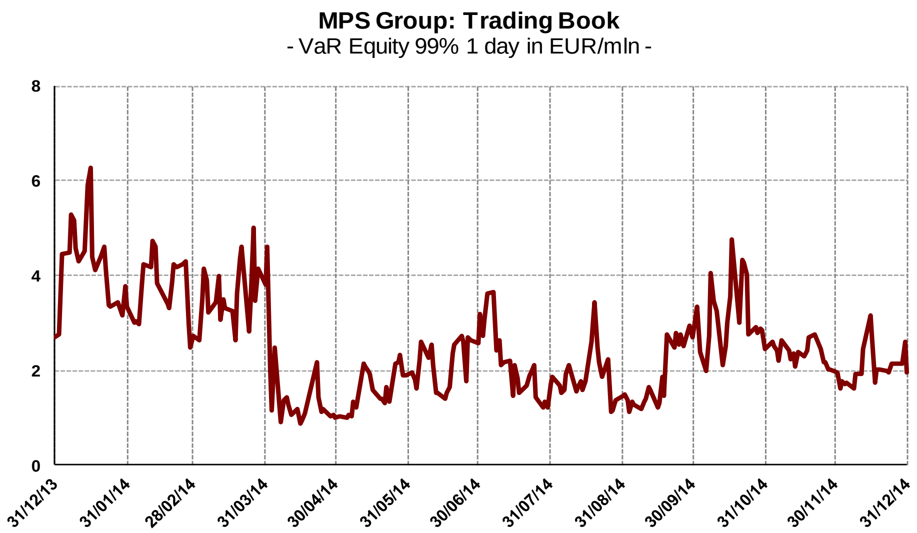
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	(0.77)

3.2 Price risk

Each business unit within the Group operates independently on the basis of the objectives and powers it has been assigned. The positions are managed by special desks provided with specific operational limits. Each desk adopts an integrated risk management approach (with scope exceeding price risk, when allowed) in order to benefit from the natural hedge resulting from simultaneously holding positions on risk factors that are not perfectly correlated. The VaR by risk factor (specifically, Equity VaR) has management relevance for the purpose of risk management analyses, even though it is the global VaR diversified among risk factors and portfolios that is used by the operating units. The Commodity VaR, introduced during the fourth quarter, had a marginal impact on the total VaR, as exposure to the commodity risk, concentrated on the subsidiary MPSCS, is substantially covered. Below is information on the Group's diversified Equity VaR.



In 2014 the Equity VaR was influenced by activities related to the structuring and coverage of policies and other structured products of the subsidiary MPSCS, and in part by the trading activity, also of MPSCS, mostly on options and futures with key market indexes as underlying.

MPS Group: Trading Book

VaR Equity 99% 1 day in EUR/mln

	VaR	Date
End of Period	1.95	31/12/2014
Min	0.89	15/04/2014
Max	6.29	15/01/2014
Average	2.52	

The simulated price scenarios are as follows:

- +1% of each equity, commodity, index or basket price,
- -1% of each equity, commodity, index or basket price,
- +1% of all volatility surfaces of all equity and commodity risk factors.

All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	0.59
Equity	-1% Equity Prices (prices, indices, basket)	(0.64)
Equity	+1% Equity Volatility	(0.02)

Details on the Commodity risk of the Group's Trading Portfolio are not provided as this risk is virtually non-existent.

1.2.2 Interest rate and price risk - banking book

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

A.1 Interest rate risk

In accordance with international best practices, the Banking Book refers to all of the commercial operations of the Bank in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches and hedging derivatives of reference. The definition of the scope of the Banking Book and the ALM centralisation process are set out in a resolution by the Board of Directors of the Parent Company in compliance with the framework described in the regulatory provisions (Bank of Italy Circ. 285). The framework sets the rules for the centralisation of Asset & Liability Management under the Parent Company's Finance, Treasury and Capital Management Area (FTCMA) and the definition and monitoring of operating limits for interest rate risk in the Group's Banking Book. The Banking Book also includes bond receivables held for investment purposes, classified as either AFS or L&R.

The operational and strategic choices for the Banking Book, adopted by the Finance and Liquidity Committee and monitored by the Risk Committee of the Parent Company, are based first on exposure to interest rate risk for a variation in the economic value of the assets and liabilities of the Banking Book by applying a parallel shift of 25 bps, 100 bps and 200 bps, the latter in accordance with the requirements set out in the "second pillar" of the Basel Accord.

Risk metrics for the Group's retail banks are calculated by using, among other things, a model for the valuation of demand items or core deposits, whose characteristics of stability and partial insensitivity to interest rate changes are described in the systems with a statistical/predictive model (replicating portfolio), which takes into consideration an extensive time series of past customer behaviours. In addition, the Montepaschi Group's ALM model includes, within rate risk measurements, a behavioural model which takes into account the aspect of mortgage prepayment (so-called prepayment risk).

The Montepaschi Group is committed to the continual updating of risk measurement methodologies by gradually fine-tuning the estimation models so as to include all major factors that progressively modify the interest rate risk profile of the banking book.

The Group adopts an interest rate risk governance and management system which,in accordance with the provisions of the Supervisory Authority, avails itself of:

- a quantitative model, which provides the basis for calculation of risk indicators for the interest rate risk exposure of the Group and Group companies/entities;
- risk monitoring processes, aimed at verifying compliance with the operational limits assigned to the Group overall and to the individual business units;
- risk control and management processes, geared toward bringing about adequate initiatives for optimising the risk profile and activating any necessary corrective actions.

Within the above system, the following responsibilities are centralised in the Parent Bank:

- definition of policies for managing the Group's Banking Book and controlling its interest rate risk;
- coordination of Group policies' implementation by the companies included in the scope;
- governance of the Group’s short-, medium- and long-term rate risk position, both overall and at individual company level, through centralised operational management.

In its governance function, the Parent Bank therefore defines criteria, policies, responsibilities, processes, limits and instruments for rate risk management.

The Group Companies included in the scope of application are responsible for abiding by the rate risk policies and limits defined by the Parent Bank and the capital requirements set by the relevant Supervisory Authorities.

Within the model defined, the Finance, Treasury and Capital Management Area of the Parent Company is responsible for the operational management of the Group’s overall rate and liquidity risk.

Specifically, within the FTCM Area, the Group Treasury Service manages the short-term rate risk and liquidity risk for the Group. In addition, the Area carries out hedge monitoring and management activities consistent with accounting policies, involving centralised oversight for definition of the network's internal rates (BMPS and other Group companies) for Euro and foreign currency transactions with maturities beyond the short term.

The Group - and within it therefore the Parent Company - uses IAS compliant hedges for interest rate risk management. The main types of hedging used include:

- Micro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans), securities and bonds held;
- Macro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans);
- Micro Cash Flow Hedges: hedging of floating-rate deposits.

In addition to the above, the Group and, and within it therefore the Parent Company, uses the Fair Value Option for some types of business activities. In particular, the Fair Value Option was used for (structured and fixed rate) debt securities having the following characteristics:

- risk of fair value changes has been hedged upon issuance, with the intention of maintaining the hedge for the contractual duration and entire amount of the hedged position;
- normally for issuances in which the Group has committed to buyback at issuance spread.

A.2 Price risk

The price risk in the MPS Group's Banking Book is measured in relation to equity positions mostly held for strategic or institutional/instrumental purposes. For such purposes, the portfolio is primarily made up of equity investments, alternative funds (hedge funds) and AFS securities. Trading in UCITS is carried out exclusively through the direct purchase of the funds/SICAVs, with no use being made of derivative contracts.

The instrument used to measure the price risk of the equity investments portfolio is Value-at-Risk (VaR), which represents the loss that the portfolio in question, valued at Fair Value, could experience in the time frame of one quarter (holding period), considering a confidence interval of 99%. The VaR model used (unlike the one used for the Trading Book) is a simulation model which uses the Monte Carlo approach, based on series of market yields for listed companies and time series of sector-based indices for unlisted ones.

Moreover, the above-mentioned model makes it possible to measure the marginal risk contribution of each equity investment and to disaggregate the measurement made from the Group's perspective with respect to the investment stakes held by each Legal Entity.

Stress tests are conducted regularly as part of price risk governance strategies for the banking book. Stress tests consist in generating Monte Carlo scenarios in order to assess the Group's ability to absorb potential losses resulting from extreme events.

With reference to the alternative funds component, the internal measurement system uses one of the metrics from the Supervisory approach for the determination of the Economic Capital.

The internal measurement system is independently developed by the Risk Management Area of the Parent Company, which periodically reports on the extent of portfolio risks and their changes over time. The results are regularly brought to the attention of the Parent Company's Risk Committee and governing bodies.

B. Fair value hedging

C. Cash-flow hedging

The Montepaschi Group - and within it therefore Banca MPS- uses IAS compliant hedges for interest rate risk management. The main types of hedging used include:

- Micro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans), securities and bonds held;
- Macro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans);
- Micro Cash Flow Hedges: hedging of floating-rate deposits.

In addition to the above, the Montepaschi Group and within it therefore Banca MPS, uses the Fair Value Option for some types of business activities. In particular, the Fair Value Option was used for (structured and fixed rate) debt securities having the following characteristics:

- risk of fair value changes has been hedged upon issuance, with the intention of maintaining the hedge for the contractual duration and entire amount of the hedged position;
- normally for issuances in which the Group has committed to buyback at issuance spread.

Quantitative Information

1. Banking book: breakdown of financial assets and liabilities by residual life (repricing date)

This table has not been prepared since an analysis of the banking book's sensitivity to interest-rate risk and price risk is produced based on internal models.

2. Banking book: internal models and other sensitivity analysis methods

2.1 Interest rate risk

The sensitivity of the Group, at the end of 2014, was indicative of exposure to rate hike risk. The amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to -EUR 774.7 mln at the end of 2014 (vs. EUR 601.7 mln for a shift of -100 bp). However, if benchmarked against Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

The internal measurement system is independently developed by the Risk Management Area of the Parent Company, which periodically reports on the extent of portfolio risks and their changes over time. The results are regularly brought to the attention of the Parent Company's Risk Committee and governing bodies.

2.2 Price risk

The Group's equity investment portfolio includes approximately 210 equity investments in companies outside the Group, i.e., companies that are not consolidated either fully or proportionally. Approximately 88% of its value is concentrated in 10 investments, while the unit value of the remaining investments is rather limited (approximately 169 equity investments, valued at less than EUR 1 mln and accounting for around 2% of the overall portfolio).

The VaR of the Group's equity investment portfolio (99% and a holding period of 1 quarter) amounted at year-end to approximately 20% of the portfolio Fair Value, with risk concentrated in the 5 most significant investments.

Shown below is a scenario analysis which includes all equity investments, hedge funds and other directional positions assumed, based on instructions by the Board of Directors or including those that operationally fall under the Banking Book of the Parent Bank's Finance, Treasury and Capital Management Area (e.g. AFS securities) and which are not included in the previously-reported scenario analyses for price risk in the Trading Book.

MPS Group: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	11.71
Equity	-1% Equity Prices (prices, indices, basket)	-11.71
Equity	+1% Equity Volatility	0.00

The impact of the equity investments portfolio on the scenario analysis total is approximately 78%.

1.2.3 Foreign exchange risk

Qualitative information

A. General information, operational processes and measurement methods

Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the franchise and the retail banks which automatically feed into the Group's position.

Trading is mainly carried out by the Group Treasury Service of the Finance, Treasury & Capital Management Area of the Parent Company; trading in the FX options segment is carried out by MPSCS, with active management of foreign exchange risk. The foreign branches of the Parent Company maintained modest forex positions exclusively originated by funds available for commercial purposes. The turnover in cash allocated to Group portfolios and OTC derivatives for MPSCS remained stable in terms of risk, with ongoing and careful use of delegated powers. Foreign currency equity investments are typically financed by funds denominated in the same currency, with no assumption of foreign exchange risk.

For a description of stress tests used in the risk governance strategy on exchange rates and the model applied, please refer to the section "Market risk management model for the Trading Book".

B. Hedging of exchange rate risk

Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the franchise and the retail banks which automatically feed into the Group's position.

Trading is mainly carried out by the Group Treasury Service of the Finance, Treasury & Capital Management Area of the Parent Company; trading in the FX options segment is carried out by MPSCS, with active management of foreign exchange risk. The foreign branches of the Parent Company maintained modest forex positions exclusively originated by funds available for commercial purposes. The turnover in cash allocated to Group portfolios and OTC derivatives for MPSCS remained stable in terms of risk, with ongoing and careful use of delegated powers. Foreign currency equity investments are typically financed by funds denominated in the same currency, with no assumption of foreign exchange risk.

For a description of stress tests used in the risk governance strategy on exchange rates and the model applied, please refer to the section "Market risk management model for the Trading Book".

Quantitative Information

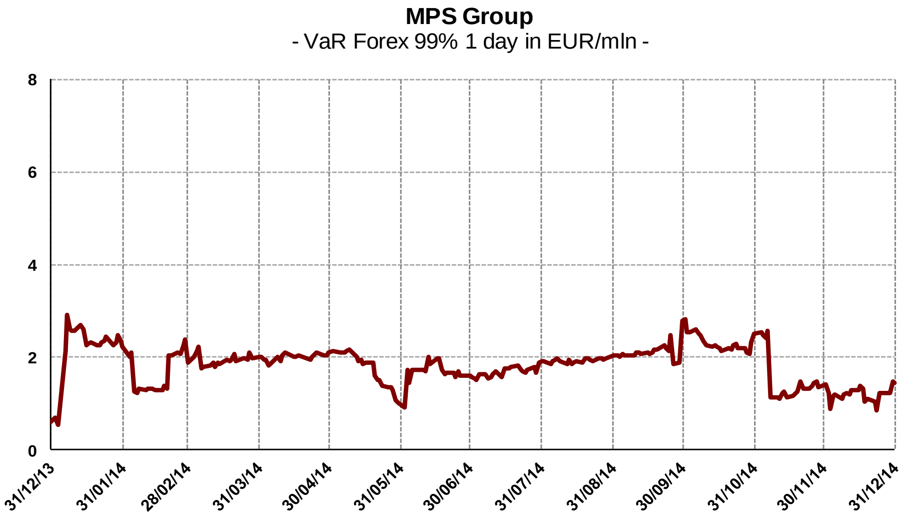
1. Breakdown by currency of assets, liabilities and derivatives

31 12 2014

Items	Currencies					
	US dollar	Pound sterling	Swiss Franc	Yuan Renminbi	Hong Kong dollar	Other currencies
A. Financial assets	**2,348,366**	**53,861**	**74,965**	**24,564**	**61,499**	**37,246**
A.1 Debt securities	363,045	2,140	-	-	26,547	388
A.2 Equity securities	10,558	1	535	-	360	43
A.3 Loans to banks	316,309	14,966	39,504	12,217	1,640	12,193
A.4 Loans to customers	1,658,454	36,754	34,926	12,347	32,952	24,622
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**61,010**	**5,122**	**2,863**	**525**	**472**	**2,159**
C. Financial liabilities	**924,622**	**204,239**	**14,028**	**16,591**	**1,373**	**26,482**
C.1 Deposits from banks	225,898	74,278	1,507	13,461	-	8,081
C.2 Customer accounts	588,598	51,524	12,521	3,130	1,373	18,401
C.3 Debt securities	110,126	78,437	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**26,344**	**1,993**	**1,400**	**-**	**629**	**2,813**
E. Financial derivatives						
- Options						
+ Long positions	416,517	54,679	4,989	-	-	107,948
+ Short positions	620,679	34,827	62,643	7,249	-	311,530
- Other						
+ Long positions	3,021,839	231,193	44,867	342,850	734	344,118
+ Short positions	4,934,643	188,254	73,134	335,009	58,664	242,886
Total assets	**5,847,732**	**344,855**	**127,684**	**367,939**	**62,705**	**491,471**
Total liabilities	**6,506,288**	**429,313**	**151,205**	**358,849**	**60,666**	**583,711**
Difference (+/-)	**(658,556)**	**(84,458)**	**(23,521)**	**9,090**	**2,039**	**(92,240)**

2. Internal models and other sensitivity analysis methods

Exchange risk is monitored in terms of VaR and scenario analysis (for the methodology see the paragraph "Market Risk Management Model for the Trading Book"). Shown below is information concerning the Group's diversified Forex VaR.



MPS Group
VaR Forex 99% 1 day in EUR/mln

	VaR	Date
End of Period	1.44	31/12/2014
Min	0.53	03/01/2014
Max	2.92	07/01/2014
Average	1.85	

The following scenarios were used for foreign exchange rate simulations:

- +1% for all foreign exchange rates to the Euro,
- -1% for all foreign exchange rates to the Euro,
- +1% for all volatility surfaces of all foreign exchange rates.

The impact on total banking income and profit/loss for the year was estimated taking account only of HFT positions, with market value changes posted directly to Profit and Loss. The effect on equity, instead, is estimated with reference to all positions classified as AFS and related Fair Value Hedges (FVH). The total effect is the result of the algebraic sum of the two components. Below is a summary of the scenario analyses.

MPS Group

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	**Global Effect**
Forex	+1% Exchange rate against EUR	(0.28)	0.08	**(0.20)**
Forex	-1% Exchange rate against EUR	0.38	(0.08)	**0.30**
Forex	+1% Forex Volatility	0	0	**0.00**

1.2.4 Derivatives

A. Financial derivatives

In the following tables, a distinction is drawn between derivatives classified in the regulatory Trading Book and derivatives included in the Banking Book, in accordance with Bank of Italy regulations for Prudential Supervision. This differs from a IAS-based classification for financial statement purposes, which distinguishes between trading derivatives and hedge accounting derivatives.

Regulatory classification is fundamental in order to more accurately discern between instruments intended for trading - and thus for generating absorption of capital for market risk - and those intended for other purposes which fall within the framework of credit risk absorption.

For the Parent Company, derivatives included in the Regulatory Trading Book correspond to those present in the regular balance-sheet trading book, with the exception of derivatives connected to instruments for which the fair value option was adopted, which are intended to hedge against market risks on fair-valued deposits and derivatives separated from or operationally connected to other financial instruments in the Banking Book.

A.1 Regulatory trading book: end of period and average notional amounts

Underlying asset/Type of derivative	Total 31 12 2014		Total 31 12 2013	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rate	**124,834,500**	**509,208**	**153,594,545**	**104,045,936**
a) Options	24,702,355	-	58,148,082	26,935,082
b) Swaps	99,840,591	-	95,446,463	76,022,525
c) Forward	291,554	-	-	-
d) Futures	-	509,208	-	1,088,329
e) Other	-	-	-	-
2. Equity securities and stock indices	**13,648,794**	**6,944,879**	**12,432,887**	**8,735,677**
a) Options	13,192,890	5,172,659	11,624,795	6,708,083
b) Swaps	455,904	-	808,092	-
c) Forward	-	-	-	-
d) Futures	-	1,772,220	-	2,027,594
e) Other	-	-	-	-
3. Exchange rates and gold	**7,349,652**	**-**	**6,268,169**	**11,752**
a) Options	1,612,993	-	2,265,451	-
b) Swaps	1,671,795	-	1,091,334	-
c) Forward	4,064,864	-	2,911,384	-
d) Futures	-	-	-	11,752
e) Other	-	-	-	-
4. Commodities	**500,110**	**381,846**	**207,009**	**330,142**
5.Other underlying	**-**	**-**	**-**	**-**
Total	**144,035,666**	**7,835,933**	**172,502,610**	**113,123,507**
Average amounts	**225,266,467**	**2,311,768**	**207,319,479**	**129,686,814**

A.2 Banking book: end of period and average notional amounts

A.2.1 Hedging derivatives

Underlying asset/Type of derivative	Total 31 12 2014		Total 31 12 2013	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rate	**27,539,740**	**-**	**29,607,033**	**-**
a) Options	1,426,722	-	1,487,544	-
b) Swaps	26,113,018	-	28,119,489	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**36,678**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	36,678
e) Other	-	-	-	-
3. Exchange rates and gold	**501,170**	**-**	**706,078**	**-**
a) Options	-	-	-	-
b) Swaps	501,170	-	706,078	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**28,040,910**	**-**	**30,313,111**	**36,678**
Average amounts	**31,516,956**	**-**	**29,466,436**	**1,071**

A.2.2 Other derivatives

Underlying asset/Type of derivative	Total 31 12 2014		Total 31 12 2013	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rate	**2,135,830**	**-**	**2,337,878**	**-**
2.1 Issuances	157,000	-	157,000	-
b) Swaps	1,978,830	-	2,180,878	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**544,657**	**-**	**552,037**	**-**
a) Options	544,471	-	546,549	-
b) Swaps	186	-	5,488	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**2,680,487**	**-**	**2,889,915**	**-**
Average amounts	**11,618,518**	**-**	**19,648,244**	**-**

A.3 Financial derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair value			
	Total 31 12 2014		Total 31 12 2013	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	**6,679,327**	**281,562**	**7,269,505**	**679,838**
a) Options	854,840	279,980	1,264,062	233,045
b) Interest rate swaps	5,602,662	-	5,888,509	446,230
c) Cross currency swaps	74,602	-	33,367	-
d) Equity swaps	15,623	-	24,254	-
e) Forward	104,184	-	33,781	-
d) Futures	-	1,582	-	563
g) Other	27,416	-	25,532	-
B. Banking book - Hedging	**606,032**	**-**	**385,335**	**-**
a) Options	-	-	-	-
b) Interest rate swaps	602,777	-	336,921	-
c) Cross currency swaps	3,255	-	48,414	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**154,580**	**-**	**157,053**	**-**
a) Options	27,554	-	24,938	-
b) Interest rate swaps	127,026	-	132,115	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**7,439,939**	**281,562**	**7,811,893**	**679,838**

A.4 Financial derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative fair value			
	Total 31 12 2014		Total 31 12 2013	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**4,833,257**	**149,317**	**5,303,662**	**639,329**
a) Options	1,030,972	147,932	1,512,026	181,796
b) Interest rate swaps	3,604,540	-	3,707,029	457,363
c) Cross currency swaps	50,772	-	31,321	-
d) Equity swaps	14,245	-	10,825	-
e) Forward	106,596	-	13,952	-
d) Futures	-	1,385	-	170
g) Other	26,132	-	28,509	-
B. Banking book - Hedging	**3,983,114**	**-**	**2,918,827**	**-**
a) Options	106,390	-	47,872	-
b) Interest rate swaps	3,843,030	-	2,839,385	-
c) Cross currency swaps	33,694	-	31,570	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**159,831**	**-**	**193,357**	**-**
a) Options	21,201	-	18,945	-
b) Interest rate swaps	138,447	-	173,971	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	183	-	441	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**8,976,202**	**149,317**	**8,415,846**	**639,329**

A.5 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

31 12 2014

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial Companies	Insurance Companies	Non financial companies	Other entities
1. Debt securities and interest rates							
- notional value	-	287,782	1,408,825	652,700	-	9,092,842	465,995
- positive fair value	-	25,987	47,257	15,453	-	500,155	5,587
- negative fair value	-	197	40,852	659	-	16,772	991
- future exposure	-	1,685	1,227	1,505	-	45,254	297
2. Equity securities and stock indices							
- notional value	91	25	34,118	21,488	317,351	-	-
- positive fair value	67	-	33,235	21,934	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	9	2	2,495	1,503	-	-	-
3. Exchange rates and gold							
- notional value	11,958	-	1,273,088	168,292	-	1,893,033	69,278
- positive fair value	180	-	20,149	527	-	30,274	300
- negative fair value	-	-	5,626	16,710	-	53,439	893
- future exposure	118	-	11,849	1,677	-	16,895	185
4. Other underlying							
- notional value	-	-	-	-	-	200,672	-
- positive fair value	-	-	-	-	-	18,658	-
- negative fair value	-	-	-	-	-	4,485	-
- future exposure	-	-	-	-	-	18,511	-

A.6 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts subject to netting agreements

31 12 2014

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rates							
- notional value	-	-	62,235,695	47,988,518	2,702,142	-	-
- positive fair value	-	-	2,947,559	2,070,626	207,251	-	-
- negative fair value	-	-	2,734,361	1,003,075	44,301	-	-
2. Equity securities and stock indices							
- notional value	-	-	7,132,400	4,659,425	1,483,897	-	-
- positive fair value	-	-	480,003	113,874	1,892	-	-
- negative fair value	-	-	233,724	315,314	250,924	-	-
3. Exchange rates and gold							
- notional value	-	-	3,322,621	611,381	-	-	-
- positive fair value	-	-	106,550	21,846	-	-	-
- negative fair value	-	-	79,154	9,661	-	-	-
4. Other underlying							
- notional value	-	-	175,512	123,926	-	-	-
- positive fair value	-	-	6,634	3,329	-	-	-
- negative fair value	-	-	12,528	9,592	-	-	-

A.7 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

31 12 2014

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rates							
- notional value	-	-	1,445,969	-	-	16,127	-
- positive fair value	-	-	-	-	-	497	-
- negative fair value	-	-	110,518	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equity securities and stock indices							
- notional value	-	-	-	-	72,408	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other underlying							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts subject to netting agreements

31 12 2014

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional amount	-	-	20,832,744	7,380,731	-	-	-
- positive fair value	-	-	696,122	39,423	-	-	-
- negative fair value	-	-	1,563,796	2,413,553	-	-	-
2) Equity securities and stock indices							
- notional amount	-	-	472,250	-	-	-	-
- positive fair value	-	-	21,314	-	-	-	-
- negative fair value	-	-	21,385	-	-	-	-
3) Exchange rates and gold							
- notional amount	-	-	501,170	-	-	-	-
- positive fair value	-	-	3,255	-	-	-	-
- negative fair value	-	-	33,694	-	-	-	-
4) Other amounts							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 OTC financial derivatives - residual life: notional amounts

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	**25,273,561**	**69,619,924**	**51,439,572**	**146,333,057**
A.1 Financial derivatives on debt securities and interest rates	17,047,550	61,628,278	46,158,673	124,834,501
A.2 Financial derivatives on equity securities and stock indices	2,737,432	6,321,013	4,590,349	13,648,794
A.3 Financial derivatives on exchange rates and gold	5,058,183	1,600,919	690,550	7,349,652
A.4 Financial derivatives on other underlying assets	430,396	69,714	-	500,110
B. Banking book	**5,936,393**	**13,169,838**	**11,615,166**	**30,721,397**
B.1 Financial derivatives on debt securities and interest rates	5,435,223	12,625,181	11,615,166	29,675,570
B.2 Financial derivatives on equity securities and stock indices	-	544,657	-	544,657
B.3 Financial derivatives on exchange rates and gold	501,170	-	-	501,170
B.4 Financial derivatives on other underlying assets	-	-	-	-
Total 31 12 2014	**31,209,954**	**82,789,762**	**63,054,738**	**177,054,454**
Total 31 12 2013	**42,554,408**	**95,204,741**	**67,946,486**	**205,705,635**

A.10 OTC financial derivatives: Counterparty risk/Financial risk – internal models

As at today, EPE models are not used for either internal operational or reporting purposes.

A.11 OTC derivatives traded with customers for hedging purposes

The Montepaschi Group's trading in OTC derivatives is exclusively intended to meet customers' hedging needs and is targeted at the Group's corporate customers classified as Retail clients or Professional/Qualified investors under the MiFID directive. Trading involving Public Institutions and Local Institutions is currently on hold, pending completion of the regulatory framework of reference.

In addition to being included in the afore-mentioned categories, target customers must qualify as having the required qualitative and quantitative standing in terms of business carried out, corporate structure, assets and creditworthiness.

As at today, the catalogue of OTC derivative products on offer includes approximately 100 products and strategies.

These products may be broken down into two main classes:

- derivatives for new hedges,
- debt-rescheduling hedges.

Each class is in turn subdivided into three sub-classes depending on the type of underlying assets:

- interest rate hedges;
- foreign exchange hedges;
- commodity hedges.

Each sub-class is then broken down into different types.

Among these products, the Parent Company's Risk Management function has identified a set of products classifiable as "plain vanilla" because of their basic structure, sensitivity to one risk factor and easy understandability. "Plain vanilla" products have been identified as the only type eligible for inclusion in the offer for Retail customers.

The residual class of Non Plain Vanilla products generally includes mixed, structured strategies showing more or less complex exotic features (e.g. digital payment profiles, barriers, etc.) or resulting from the combination of multiple basic financial components. This class of products is for Professional/Qualified investors.

Group trading in OTC derivatives is regulated according to the following main guidelines:

- trading in derivatives by customers is conditional upon ascertaining and monitoring that they are only used for hedging purposes. Three types of hedging relationships are possible:

    - <u>micro hedges:</u> ie. hedging of individual, well-defined items in the customer's assets and/or liabilities held with the Group or other intermediaries;
    - <u>macro hedges</u>: ie. hedging of a portfolio of assets and/or liabilities, or a part of it, held with the Group or other intermediaries;
    - <u>forward transaction hedges</u>: by way of example, hedging through OTC derivatives in which the underlying is an exchange rate against future settlement of specific business transactions;

        - customer trading shall not in any case have a leverage effect on hedged positions;
        - trading must occur in compliance with the requirement of appropriateness (to ensure the highest level of customer protection) and adequate financial advice;
        - trading under the appropriateness regime is only allowed as a marginal option for participation in tenders, for a subset of Corporate clients with proven high level of financial culture and for Financial Institutions. The execution of transactions qualifying as inappropriate is in any case prevented.

Trading in OTC derivatives involves, first of all, the assumption of market risk by the Group, defined as potential loss that may be incurred on positions held subsequent to unfavourable variations in specific market parameters. The main risk factors this type of trading is subject to include: interest rate, foreign exchange, market index, commodities and related volatility and correlations. At the same time, the Bank also takes on the risk that the counterparty of a derivative-based transaction is in default prior to settlement (counterparty risk).

Trading in derivatives with customers involves the centralisation of the product factory and market risk monitoring in MPSCS, whereas the allocation, management and monitoring of counterparty risk with customers lie with the Group's Retail Banks.

The estimation of counterparty risk on Over the Counter (OTC) derivatives with customers is based on the fair value determination of positions held.

OTC derivatives traded with customers are comprised in level 2 of the Fair Value Hierarchy on the basis of which fair value is calculated through proprietary valuation methods and assessment models fed with parameters available on the market. The models used are discussed among the Operating Units and specialised Risk Management and Quantitative Analysis functions and submitted for validation to the Parent Company's Risk Management function. These models are subject to periodic review so as to guarantee constant alignment between the model approach adopted and prevailing domestic and international best practices. Furthermore, the pricing models for OTC derivatives with customers are consistent with the methodological criteria used by the MPS Group for the valuation of its own positions.

Montepaschi Group customers holding positions in OTC derivatives numbered approximately 6,350 as at 31/12/2014.

The following table reports the fair value of positions in OTC derivatives for the Montepaschi Group, by type of products ("Plain Vanilla" / "Non Plain Vanilla").

OTC derivatives hedging with customers

Montepaschi Group - EUR/mln of 31 12 2014

Product	Net Fair Value	of which	
		Positive Fair Value	Negative Fair Value
Plain Vanilla	497.40	533.08	(35.68)
Non-plain Vanilla	45.49	89.51	(44.02)
Total	**542.89**	**622.59**	**(79.70)**

As at 31/12/2014 the net fair value of these products was, on the whole, positive for the Montepaschi Group, standing at approx. EUR 543 mln.

B. CREDIT DERIVATIVES:

B1. Credit derivatives: end of period and average notional amounts

Transaction categories	Regulatory trading book		Banking book	
	single name	with multiple counterparties (basket)	single name	with multiple counterparties (basket)
1. Purchases of protection				
a) Credit default products	8,523,274	4,550,845	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
Total 31 12 2014	**8,523,274**	**4,550,845**	**-**	**-**
Average amounts 31 12 2014	10,538,634	7,888,465	-	-
Total 31 12 2013	12,359,714	9,673,340	55,500	-
2. Sales of protection				
a) Credit default products	9,091,003	4,607,931	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	114,385	-	-	-
d) Others	-	-	-	-
Total 31 12 2014	**9,205,388**	**4,607,931**	**-**	**-**
Average amounts 31 12 2014	10,749,082	7,921,739	-	-
Total 31 12 2013	13,024,130	9,760,494	-	200,000

B2. OTC credit derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair Value	
	Total 31 12 2014	Total 31 12 2013
A. Regulatory trading book	**526,230**	**1,235,850**
a) Credit default products	407,355	1,056,235
b) Credit spread products	-	-
c) Total rate of return swap	118,875	179,615
d) Other	-	-
B. Banking book	**-**	**65**
a) Credit default products	-	65
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**526,230**	**1,235,915**

B3. OTC credit derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative Fair Value	
	Total 31 12 2014	Total 31 12 2013
A. Regulatory trading book	**489,481**	**1,265,704**
a) Credit default products	489,481	1,265,704
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
B. Banking book	**-**	**54**
a) Credit default products	-	54
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**489,481**	**1,265,758**

B.4 OTC credit derivatives: gross (positive and negative) fair value / counterparty risk - contracts not subject to netting agreements

No transactions of this nature are recorded at the reporting date.

B.5 OTC credit derivatives: gross (positive and negative) fair value / counterparty risk - contracts subject to netting agreements

31 12 2014

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Purchases of protection							
- notional amount	-	-	7,400,251	4,723,981	949,886	-	-
- positive fair value	-	-	7,460	233,726	58,306	-	-
- negative fair value	-	-	89,867	26,580	-	-	-
2) Sales of protection							
- notional amount	-	-	7,281,032	5,077,408	1,454,879	-	-
- positive fair value	-	-	83,469	143,269	-	-	-
- negative fair value	-	-	11,658	283,101	78,274	-	-
Banking book							
1) Purchases of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2) Sales of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6. Credit derivatives - residual life: notional amounts

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	9,021,137	11,491,074	6,375,226	26,887,437
A.1 Credit derivatives with qualified reference obligation	7,367,485	9,248,201	6,318,426	22,934,112
A.2 Credit derivatives with non-qualified reference obligation	1,653,652	2,242,873	56,800	3,953,325
B. Banking book	-	-	-	-
B.1 Credit derivatives with qualified reference obligation	-	-	-	-
B.2 Credit derivatives with non-qualified reference obligation	-	-	-	-
Total 31 12 2014	**9,021,137**	**11,491,074**	**6,375,226**	**26,887,437**
Total 31 12 2013	**8,845,725**	**28,942,262**	**7,285,191**	**45,073,178**

B.7 Credit derivatives: Counterparty risk/Financial risk – internal models

As at today, EPE models are not used for either internal operational or reporting purposes.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

31 12 2014

	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Financial derivatives, bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
2) Credit derivatives, bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) "Cross product" agreements							
- positive fair value	-	-	1,107,046	1,032,515	-	-	-
- negative fair value	-	-	1,534,844	2,467,298	106,051	-	-
- future exposure	-	-	1,138,685	930,827	98,252	-	-
- net counterparty risk	-	-	1,399,432	891,010	98,252	-	-

1.3 – Banking group - Market risks

Qualitative information

A. Liquidity risk: general information, operational processes and measurement methods

As part of the regular revision process of models and processes, the Group has revised its approach for the identification, measurement and management of Liquidity Risk (Group Liquidity Risk Framework).

Group Liquidity Risk Framework

The **Group's Liquidity Risk Framework** is intended as the set of tools, methodologies, organisational and governance setups which ensures both compliance with national and international regulations and adequate liquidity risk governance in the short and medium/long term, under business as usual and stress conditions.
Management of the Group's **Operating Liquidity** is intended to ensure the Group is in a position to meet cash payment obligations in the short term. The essential condition for a normal course of business in banking is the maintenance of a sustainable imbalance between cash inflows and outflows in the short term. The benchmark metric in this respect is the difference between net cumulative cash flows and Counterbalancing Capacity, i.e. reserve of liquidity in response to stress conditions over a short time horizon.
Management of the Group's **Structural Liquidity** is intended to ensure the structural financial balance by maturity buckets over a time horizon of more than one year, both at Group and individual company level. Maintenance of an adequate dynamic ratio between medium/long term assets and liabilities is aimed at preventing current and prospective short-term funding sources from being under pressure. The benchmark metrics, mitigated by specific internal operating limits set by the Board of Directors, include gap ratios which measure both the ratio of total loans over more-than-1-year and more-than-5-year maturity deposits and the ratio of loans to retail/corporate deposits regardless of their maturities.
The liquidity position is monitored under both business-as-usual conditions and under specific and/or system-wide **stress scenarios**. The exercises have the twofold objective of timely reporting the Bank's major vulnerabilities in exposure to liquidity risk and allowing for prudential determination of the required levels of Counterbalancing Capacity (liquidity buffer).
The **Contingency Funding Plan**, drafted by the Finance, Treasury & Capital Management Area, is the document which describes the set of tools, policies and processes to be enforced under stress or liquidity crisis conditions.

Liquidity limits

As part of the overall budgeting process and particularly within the scope of Risk Appetite, the Liquidity Risk Framework identifies the tolerance thresholds for liquidity risk, that is to say the maximum risk exposure deemed sustainable in a business-as-usual scenario and under stress conditions. The short/medium and long-term liquidity risk limits derive from the setting of these risk appetite thresholds.
The short-term limit system is organised into three different levels that provide for a timely reporting of proximity to the operating limits, i.e. the maximum liquidity risk appetite set within the annual Risk Tolerance process.
In order to immediately identify the emergence of vulnerabilities in the Bank's position, the Group has developed a range of **Early Warnings**, classified as generic or specific depending on whether the individual indicator is designed to detect potential vulnerabilities in the overall economic context of reference or in the Group structure. The triggering of one or more early warning indicators is a first level of alert and contributes to the overall assessment of the Group's short-term level of liquidity position.

Quantitative Information

1 Time breakdown by contractual residual maturity of financial assets and liabilities - currency denomination: EUR

31 12 2014

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	**26,975,379**	**3,876,737**	**3,063,849**	**4,552,772**	**6,530,363**	**7,183,866**	**10,462,206**	**39,755,958**	**53,305,681**	**2,458,883**
A.1 Government securities	22	10,701	11,152	85,140	317,478	133,169	1,341,301	11,044,210	11,361,203	-
A.2 Other debt securities	14,405	2,123	4,482	16,039	66,333	64,042	369,042	1,121,318	869,023	318,433
A.3 Units of UCITS	122,308	-	-	-	-	-	-	-	-	-
A.4 Loans	26,838,644	3,863,913	3,048,215	4,451,593	6,146,552	6,986,655	8,751,863	27,590,430	41,075,455	2,140,450
- Banks	3,589,225	201,293	87,425	112,438	299,454	26,912	56,724	72,363	8,945	2,133,304
- Customers	23,249,419	3,662,620	2,960,790	4,339,155	5,847,098	6,959,743	8,695,139	27,518,067	41,066,510	7,146
Balance-sheet liabilities	**57,479,475**	**10,674,211**	**2,922,194**	**7,648,760**	**16,379,657**	**10,531,924**	**9,553,757**	**33,760,770**	**8,820,536**	**426,492**
B.1 Deposits and current accounts	53,905,446	292,315	313,584	437,581	1,356,324	2,365,855	3,058,527	2,942,439	546,573	-
- Banks	1,074,522	-	7,000	-	4,000	890	609	229,810	410,599	-
- Customers	52,830,924	292,315	306,584	437,581	1,352,324	2,364,965	3,057,918	2,712,629	135,974	-
B.2 Debt securities	24,008	340,021	10,208	75,172	1,549,872	2,573,174	3,362,624	19,341,885	5,318,741	426,492
B.3 Other liabilities	3,550,021	10,041,875	2,598,402	7,136,007	13,473,461	5,592,895	3,132,606	11,476,446	2,955,222	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	2,797,164	974,860	358,430	2,582,159	1,376,740	1,302,787	1,872,894	975,868	176,969
- short positions	2,085	3,077,026	333,762	146,347	1,051,138	707,408	1,130,152	2,151,159	2,009,453	172,620
C.2 Financial derivatives without exchange of principal										
- long positions	5,538,425	368	-	1,762	83,795	70,133	107,206	-	-	-
- short positions	3,546,974	581	783	8,646	160,303	39,216	218,063	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	-	-	70,397	-	-	9,300	-	-	-	-
- short positions	-	-	70,397	-	-	9,300	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	481,329	515,316	7,024	47,226	111,011	195,418	219,988	281,345	1,296,891	1,227,417
- short positions	3,084,143	1,642	6	120	322	1,506	5,454	59,730	3,049	549,716
C.5 Financial guarantees given	45,432	153	208	1,583	5,535	8,733	30,120	35,215	158,060	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	243,093	-	-	1,318,700	3,538,874	2,877,930	13,215,359	7,928,092	-
- short positions	-	486,186	-	-	1,509,250	3,549,074	2,850,030	12,840,138	7,986,011	-
C.8 Credit derivatives without exchange of principal										
- long positions	118,875	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1 Time breakdown by contractual residual maturity of financial assets and liabilities - currency denomination: US DOLLAR

31 12 2014

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	**320,368**	**124,424**	**42,940**	**170,966**	**391,134**	**292,184**	**91,213**	**570,062**	**592,113**	**4,383**
A.1 Government securities	-	-	-	19	2	11	22	16	16,869	-
A.2 Other debt securities	-	-	-	-	497	195	1,231	12,864	342,284	4,127
A.3 Units of UCITS	5,750	-	-	-	-	-	-	-	-	-
A.4 Loans	314,618	124,424	42,940	170,947	390,635	291,978	89,960	557,182	232,960	256
- Banks	20,294	17,306	8,793	69,834	174,375	174,958	11,004	-	-	256
- Customers	294,324	107,118	34,147	101,113	216,260	117,020	78,956	557,182	232,960	-
Balance-sheet liabilities	**664,448**	**6,666**	**30,531**	**45,828**	**97,422**	**6,868**	**28,565**	**90,483**	**206**	**-**
B.1 Deposits and current accounts	642,907	3,913	30,517	3,186	96,623	6,632	8,840	32	206	-
- Banks	150,811	-	24,710	-	-	-	-	-	-	-
- Customers	492,096	3,913	5,807	3,186	96,623	6,632	8,840	32	206	-
B.2 Debt securities	-	187	-	168	785	234	19,686	86,356	-	-
B.3 Other liabilities	21,541	2,566	14	42,474	14	2	39	4,095	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	1,812	1,047,874	422,675	161,277	811,797	490,581	462,235	123,118	4,254	30,456
- short positions	-	1,671,957	868,660	305,249	1,228,735	396,997	344,682	61,322	32,623	37,071
C.2 Financial derivatives without exchange of principal										
- long positions	319,598	-	-	-	-	141	-	-	-	-
- short positions	231,909	-	-	-	126	-	5	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	-	-	1,236	-	-	275	324	-	-	-
- short positions	-	-	1,236	-	-	275	324	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	68,472	-	2,005	2,281	112,898	23,959	33,508	18,405	-	24,408
- short positions	238,938	-	-	-	-	-	4,118	18,317	-	5,230
C.5 Financial guarantees given	2,412	-	-	1,147	2,800	2	73	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	946,223	2,221,718	2,386,862	4,196,789	1,394,370	-
- short positions	-	-	-	-	1,272,223	2,129,718	2,387,062	4,233,863	1,389,170	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1 Time breakdown by contractual residual maturity of financial assets and liabilities - currency denomination: Pound sterlin

31 12 2014

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	**21,636**	**4,455**	**20,120**	**664**	**2,527**	**825**	**244**	**16,331**	**10,484**	**1,200**
A.1 Government securities	-	-	-	-	1	-	29	3	35	-
A.2 Other debt securities	-	-	-	-	-	8	-	583	173	1,200
A.3 Units of UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	21,636	4,455	20,120	664	2,526	817	215	15,745	10,276	-
- Banks	14,985	-	19,949	-	-	-	-	-	-	-
- Customers	6,651	4,455	171	664	2,526	817	215	15,745	10,276	-
Balance-sheet liabilities	**43,535**	**14,830**	**99**	**55,866**	**413**	**11,859**	**5,198**	**76,151**	**50**	**-**
B.1 Deposits and current accounts	43,535	14,830	99	55,866	413	11,859	819	-	50	-
- Banks	4,307	14,766	-	55,206	-	-	-	-	-	-
- Customers	39,228	64	99	660	413	11,859	819	-	50	-
B.2 Debt securities	-	-	-	-	-	-	4,379	76,151	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	449	12,875	988	9,323	34,983	31,071	182,450	7,316	-	5,392
- short positions	-	66,300	57,774	558	112	62,535	4,087	7,018	-	13
C.2 Financial derivatives without exchange of principal										
- long positions	1,010	-	-	-	-	-	-	-	-	-
- short positions	568	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	-	19,258	-	-	-	-	-	-	-	-
- short positions	-	19,258	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	871	-	-	6	68	1	320	14,354	-	217
- short positions	1,262	-	-	-	-	-	-	14,288	-	217
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1 Time breakdown by contractual residual maturity of financial assets and liabilities - currency denomination: YEN

31 12 2014

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	**8,557**	**673**	**1,580**	**1,645**	**5,400**	**3,716**	**-**	**98**	**24**	**-**
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units of UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	8,557	673	1,580	1,645	5,400	3,716	-	98	24	-
- Banks	3,096	-	-	-	-	-	-	-	-	-
- Customers	5,461	673	1,580	1,645	5,400	3,716	-	98	24	-
Balance-sheet liabilities	**3,492**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B.1 Deposits and current accounts	3,257	-	-	-	-	-	-	-	-	-
- Banks	815	-	-	-	-	-	-	-	-	-
- Customers	2,442	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	235	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	30,892	964	1,136	37,969	2,554	68,921	115,837	-	-
- short positions	-	1,409	149	877	27,503	44,687	51,884	81,171	-	-
C.2 Financial derivatives without exchange of principal										
- long positions	20,004	-	-	-	-	-	-	-	-	-
- short positions	23,149	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	-	-	-	-	114	264	532	-	-	-
- short positions	909	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

1 Time breakdown by contractual residual maturity of financial assets and liabilities - currency denomination: Others

31 12 2014

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	**25,169**	**37,906**	**17,486**	**5,118**	**24,182**	**33,912**	**13,497**	**18,921**	**1,602**	**-**
A.1 Government securities	-	-	10,619	-	15,928	-	-	7	-	-
A.2 Other debt securities	-	-	-	20	-	51	10	311	-	-
A.3 Units of UCITS	361	-	-	-	-	-	-	-	-	-
A.4 Loans	24,808	37,906	6,867	5,098	8,254	33,861	13,487	18,603	1,602	-
- Banks	14,249	37,425	5,384	1,040	-	-	4,038	-	-	-
- Customers	10,559	481	1,483	4,058	8,254	33,861	9,449	18,603	1,602	-
Balance-sheet liabilities	**32,545**	**6,333**	**643**	**283**	**2,065**	**681**	**13,672**	**-**	**-**	**-**
B.1 Deposits and current accounts	27,689	6,333	643	275	2,062	664	13,670	-	-	-
- Banks	2,470	6,303	-	-	-	-	13,461	-	-	-
- Customers	25,219	30	643	275	2,062	664	209	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	4,856	-	-	8	3	17	2	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	-	67,059	5,139	67,651	138,067	21,800	228,694	246,551	6,744	4,451
- short positions	-	61,786	16,263	105,558	305,718	7,481	132,818	241,477	6,744	87
C.2 Financial derivatives without exchange of principal										
- long positions	27,026	-	-	-	-	-	-	-	-	-
- short positions	34,779	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	335	-	-	-	-	-	-	-	-	-
- short positions	-	335	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds										
- long positions	1,770	-	213	2,579	197	53,269	5,981	4,785	404	20
- short positions	16,684	-	-	-	-	50,334	-	2,166	-	20
C.5 Financial guarantees given	409	116	-	-	6	-	339	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisations

The securitisation transactions whereby the Group underwrites securities issued by vehicle companies (self-securitisations) are not shown in the tables of Part E of the Consolidated Notes to the Financial Statements, section C "Asset securitisation and disposal transactions", pursuant to the provisions of Circ. 262 of the Bank of Italy.

Self-securitisations of performing assets are transactions aimed at improving liquidity risk management by optimising the amount of assets readily available to cover available liquidity requirements.

Although the Group's direct and full underwriting of the notes issued by the vehicle does not make it possible to obtain direct liquidity from the market, it still provides the Group with securities that could be used for ECB refinancing and repo transactions on the market, thereby improving the Group's safety margin against liquidity risk.

These sale transactions had no economic impact on the financial statements: loans continue to be reported under Item 70 "Loans to customers" on the assets side, while underwritten notes are not reported.

This category includes the self-securitisations entered into in:

- December 2007 (Siena Mortgages 07-5) (mortgage loans)
- March 2008 (Siena Mortgages 07-5 2nd tranche) (mortgage loans)
- February and June 2009 (Siena Mortgages 09-6 and Siena Mortgages 09-6 2nd tranche) (real-estate backed loans).

In 2014, the Siena Lease 11-1 securitisation was redeemed, with economic effect as of 30 April 2014. The securitisation involved a portfolio of performing receivables arising from finance lease contracts originated by Monte dei Paschi di Siena Leasing & Factoring, Banca per i Servizi Finanziari alle Imprese S.p.A. and sold by them to the Vehicle "Siena Lease 11-1 Srl" on 5 December 2011.

In 2014, the Siena SME 11-1 securitisation was redeemed, with economic effect as of 31 October 2014. The securitisation involved performing personal real estate mortgages originated by MPS Capital Services Banca per le Imprese S.p.A. and sold by them to the Vehicle "Siena SME 11-1 Srl" on 22 November 2011.

Siena Mortgages 07-5, 1st and 2nd tranche

On 21 December 2007, through the purchase of securities issued by the vehicle, the Parent Bank finalised a securitisation of performing loans consisting of a portfolio of 57,968 residential mortgages for a total of EUR 5,162 mln, of which a balance of EUR 1,979.4 mln (31,979 mortgage loans) outstanding as at 31 December 2014.

In order to fund the acquisition, the Vehicle issued Residential mortgage-backed floating-rate securities (RMBS) rated by Moody's and Fitch in the following classes:

- Class A notes (A/AA+) for an amount of EUR 4,765.9 mln, of which EUR 3,171.4 mln redeemed;
- Class B notes (Baa3/A), for an amount of EUR 157.45 mln;
- Class C notes (B2/BBB-), for an amount of EUR 239 mln.

A cash reserve was also set up for an amount of EUR 123.9 mln, corresponding to the issuance of class D junior notes, which was posted to the assets side under Item 70 "Loans to customers". The transaction reached the Protection Ratio (ratio between total Class B and C notes and total Class A,B and C notes) which allowed for the gradual reduction of the cash reserve up to EUR 47.7 mln.

The first tranche was followed by the sale, on 31 March 2008, of an additional pool of performing loans consisting in 41,888 residential mortgages for a total of EUR 3,461 mln and a residual life of about 20 years as part of a securitisation aimed at diversifying and enhancing available funding and capital management instruments.

As at 31 December 2014, 19,696 loans were outstanding for a balance of EUR 1,408.4 mln.

In order to fund the acquisition of loans, the Vehicle (the existing Siena Mortgages 07-5 S.p.a., already used for the securitisation of performing residential mortgages which was completed in December 2007) issued Residential mortgage backed Floating Rate Securities (RMBS), in the following classes rated by Moody's and Fitch:

- Class A notes (A2/AA+) for an amount of EUR 3,129.4 mln, of which EUR 2,005.1 mln redeemed;
- Class B notes (Baa2/A), for an amount of EUR 108.3 mln;
- Class C notes (NR/BBB-), for an amount of EUR 178.3 mln;

A cash reserve was set up for an amount of EUR 82 mln, corresponding to the issuance of class D notes, which was posted under item 70 "Loans to customers", of which a partial repayment of EUR 17.4 mln was registered as at the balance sheet date.

Siena Mortgages 09-6, 1st and 2nd tranche

In order to increase available eligible assets, in 2009 the Monte dei Paschi Group carried out two securitisations through the vehicle named Siena Mortgages 09 – 6 Srl. The first tranche was finalised on 20 February 2009 through the sale of a portfolio of performing mortgages in real estate and building by the Parent Company for a total of EUR 4,436 mln, of which a balance of EUR 2,457.6 mln (32,302 mortgage loans) outstanding as at today.

In order to fund the acquisition, the Vehicle issued Residential mortgage-backed floating-rate securities (RMBS) rated by Moody's and Fitch in the following tranches:

- Class A notes (A2/AA+) for an amount of EUR 3,851.3 mln, of which EUR 1,981.7 mln redeemed;
- Class B notes (NR/A), for an amount of EUR 403.7 mln;
- Class C notes (NR/BBB-), for an amount of EUR 181.45 mln;
- Class D notes (not rated), for an amount of EUR 106.70 mln;

The first tranche was followed, on 26 June 2009, by a securitisation of EUR 4,101 mln. As at 31 December 2014 the residual debt amounts to EUR 1,794.5 mln; 24,248 mortgage loans were outstanding.

The sold portfolio consisted of 44,148 performing landed property loans of the Parent Company (including positions from the former branches of Banca Agricola Mantovana S.p.a., Banca Antonveneta S.p.a., and Banca Toscana S.p.a, which have now been merged), again in the real estate and building areas, with all instalments regularly paid as at the date of valuation of the portfolio sold.

The Vehicle (Siena Mortgages 09 – 6 Srl) issued Residential mortgage-backed floating-rate securities (RMBS) rated by Moody's and Fitch in the following tranches:

Class A notes (A2/A-) for an amount of EUR 3,466 mln, of which EUR 2,285.6 mln redeemed;

- Class B notes (Ba3/A-), for an amount of EUR 447.1 mln;
- Class C notes (Caa1/NR), for an amount of EUR 188.65 mln;
- Class D notes (not rated), for an amount of EUR 103.5 mln;

The reserves of Siena 09 6 1 tranches 1 and 2 stand at 60.91% and 12.31% of the target level respectively.

2. Disclosure of asset encumbrance: on-balance-sheet

Asset type	Encumbered		Unencumbered		Total 31 12 2014	Total 31 12 2013*
	Book value	Fair value	Book value	Fair value		
1. Cash and other liquid assets	-	X	1,006,246	X	1,006,246	877,273
2. Debt securities	28,928,495	28,800,746	1,780,247	1,726,540	30,708,742	33,087,889
3. Equity instruments	45,307	45,307	1,409,633	1,409,633	1,454,940	1,635,110
4. Loans	43,262,164	X	85,759,061	X	129,021,225	141,638,841
5. Other financial assets	-	X	8,015,132	X	8,015,132	10,230,195
6. Non-financial assets	1,412,052	X	11,876,763	X	13,288,815	11,922,423
Total 31 12 2014	**73,648,018**	**28,846,053**	**109,847,082**	**3,136,173**	**183,495,100**	**X**
Total 31 12 2013	**81,616,319**	**29,806,709**	**117,775,412**	**4,654,024**	**X**	**199,391,731**

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

3. Disclosure of asset encumbrance: off-balance-sheet

Asset type	Encumbered	Unencumbered	Total 31 12 2014	Total 31 12 2013
1.Financial assets	54,801,433	7,336,791	62,138,224	66,081,208
- Securities	54,801,433	7,336,791	62,138,224	66,081,208
- Other	-	-	-	-
2. Non-financial assets	-	-	-	-
Total 31 12 2014	**54,801,433**	**7,336,791**	**62,138,224**	**X**
Total 31 12 2013	**53,887,419**	**12,193,789**	**X**	**66,081,208**

Encumbered assets conventionally include approximately EUR 24.6 bn deposited on the Pooling account with the European Central Bank, as collateral for refinancing transactions.

1.4 – Banking group - Operational risk

Qualitative information

A. Operational risk: general information, operational procedures and measurement methods

General information and Framework structure

By an administrative ruling dated 12/06/2008, the Bank of Italy authorised the Group to use internal models for the determination of capital requirements for credit and operational risks.

The adoption of the advanced model (AMA) calls for banks to:

1. adopt an internal organisation which defines the roles of the corporate bodies and functions involved in the operational risk management process;
2. establish a control function for data gathering and storing, capital requirement calculation, risk profile assessment and reporting;
3. perform ongoing checks on the quality of the management system and its compliance with regulatory provisions;
4. delegate the internal auditing body to perform periodic audits on the Operational Risk management system;
5. ensure over time that the system is actually made use of in the usual course of business (use test).

For this purpose, the Group has adopted an integrated system for operational risk management, i.e. an internal framework built around a governance model that involves all companies included in the AMA model scope of application. The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

The advanced approach is designed to integrate all major qualitative and quantitative (LDA-Scenario mixed model) information sources (information or data).

The quantitative Loss Distribution Approach component is based on the collection, analysis and statistical modelling of internal and external time series of loss data (the latter supplied by the Italian Database of Operational Losses, DIPO).

The qualitative component focuses on the evaluation of the risk profile of each unit and is based on the identification of relevant scenarios. In this framework, the companies included in the AMA scope area are involved in the: identification of the processes and risks to be assessed; assessment of risks by process managers in charge; identification of possible mitigation plans; discussion of priorities and technical-economic feasibility of mitigating actions during scenario-sharing sessions with Head Office functions.

Next is a phase for monitoring progress on the implementation of actions scheduled and compliance with objectives and deadlines.

The Framework identifies Group Operational Risk Management (ORM) as the operational risk control function (within Parent Bank Risk Management).

The Parent Bank's ORM calculates the capital required to hedge operational risks by the use of different components of the model (internal data, external data, contextual and control factors, qualitative analyses), supports decision-making by Top Management from the standpoint of creating value by containment, mitigation and transfer of the risks detected, and as it does for other companies included in the scope, it gathers internal loss data and identifies the risks to be evaluated in qualitative analyses.

The Advanced Measurement Approach (AMA) is applied to all domestic financial and banking entities, while the foundation model is used for remaining components and foreign companies. As at 31 December 2014 internal model coverage in terms of total banking income exceeded 95%.

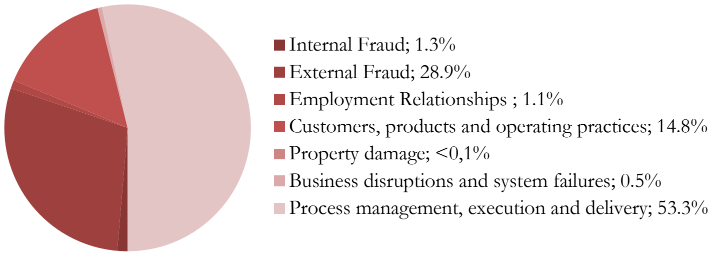
ORM has also set up a reporting system which ensures timely information on operational risks for the Top Management, which transposes the strategic principles of the management system into specific operating policies. Reports are regularly submitted to the Risk Committee and governing bodies.

Over time, the adoption of the AMA model has ensured better-informed management of operational risk, guaranteeing a material progressive reduction of the Group's operational risk.

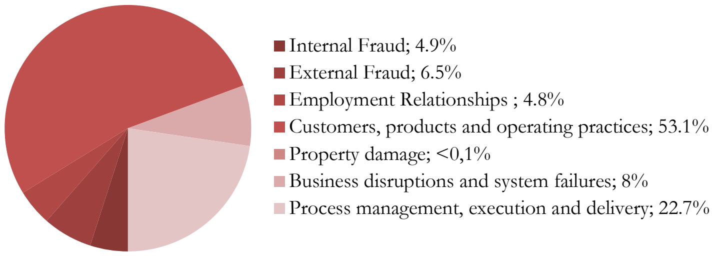
Quantitative Information

The percentage breakdown of events and operational losses recognised in 2014 is reported below, divided into various risk classes.

Events breakdown
Montepaschi Group - 31 12 2014



Losses breakdown
Montepaschi Group - 31 12 2014



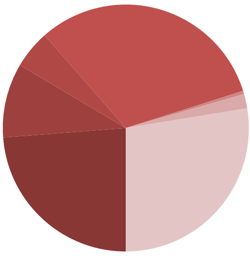
Overall loss as at 31 December 2014 remains substantially stable compared to 2013, net of the effects of restatement of the 2012 financial statement, specified in the Group's half year financial report as at 30 June 2013 (category “Internal Fraud”).

The types of event with the greatest impact on the income statement remain attributable to non-fulfilment of professional obligations with customers” (under "Customers, products and operating practices": 53.1% of total) and operational and process management shortfalls (under "Process management, execution and delivery", which accounts for 22.7% of total).

With regard to "non-fulfilment of professional obligations with customers”, risk events are mainly associated with claims (legal actions and complaints) due to the application of compound interest.

The following graph reports the breakdown of the AMA-share of the Economic Capital by class of risk.

Economic Capital
Montepaschi Group - 31 12 2014



As at 31 December 2014, the Economic Capital was stable on the previous quarter and the previous year.

The breakdown of losses recognised in the period obviously differs from the breakdown of the economic capital in that the latter is calculated using a 5-year time series and the incidence of the unexpected loss component prevails.

Main types of legal action

The risks associated with or connected to legal disputes – i.e. disputes brought before judicial authorities and arbitrators – are kept under specific and careful review by the Group.

In case of disputes for which the disbursement of financial resources to perform the underlying legal obligation is believed to be "*likely*" and the relevant amount can be reliably estimated, allocations are made to the Reserve for Risks and Charges using statistical or analytical criteria.

The key characteristics of significant cases, by macro-category or individually, are described below:

A) Significant cases by macro-category

The cases brought against the Group belonging to sufficiently homogeneous types for which the risk has been estimated using analytical and/or statistical criteria can be grouped for the most part into macro-categories, characterised individually by a common denominator represented by alleged critical elements of products, operations, services or relationships for which or in which the companies played the role of disbursement or placement entities.

The main macro-categories are related to situations concerning:

1) compound interest and in general the application of interest and conditions;
2) bankruptcy rescindments;
3) the placement of bonds issued by Countries or Companies that subsequently defaulted, and financial plans.

The table below presents the data of the main macro-categories as at 31 December 2014:

Type of dispute	No. of cases	Petitum (EUR mln)	Funds (EUR mln)
Interest compounding	3,645	391.5	175.9
Claw-backs of payments received from defaulted entities	546	592.0	103.8
Defaulting obligations and financial plans	1,290	75.9	26.3

1) Disputes concerning interest compounding, interest and conditions

Following the change in orientation by the Supreme Court (Corte di Cassazione) on the legitimacy of the practice of capitalizing on a quarterly basis the interest payable accrued on current accounts, as of 1999 there has been a progressive increase in claims for the return of interest expense resulting from quarterly compound interest. In these lawsuits, the plaintiffs also contest the legitimacy of the interest rate and the methods to determine the commissions applied to the accounts. In this regard, the interpretation introduced since 2010 by the Supreme Court on usury - according to which overlimit fees (Commissioni di Massimo Scoperto, CSM), even before Law no. 2/2009 was enforced, should have been calculated on the basis of the effective global rate (Tasso Effettivo Globale - TEG), contrary to Bank of Italy guidelines - is frequently the pretext for the actions brought by customers. The plaintiffs most often claim irregularities in current account balances; however, claims concerning compound interest are also increasingly frequent: these cases are based on the alleged illegitimacy of the so-called "French-style amortisation" in mortgage loans, and violation of Law no. 108/1996 on usury in term loans. Aware that the jurisprudential interpretation is often disadvantageous (although not univocal), at least with respect to certain issues, the Bank is committed to maximizing the arguments in its defence - which do exist, particularly concerning the statute of limitations - identifiable in the regulatory and interpretative framework. Thinking in terms of macro-categories, the total provisions estimated for this type of disputes appear to be adequate relative to the risk.

2) Disputes concerning bankruptcy rescindments

The reform implemented from 2005 has reduced and limited the scope of bankruptcy rescindments, particularly those relating to current account remittances. For those that can still be filed, or already pending at the effective date of the reform, the Bank is giving maximum emphasis to all the arguments available in defence.

3) Disputes concerning bonds issued by Countries or Companies that subsequently defaulted, and financial plans

The outstanding defensive effort made in this type of lawsuits resulted in the emergence of some favourable jurisprudential orientations, at least with respect to certain specific cases, which are allowing good control of risks.

B) Individually significant cases

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of SNIA S.p.A

The action, taken by the Extraordinary Administrators of SNIA S.p.A. against the former directors, statutory auditors and (direct and indirect) shareholders of the same company (including BMPS), seeks the assessment of the defendants' liabilities for damages, originally not quantified, allegedly caused to the company. The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Bank and other appearing parties are concerned, pivot around the company's demerger in 2003. The case is still in the initial phase and the relief sought against the Bank and other defendants, which originally could not be determined, was (partially) specified during the claim quantification stage and amounts to EUR 572.0 mln plus additional alleged damages, still undetermined.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of Antonio Merloni S.p.A

The extraordinary administration procedure of Antonio Merloni S.p.A. brought an action against the Directors and Statutory Auditors of the company, together with the pool of lenders and the companies that audited the financial statements, claiming that they are jointly responsible for causing the company's financial difficulties.

The Bank's defence aims to demonstrate the total groundlessness of the claim, the extraordinary administrators' lack the interest and legitimacy to bring the action, and that the cause of action is past the statute of limitations.

The proceeding is in the initial stage.

The claim appears to be ungrounded and the risk of losing the case is merely possible, but cannot be estimated in practice.

Banca Monte dei Paschi di Siena S.p.A. vs. Antonio Merloni S.p.A

In October 2011, the extraordinary administration procedure of the company Antonio Merloni S.p.A. brought a legal action against Banca MPS before the Court of Ancona requesting the return, as part of a bankruptcy rescindment, of approximately EUR 53.8 mln as to the primary claim and approximately EUR 17.8 mln as a secondary claim, for remittances occurred on the company's current accounts during the suspected period.
The Judge rejected the petition of the opposite party's expert witness and revoked the order to admit the expert witness's appraisal, which had been previously issued by the Judge to whom the case was originally assigned.
The case is currently in the decision phase.

Banca Monte dei Paschi di Siena S.p.a. vs. Fatrotek

The action was brought by the company Fatrotek against Banca MPS (and other credit institutions); the plaintiff asks the Court to recognize the alleged unlawfulness by MPS and the other banks of reporting doubtful loans to the Central Credit Bureau, and claim monetary and non-monetary damages suffered by the company.

The plaintiff also asks that the defendant banks be found jointly liable, each proportionately to the seriousness of its behaviour. The Bank's defence was based on the fact that the company's extremely severe financial situation fully justified the Bank's initiatives.

The proceeding is under preliminary investigation.

Banca Monte dei Paschi di Siena S.p.a. vs. Fallimento Medeghini Spa in liquidazione

In 2012, the Fallimento Medeghini SpA in liquidazione served a complaint on the Bank charging it with an alleged unlawful behaviour, in contract and in tort, in relation to accounting movements between the company, which subsequently went bankrupt, and other companies (controlled by the Medeghini family), at the time of a capital increase by Medeghini Spa.

The Bank's defence was based on various considerations in fact and in law, and was aimed at demonstrating the absolute groundlessness of the claims brought by the bankruptcy procedure due to total lack of a causal link between management acts that led to the default and the Bank's conduct.

During the technical appraisal ordered by the Court, the opposite party's demands that a link of causality be recognized between the capital increase and the subsequent transactions that worsened the company's financial difficulties - in which the Bank acted as a mere executor - were repeatedly and effectively rebutted by the Bank's expert witness.

During the appraisal, the Court-appointed expert witness accepted almost entirely the arguments of the defendant Bank, and in any case the plaintiff's claim, as formulated, appears to be groundless in terms of damages to be awarded, as no damage has been suffered.

Former Banca Antoniana Popolare Veneta S.p.A. (BAV) vs Elipso Finance s.r.l

The dispute was originated by 3 loan assignment transactions identifiable in bulk in accordance with Law no. 130 of 30/4/1999, carried out or mediated by former BAV, following which since 2008 the assigneed Elipso Finance s.r.l. has submitted complaints, invoking the guarantees given by the assignors, mainly concerning the lack of documentary evidence supporting the credit.

Specifically, the 3 assignments were carried out by former BAV, Antenore Finance S.p.A. and Theano Finance S.p.A. (both of which are 98% owned by former BAV, originator of the relevant loans, and subsequently merged into BMPS).

As a settlement could not be reached, in compliance with the arbitration clause contained in the contracts Elipso initiated the arbitration procedure at the Arbitration Chamber of Milan.

The Bank's defence aims to demonstrate that, in accordance with contractual provisions, even if the claim should be accepted, damages can only be awarded for positions for which Elipso can actually prove that damage has been suffered.

The arbitration is currently in progress.

Banca Monte dei Paschi di Siena S.p.a. vs. CHI. DEM srl and the other companies of the De Masi Group

The action was brought by the company CHI. DEM srl and by the other companies of the De Masi Group.

Co-defendants with the Bank are two other credit institutions and Bank of Italy. The plaintiff seeks relief for alleged damage suffered by the Group as a result of the aforesaid banks having exceeded threshold rates (with the joint liability of Bank of Italy for failure to supervise) following decision no. 46669/2011 by the Criminal Division of the Supreme Court of Cassation (Corte di Cassazone), which has ascertained that in certain periods the threshold rate was actually exceeded.

BMPS' defence is based essentially on lack of evidence of the monetary and non-monitary damages claimed by the plaintiff, as well as lack of any link of causality.

Beyond the difficulty of demonstrating the existence of the damage, an element in favour of the Bank is the dismissal of a first request for a Court order, which the plaintiffs applied for as a precautionary measure under article 700 of the Italian Code of Civil Procedure (the dismissal was confirmed during the claim proceeding), as well as the dismissal, on 9 July 2014, of a second request for Court order which the plaintiffs again submitted.

Another element in favour of the Bank is the fact that some accounts were the suject of a criminal proceeding ended with judgement no. 46669/2011 were also discussed in a civil proceeding before the Court of Palmi: the judgement issued on 13 May 2013 at the end of this proceeding dismissed the other party's claim, and for these accounts the Bank invoked the plea of res judicata.

Banca Monte dei Paschi di Siena S.p.A. vs. Codacons and the Italian Association of Users of Financial, Banking and Insurance Services

In January 2013, Codacons and the Italian Association of Users of Financial, Banking and Insurance Services brought an action - which was notified, among others, to the Ministry of Economy and Finance, the Bank of Italy, Consob, the President of the Court of Auditors, the Presidency of the Council of Ministers and two auditing firm - before the Administrative Court of Lazio (TAR) requesting the cancellation of the documents related to the procedure for the issue of the New Financial Instruments (MONTIBOND), as well as damages in the same amount.

The Bank's defence was based on various considerations in fact and in law, and was aimed at demonstrating not only the total groundlessness, but also the inadmissibility of the claims brought by the plaintiffs.

At the hearings before a single judge and a Court, held in February and March 2013 before the TAR and the Council of State all of the plaintiffs' requests for precautionary measures, aimed at blocking the procedure for the issue of the New Financial Instruments, were rejected and, during the hearing of 3 April 2013, the TAR adjourned the discussion of the case to a date to be determined.

As the matter stands, therefore, the Codacons' initiative appears to be superseded by the completion of the bond issue procedure, and therefore essentially "defused" as it can be said, without getting into the technical intricacies, that the subject of the dispute has ceased to exist. Moreover, the dispute itself is entirely groundless in terms of damages/compensation, as there is no way of proving the existence of any damage suffered by consumers, whose interests the Association protects, nor by what right the latter is legitimated to act.

According to this reasoning, therefore, the Codacons' initiative before the Administrative Court is of no financial consequence.

The risk of losing the case appears unlikely, and the circumstance is mentioned in this report only because of the importance and extensive media coverage that it involves.

Banca Monte dei Paschi di Siena S.p.A. vs. receivership estate of Antonio Amato & C. Molini e Pastifici in Salerno S.p.A. in liquidazione

The receivership estate of Antonio Amato & C. Molini e Pastifici in Salerno S.p.A. in liquidazione brought an action against Banca Monte dei Paschi di Siena, with the former Directors of the company *in bonis* and other creditor banks as co-defendants, before the Court of Naples, requesting that the Court ascertain and recognize the joint liability of the defendants for their unlawful conducts. According to the plaintiff, they formed a pool that granted a loan to the company, thus worsening its state of financial distress and causing severe damage to its business and its equity and financial integrity; they therefore asked the Court to order the defendants to pay damages to the receivership estate in the amount of EUR 90.0 mln, i.e. the presumable difference between the estate's liabilities and assets, or a different amount that the Court should deem suitable to award upon completion of the investigative phase; as a secondary claim, the receivership estate asks that each of the defendants be found liable for the part attributable to him for the damage suffered by the company, amounting to EUR 90 mln, equal to the presumable difference between the estate's liabilities and assets.

The Bank rose preliminary objections and filed a motion to dismiss the case for lack of venue jurisdiction and of active legitimation; in the merits, the Bank asked the Court to dismiss the plaintiff's claims as inadmissible and/or groundless or, as a secondary request, to reduce the amount of compensation awarded in consideration of the different degree of guilt in causing the damage, in accordance with art. 2055, paragraph 2 of the Italian Civil Code.

The case is under preliminary investigation.

Former Banca Antoniana Popolare Veneta S.p.A. (BAV) vs. extraordinary administration of Coopcostruttori s.c.a.r.l

The Extraordinary Administration of Coopcostruttori s.c.a.r.l. brought a legal action against Banca Antoniana Popolare Veneta (hereinafter, BAV) before the Court of Ferrara requesting, in accordance with paragraph 2, article 67 of the Bankruptcy Law (old version) the revocation, by declaration of their ineffectiveness with respect to the administration and subject to previous investigation of the Bank's scientia decoctionis in the suspected period, of the remittances made in the year preceding the declaration of insolvency on the current accounts held by Coopcostruttori in bonis at BAV's Padua branch (amounting to EUR 51.4 mln) and the Argenta (FE) branch (amounting to approx. 0.4 mln); the plaintiff asks the Court to order that the defendant reimburse a total of EUR 51.8 mln, plus interest, revaluation and legal expenses.

BAV argued against the existence of the objective cause of action (as the plaintiff erroneously identified remittances that were revocable in abstract, did not take into account loans granted, wrongly reconstructed the available balance and the nature of the revocable remittances, etc.) as well as the subjective cause of action (due to failure by the extraordinary administration to fulfil the burden of proof in connection with the “scientia decoctionis”) and asking the Court, in the conclusions, to dismiss the plaintiff's claim as groundless in fact and in law, and as a secondary request - should the Court believe that a subjective cause of action does exist - to revoke only the remittances whose nature is actually that of payments.

The preliminary investigation phase of the proceeding has been completed, the Court ordered appraisal has been performed, and subsequent additions and requests for clarifications from the Court appointed expert have been filed. Upon completion of the preliminary phase and once the conclusions were filed, the case was submitted for judgement.

In the judgement entered 22/4 - 28/5/2014, the Court of Ferrara, partly admitting the plaintiff's claim, ordered the Bank, as successor of BAV after the latter's merger, to reimburse the amount of the remittances considered revocable, for a total amount of EUR 8.1 mln, plus interest at the legal rate from the date of filing of the claim to the date of payment, with partial compensation (2/3) of legal expenses and full compensation of expert witness fees.

The amount awarded was determined by the Court assuming that the Bank was aware of the insolvency for the entire one-year suspected period and taking into account the findings of the Court appointed expert, as subsequently clarified by the latter following the remarks submitted by our expert.

Risks from tax disputes

The Parent Company and the major Group companies have tax disputes pending; the amount of each dispute is not significant. In addition, investigations are under way that have not yet resulted in findings or claims.

The risk arising from tax disputes has decreased significantly in the last two years as a result of some important settlements reached with the Revenue Agency (see, most recently, the settlement referred to further in this document concerning tax assessments on the Chianti Classico transaction) for all disputes involving large amounts.

Among the cases associated with tax disputes, those in which the risk of losing is considered likely are a limited number and adequate provisions have been made to the Reserve for risks and charges, each for non-material amounts.

With reference to other Group companies, it is to be mentioned the investigation performed under court order by the Guardia di Finanza into a real estate transaction performed by MPS Immobiliare in 2011 and consisting in contributing a property complex located in Rome to a closed-end real estate fund and the subsequent disposal of units held in that same fund. In relation to that transaction, as mentioned in previous reports, on 16 September 2013 the Guardia di Finanza served an official tax audit report challenging MPS Immobiliare's ability to use the tax regime applied to the contribution in question and subsequent failure to pay VAT of around EUR 27 mln and direct taxes of approximately EUR 4 mln. The Italian Revenue Agency has not yet served any assessment notice but has formally invited the company to provide clarifications, believing that the transactions put in place are on the whole elusive: as mentioned in previous reports, the company, assisted by its advisors, has prepared and filed its own observations. The risk of losing associated with these issues is considered unlikely.

The previous disclosure contained information on tax assessment in progress concerning the Chianti Classico transaction. In this regard, it should be noted that the Group has settled with the Revenue Agency all disputes arising from the aforesaid assessments conducted on the merged company MPS Immobiliare S.p.A. (MPSI) and the subsidiary Perimetro Gestione Proprietà Immobiliari S.C.p.A. (Consorzio Perimetro) in relation to the tax treatment of the Chianti Classico transaction. As announced in the relevant press release of 24 December 2014, the impact on the income statement and on consolidated CET 1 is substantially neutral.

The settlement entailed:

- taxation of the approx. EUR 421.6 mln capital gain from the transfer of the real estate business unit from MPSI to Consorzio Perimetro completed in 2009;
- consequent recognition by the Group of income tax on said gain, amounting to approx. EUR 115.9 mln, partly fulfilled by using previous tax losses; including interest and penalties, the total cost of the settlement amounts to approx. EUR 126.0 mln.

Considering that the tax recognition of the key financial statement values of the properties recorded following the transfer depends of the taxation of this capital gain, the settlement will entail for the Group the right to greater tax depreciation. The consequent adjustment of deferred taxes connected to the new tax values of the properties brings a financial benefit at consolidated level substantially equivalent to the cost of the settlement. Therefore, as stated, the impact on the income statement and on consolidated CET 1 is substantially neutral.

In view of the above the Group, while fully convinced that it had acted legally and correctly, believed that it would be appropriate to settle the dispute and remove the state of uncertainty arising from the possible litigation that might ensue.

Financial risks of investment services

Foreword

The following section on financial risks of investment services was written as part of "Section 4 - Operational Risk" in line with the compulsory framework for preparation of the Notes to the Financial Statements, even though this subject presents specific characteristics and involves organisational levels of authority that are not directly traceable to operational risk management.

Wealth risk management process and methods

The term "investment services" refers to operations with customers in the area of placement services; order execution, receipt and transmission; proprietary trading; portfolio management; investment advice.

The risks associated with investment services are directly or indirectly reflective of the risks incurred by customers. Therefore, the control of these risks is particularly aimed at achieving the twofold objective of protecting customers and preventing any potential repercussions on the Group in terms of operational and reputational risk.

Organisational responsibility at Group level for supervising financial risk measurement, monitoring and control activities and for mapping investment products/services for the purposes of MiFID adequacy is an integral part of the Group's integrated risk management responsibilities. This is to ensure centralised governance of the direct and indirect risks which the Group incurs during the course of its operations. Within the Risk Management Area of Banca MPS' Risk Division, this task is allocated group wide to the Wealth Risk Management service.

"Wealth risk management" focuses on the overall set of operational and management processes as well as measurement and monitoring tools/methods used to ensure overall consistency between customers' risk profiles and the risk of investment products and portfolios offered to -or in any case held by-customers.

The regulatory framework for investment services and verifications of appropriateness is provided for by European MiFID regulations and Consob Regulation on Intermediaries no. 16190/2007. With regard to the third-level regulatory framework, Consob Communication no. 9019104/2009 ("Level 3 - Illiquid financial products") and subsequent inter-association guidelines on illiquid financial products issued in 2009 also play an important role. Wthin the regulatory framework, the ESMA guidelines on suitability requirements issued in June 2012, subsequent Consob Communication no. 12084516/2012 and ABI Guidelines for the application of ESMA guidelines of 5 March 2014 are also significant in connection with investment services. Still as third-level regulatory framework, in late December Consob issued Communication no. 97966/2014 on the distribution of complex financial products to retail customers. Lastly, with regard to regulations governing investment services, in 2014 the European Parliament and Council approved the texts of the MiFID II Directive (2014/65/EU) and of the MiFIR Regulation (600/2014). The process to transpose this regulatory evolution will continue over the next two years until 3 January 2017, the date on which they will become definitively effective.

All the investment products (of the Group and of third parties), whether or not included in the overall offering to the Group's customers, are mapped for risk on the basis of quantitative measurements of market and credit risk factors; liquidity and complexity assessments are also conducted on these products. Product mapping is one of the guiding criteria for carrying out investment adequacy checks as part of the consulting service offered.

For the sake of simplicity, investment product risk mapping, performed with reference to individual risk macro-factors, is grouped under specific risk categories defined by appropriate keys.

A special focus is given by the Bank to the monitoring and prevention of potential financial and reputational risks which investment services, particularly in a context of financial crisis such as the one experienced over the last few years, may generate as a consequence of increased market volatility. The fast-moving and not always predictable market trends may result in both a potentially rapid change, upward or downward, in product risk and generate potential financial losses and prompt a changing attitude by customers towards their own financial investments.

For increased protection of customer investments, the list of highest-risk issuers/entities (a.k.a. Money Laundering List or MLR) has the objective of identifying companies undergoing a temporary critical phase, associated primarily with specific macroeconomic, corporate and/or sector-related situations or a lack of sufficient market information. Inclusion in the MLR list makes the financial instruments issued by these issuers/entities inappropriate and impossible to be offered on an advisory basis.

Advisory services on offer, customer risk profile and risk of investment products/portfolios

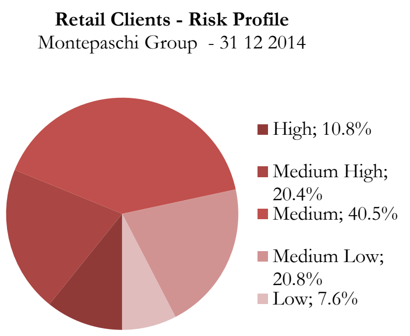
The strategic choice of Banca MPS is to combine the placement of financial products with advisory so as to ensure the highest level of protection for the investor and, at the same time, enhance the role played by relationship managers. Again, with a view to protecting customers, the obligation to verify appropriateness has also been extended to the trading activities on the secondary market of the certificates issued by the Group.

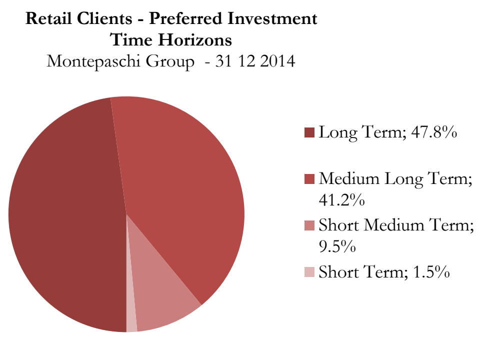
Banca MPS offers two types of advisory services. "Basic" transactional advisory is aimed at verifying the suitability of individual investment transactions. "Advanced" advisory is instead aimed at verifying the suitability of the overall set of transactions, advising on them based on their impact on a suggested investment portfolio of the customer in order to obtain optimum asset allocation and maximised prospective returns over a certain time horizon, given the customer's risk profile.

With reference to the "basic" consulting service offered by Banca MPS, a project completed in late 2014 aims to develop a new transactional adequacy model; the project will be launched as pilot in early 2015 and rolled out throughout the MPS branch network and Banca Widiba branches in the first part of the year. In summary, the new transactional adequacy model evolves from the model currently in place in that it adopts a multivariate control logic that makes reference to the customer's portofolio risk, including the investment product that is being recommended.

The activities described in this section cover the entire distribution scope of the branch network of Banca MPS and the Financial Advisory network (in addition to MPS Capital Services for the role it plays in the supply-chain process). They also cover the investment services operated by Banca Widiba, which started its activities in the last part of the year and, as of 22 December, has taken over Financial Promotion activities.

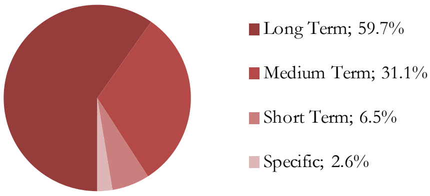
The results of questionnaires filled out by Group customers confirm a moderate conservative approach to financial investments. Out of Group customers in the "Retail" macro-segment, (i.e. nearly all of the Group's customers), at the end of 2014 approximately 70% showed medium and medium-low (minimum to moderate) risk profiles and mainly medium to long-term investment horizons.





At the end of 2014, the portfolios held by Consumer/Retail customers on the basis of formalised advanced advisory proposals to obtain optimum asset allocation, were mainly distributed into the recommended medium and especially long term Asset Allocation (AA) macro-classes. This testifies to the interest of customers who turn to this type of advisory service for stable and long-lasting investments.

Retail Clients - Portfolio Management Advisory
Preferred Asset Allocations
Montepaschi Group - 31 12 2014



As for risk mapping on investment products, the last quarter of 2014 confirmed the results already seen during the year and especially during 2013, i.e. a key risk factor trend which was on the whole positive following the difficulties encountered at the height of the financial crisis, particularly in 2010-2012. Despite the persistently volatile situation of euro area markets, conditions on the international and Euro area financial markets improved and, on the whole, remained pointed towards an upturn in financial investments by customers. At the end of the year system interest rates reached minimum levels, and a substantial stability was confirmed in the risk remuneration of government bonds of peripheral countries, particularly when expectations of further monetary policy measures by the EBC became reality in the early days of 2015. In December, the downgrading by Standard & Poor's of the Italian sovereign debt did not have significant effects on Treasury yields.

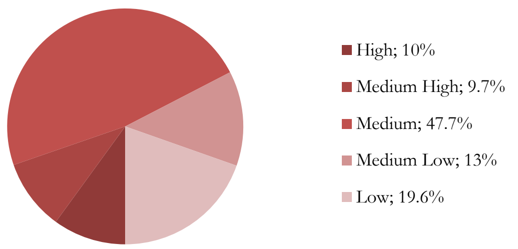
Credit risk continues to be the most significant component in determining the overall risk of investment products, despite showing a gradual decline during the year, particularly in the area of financial and corporate bonds following a decrease in the level of risk premiums on the sovereign debt of EU countries (including Italy), which had been strongly affected by the 2010-12 financial crisis in Europe.

This situation has had obvious repercussions on the risk of customers' investment products that are particularly sensitive to volatility in the main risk factors.

The experience in recent years, however, requires greater caution when interpreting market signs and investor behaviours. In the current circumstances, rapid changes in monetary policy, the perception of sound financial systems and investor behaviour can have violent repercussions on risk factors and on the investments of customers.

In line with the market trends and consequent impacts on macro risk factors, particularly issuer risk, products included in the Group's catalogue and held by "Consumer/Retail" customers showed, at the end of 2014, a rise in the risk appetite of investors and a consequent search for higher returns. The risk profile distribution that emerges is concentrated, on average, on medium risk levels compared to the end of 2013, despite the fact that approximately one-third of products fall into the lower risk classes.

Financial Instruments Offered to and Held by Retail Clients
Montepaschi Group - 31 12 2014



Customers have regularly been informed of changes in the risk of financial instruments held, so as to ensure timely informational transparency and facilitate possible decisions aimed at rebalancing the risk profile of their investments.

Part F – Information on consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

A. Qualitative information

The Montepaschi Group pursues strategic objectives focused on quantitative and qualitative strengthening of capital, structural rebalancing of liquidity and achievement of sustainable profitability levels. In this perspective, capital management, planning and allocation activities play a crucial role in ensuring compliance over time with the minimum capitalisation requirements set by the regulations and the supervisory authorities, as well as with the risk appetite level approved by the Group's strategic supervision body.

This is the purposes served by the Risk Appetite Framework (RAF) through which the target capitalisation levels are estimated on a yearly basis and capital is allocated to the business units according to expected development and estimated risk levels, making sure that the allocated capital is sufficient to ensure compliance with minimum requirements, under both normal and stress conditions.

The RAF is used to perform prospective capital adequacy assessments over a multiyear period, under both normal and stress conditions. The analyses are carried out both at Group level and by each individual legal entity subject to regulatory capital requirements.

The achievement of objectives and compliance with regulatory minimum requirements is constantly monitored throughout the year.

The formal corporate processes to which the RAF is applied at least on an annual basis are the budget, the risk appetite and the ICAAP.

The Montepaschi Group defines its targets on the basis of a Risk Adjusted Performance Measurement (RAPM), which measures profitability net of the cost of capital to be held for regulatory purposes relative to the assumed risk level.

The definitions of equity applied are those used in Supervisory Regulations: Common Equity Tier 1, Tier 1 and Capital; moreover, the RAPM metrics also include Invested Capital, i.e. the amount of Shareholders' equity needed to achieve Common Equity Tier 1 values, whether determined ex ante as target levels or realised ex post.

The Capital at Risk concepts applied are those used in the regulatory requirements, corresponding to the risk weighted assets (RWA), determined on the basis of the rules set out in the supervisory regulations, and the economic capital corresponding to the maximum losses estimated on measurable risks at a predetermined confidence interval and on the basis of the Group's internal models and rules. Both measurements are used as part of RAPM metrics.

B. Quantitative Information

For details on Group equity, see Section 15 - Liabilities in the Notes to the Financial Statements.

B.1 Consolidated shareholders' equity: breakdown by business areas

31 12 2014

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	12,497,619	315,317	249,910	(565,226)	12,497,620
Share premium	2,506	-	105,837	(105,837)	2,506
Reserves	(482,985)	236,462	(38,238)	(198,225)	(482,986)
Equity instruments	3,002	-	-	-	3,002
Treasury shares (-)	-	-	-	-	-
Valuation reserves	(684,222)	101,112	5,758	(106,870)	(684,222)
- Financial assets available for sale	(532,601)	-	-	-	(532,601)
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(182,865)	-	-	-	(182,865)
- Exchange difference	1,151	-	-	-	1,151
- Non-current assets held for sale	1,764	-	-	-	1,764
- Actuarial gains (losses) on defined benefit plans	(126,355)	-	(74)	74	(126,355)
- Share of valuation reserves of equity investments valued at equity	96,397	97,226	(778)	(96,448)	96,397
- Special revaluation laws	58,287	3,886	6,610	(10,496)	58,287
Profit (loss) for the year - Group and minority interests	(5,347,268)	100,278	7,536	(107,813)	(5,347,267)
Net equity	**5,988,652**	**753,169**	**330,803**	**(1,083,971)**	**5,988,653**

B.2 Valuation reserves for financial assets available for sale: breakdown

Asset/Amount	Banking Group		Insurance companies		Other companies		Consolidation cancellations and adjustments		TOTAL	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	288,137	(688,900)	138,693	-	957	-	(139,650)	-	288,137	(688,900)
2. Equity instruments	11,188	(27,631)	1,453	(27,145)	-	(2)	(1,453)	27,147	11,188	(27,631)
3. Units of UCITS	2,347	(19,486)	81	(15,864)	173	(89)	(254)	15,953	2,347	(19,486)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31 12 2014	**301,672**	**(736,017)**	**140,227**	**(43,009)**	**1,130**	**(91)**	**(141,357)**	**43,100**	**301,672**	**(736,017)**
Total 31 12 2013	**302,054**	**(1,097,188)**	**112,099**	**(43,750)**	**-**	**(369)**	**(112,099)**	**44,119**	**302,054**	**(1,097,188)**

B.3 Valuation reserves for financial assets available for sale: annual changes

31 12 2014

	Debt securities	Equity instruments	Units of UCITS	Loans
1. Opening balance	**(832,398)**	**46,819**	**(9,555)**	**-**
2. Increases	**558,164**	**38,320**	**22,780**	**-**
2.1 Inreases in fair value	419,988	4,073	10,432	-
2.2 Reversal to profit and loss of negative reserves	136,603	34,247	12,348	-
- due to impairment	183	34,241	11,975	-
- following disposal	136,420	6	373	-
2.3 Other changes	1,573	-	-	-
3. Decreases	**126,529**	**101,582**	**30,364**	**-**
3.1 Decreases in fair value	28,039	87,962	20,894	-
3.2 impairment provisions	-	-	-	-
3.3 Reversal to profit and loss of positive reserves: followiong disposal	78,724	11,819	9,470	-
3.4 Other changes	19,766	1,801	-	-
4. Closing balance	**(400,763)**	**(16,443)**	**(17,139)**	**-**

B.4 Valuation reserves for defined benefit plans: annual changes

	Internal funds	External funds	Provisions for employees severance pay	31 12 2014
Opening balance	**(24,594)**	**(6,875)**	**(63,804)**	**(95,273)**
Remeasurement of net defined benefit liability (asset):	**(11,422)**	**7,050**	**(26,237)**	**(30,609)**
Return on plan assets excluding interests	2,548	4,023	-	6,571
Actuarial gains (losses) arising from changes in demographic assumptions	(3,207)	(2,174)	-	(5,381)
Actuarial gains (losses) arising from experience adjustments	56	4,548	-	4,604
Actuarial gains (losses) arising from changes in financial assumptions	(11,014)	(20,941)	(26,237)	(58,192)
Changes in effect of limiting net defined benefit asset to asset ceiling	195	21,594	-	21,789
Gains (losses) on settlements	-	-	-	-
Others	-	(239)	(303)	(542)
Closing balance	**(36,016)**	**(64)**	**(90,344)**	**(126,424)**

Section 2 – Regulatory banking capital and ratios

2.1 The regulatory framework - scope of application

The prudential supervisory provisions for banks and banking groups became operational as of 1 January 2014 with the aim of aligning national regulations with the changes introduced to the international regulatory framework, particularly the European Union's new regulatory and institutional framework for banking supervision.

The new regulatory framework aims to improve the ability of banks to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen the bank's transparency and disclosures, while taking into account developments from the financial crisis. The reforms have two types of focus: microprudential, involving regulation at individual bank level; macroprudential, addressing systemic risk, amplified by the interconnection between financial institutions.

The three-pillars based approach has been maintained. This was also the basis of the previous capital accord known as "Basel 2", which has been integrated and strengthened with measures that increase the quantity and quality of banks' capital base as well as introduce counter-cyclical supervisory tools and new standards for liquidity risk management and financial deleveraging.

More specifically, Pillar 1 has been strengthened through a more harmonised definition of capital as well as higher capital requirements. In the face of more stringent capital requirements that more accurately reflect the potential risk of certain activities (e.g. securitisations and trading book), a definition of higher quality capital has been added, essentially focused on common equity. Capital reserves are added to this definition, which function is to conserve primary capital, provide counter-cyclical buffers, and hedge against greater losses for systemically important financial institutions. These reserves are envisaged at the discretion of Supervisory Authorities, net of the mandatory capital conservation buffer of 2.5%.

In addition to the system of capital requirements aimed at covering credit, counterparty, market and operational risk, there is now a plan to introduce leverage caps (including off-balance sheet exposures) as a backstop to capital requirements based on risk and to reduce excessive leverage across the system.

"Basel 3" also introduces new liquidity risk monitoring requirements and tools which focus on short-term liquidity resilience (Liquidity Coverage Ratio - LCR) and longer term structural balance (Net Stable Funding Ratio - NSFR) as well as providing standards for liquidity risk management and monitoring at both individual and system-wide level.

Pillar 2 requires banks to adopt a strategy and process for controlling current and future capital adequacy, assigning the supervisory authorities with the task of verifying the reliability and consistency of results and of implementing the appropriate corrective measures, where necessary. Growing importance is attached to the corporate governance structure and internal control systems of banks as a determining factor for the stability of individual institutions and the financial system as a whole. To this end, regulatory requirements have been strengthened concerning: the role, qualification and composition of governing bodies; the awareness by these bodies and top management regarding organisational structure and risks for the Parent Company and banking group; corporate control functions, with a particular focus on the independence of those in positions of responsibility; the recognition of risk in off-balance sheet assets and securitisations, asset valuation and stress testing; and remuneration and incentive systems.

Pillar 3 – regarding the obligation of public disclosure on capital adequacy, risk exposures and general characteristics of management and control systems, with a view to promoting market discipline – was revised to also include transparency requirements concerning securitisation exposures and further information on the composition of regulatory capital and the methods adopted by the Parent Bank to calculate capital ratios.

The introduction of Basel 3 regulations is subject to a transition period that extends the full application of the rules to 2019 (2022 for the phase-out of certain capital instruments) and during which the new rules will be applied in an increasing proportion.

Regulatory capital, an element of Pillar 1, is therefore calculated according to Basel 3 rules implemented in Europe through a comprehensive body of regulations, consisting of the Capital Requirements Regulation (CRR), European Regulation no. 575/2013, and related integrations, by the Capital Requirements Directive (CRD IV), by Regulatory Technical Standards and Implementing Technical Standards issued by the EBA, and by supervisory instructions issued by Bank of Italy (specifically, Circular nos. 285 and 286).

2.2 Bank's Capital

A. Qualitative information

The Bank's capital is made up of the following:

- Tier 1 (T1) capital, consisting of:
    - Common equity Tier 1 (CET1);
    - Additional Tier 1 (AT1);
- Tier 2 (T2).

As with other regulatory indicators, capital is subject to specific transition rules. Therefore, there are full application requirements and transition requirements.

1. Common equity Tier 1 (CET1);

Full application requirements

Common equity Tier 1 (CET1) mainly consists of:

- ordinary shares;
- share premium reserve resulting from the calculated share capital;
- retained earnings;
- valuation reserves.

The requirements for including capital instruments in CET1 are very stringent. They include the following :

- capital instruments must be classified as equity for accounting purposes;
- the nominal amount cannot be reduced except in cases of liquidation or discretionary repurchases by the issuer, with the appropriate authorisation by the Supervisory Authority;
- they must have perpetual duration;
- the issuer is not obliged to distribute dividends;
- the issuer can only distribute dividends from distributable profits;
- there can be no preferential treatment in distributions, unless as a reflection of different voting rights;
- there are no caps on distribution;
- cancellation of distributions does not result in restrictions on the issuer;
- with respect to issued capital instruments, CET1 instruments absorb firstly and a proportionally greater amount of the losses in the moment that they incurred;
- they represent the most subordinated instruments in the event of the Parent Company's bankruptcy or liquidation;
- the holders have the right to the issuer's residual assets in the event of the issuer's liquidation;
- they are not subject to guarantees or contractual provisions that increase their seniority.

The CET1 calculation excludes the valuation reserve generated by cash flow hedges and the gains/losses from changes in the Bank's credit standing (fair value option liabilities and derivative liabilities).

Furthermore, CET1 includes additional value adjustments (so-called "prudent valuation"). These adjustments are made to fair value exposures in the financial statements and must include the uncertainty of the parameters (model risk, unwinding costs, etc.) and potential future costs (operational risks, concentration risk, liquidity risk, etc.). The adjustments vary according to the financial instruments' classification as Level 1, 2 or 3.

In addition to these components, which represent the prudential filters, CET1 is subject to the following deductions:

- loss for the period;
- intangible assets, including the goodwill implicit in the equity investments under significant influence or joint control, valued according to the equity method;
- tax assets that are based on future profitability and do not derive from temporary differences (tax losses);
- deferred tax assets that depend on future profitability and derive from temporary differences (net of the corresponding deferred tax liabilities). On the other hand, deferred tax assets that do not depend on future profitability and can be transformed into tax credits as per Law no. 214/2011 are not deducted. Instead, these latter assets are included in RWA and weighted at 100%;
- deferred tax assets associated with multiple tax alignments of the same goodwill item for the portion that has not yet been transformed into current taxes;
- the surplus of expected losses on portfolio impairments validated for purposes of adopting the AIRB approach (so-called "expected loss delta");
- direct, indirect and synthetic investments in the Bank's own CET1 instruments;
- non significant (<10%) direct, indirect and synthetic investments in CET1 instruments of financial institutions;
- significant (>10%) direct, indirect and synthetic investments in CET1 instruments of financial institutions;
- any deductions in excess of the AT1 instruments.

Deductions for equity investments in financial institutions and deferred tax assets are applicable only for the portion that exceed established CET1 thresholds, known as exemptions, according to the specific mechanism described below:

- non significant investments in CET1, AT1 and T2 instruments of financial institutions are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to direct, indirect and synthetic investments in CET1 instruments of financial institutions, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- net deferred tax assets that depend on future profitability and derive from temporary differences are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- significant investments in CET1 capital instruments of financial institutions are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- amounts not deducted as a result of the 10% exemption of significant investments in CET1 capital instruments of financial institutions and net deferred tax assets that depend on future profitability and derive from temporary differences, added together, are deducted only for the portion that exceeds 17.65% of the CET1 that is obtained after applying the prudential filters and all deductions, including investments in financial institutions and deferred tax assets, with the exception of any deductions in excess of the AT1 capital instruments.

Amounts not deducted as part of the exemptions are included in the RWA with 250% weighting.

Non-controlling interests are calculated in CET1 to the extent to which they cover the corresponding minimum capital requirements of the subsidiary. Hence, any excess cannot be included in the CET1 calculation.

As concerns special provisions against Banca Monte dei Paschi di Siena, the Supervisory Authority requested the exclusion from CET 1 of the share of Fresh notes falling under the indemnity issued by the Parent company to Bank of New York S.A. The negative impact on CET 1 as at 31 December 2014 amounted to EUR 76 mln, unchanged from 31 December 2013.

Transitional requirements

The following are the key aspects of the transition requirements:

- the losses for the period are calculated in CET1 with a progressive introduction of 20% per year (20% in 2014 and 100% from 2018); the portion temporarily not deducted from CET1 is calculated in reduction of AT1;
- actuarial gains/losses arising from the measurement of liabilities connected with employee benefits (staff severance pay, defined-benefit pension funds, etc.) are recognised, net of tax effect, in valuation reserves and are included in CET1, with a gradual introduction of 20% per year (20% in 2014 and 100% in 2018);
- unrealised gains on financial instruments classified in the AFS portfolio, other than those related to exposures with central governments, are calculated in CET1 beginning in 2015 at 40% and then with a gradual introduction of 20% per year (40% in 2015 and 100% in 2018). Unrealised losses on financial instruments classified in the AFS portfolio, other than those related to exposures with central governments, are calculated in CET1 with a gradual introduction of 20% per year (20% in 2014 and 100% in 2018);
- the option to exclude from CET1 the unrealised profits and losses on exposures with central governments classified in the AFS portfolio, until approval by the European Commission of the IFRS that replaces IAS 39, as a result of the introduction of the CRR according to each country's discretion established as part of the transition requirements by Bank of Italy. In accordance with Circular no. 285 of 17/12/2013, in January 2014 the MPS Group exercised this right; the AFS reserve linked to AFS securities (BTP) related to the Alexandria transaction constitutes a derogation to this regime. More specifically, following the Comprehensive Assessment, the entire amount of the negative reserve related to the government bonds that were the subject of the transaction (amounting to EUR 423 mln as at 31 December 2014) was considered in the CET 1 calculation;
- deferred tax assets that depend on future profitability and do not derive from temporary differences are deducted at 20% for 2014 (100% from 2018). These are essentially deferred financial assets associated with tax losses;
- deferred tax assets that depend on future profitability and derive from temporary differences existing as at 1 January 2014 are deducted from CET1 with a gradual introduction of 10% per year beginning in 2015 (10% in 2015 and 100% in 2024);
- other deferred tax assets that depend on future profitability and derive from temporary differences, generated after 1 January 2014, are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018);
- non significant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- significant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- the excess of expected losses on impairments (expected loss delta) is deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018). The portion not deducted from CET1 during the transition phase is deducted at 50% from AT1 and 50% from T2.

Additional impairments to assets and liabilities designated at fair value are calculated in proportion to the amount with which said assets and liabilities are calculated in CET1 during the transition period. For example, since unrealised gains and losses on exposures to central governments classified in the AFS portfolio are not at this time included in the CET1 calculation, any additional corresponding impairments are not recognised.

The New Financial Instruments (NSFs) subscribed by the MEF can be included in the CET 1 calculation until 31 December 2017.

New Financial Instruments and 2014 capital increase

The issuance of the NFIs is consequential to the shortfall revealed by the exercise conducted by the EBA on the capital requirements of Europe's major banks in the second half of 2011. The subscription of NSF by the MEF entailed the adoption of a Restructuring Plan approved by the European Commission on 27 November 2013.

The NFIs were issued by Banca Monte dei Paschi di Siena S.p.A. on 28 February 2013 pursuant to article 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended. In particular, the Ministry of Economy and Finance subscribed the NFIs issued by the Bank for a total of EUR 4,071 mln, of which EUR 1,900 mln allocated to full repayment of the Tremonti Bonds already issued by the Bank in 2009, and EUR 171 mln, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 December 2012, in consideration of the Bank's negative results as at 31 December 2012.

The characteristics of the New Financial Instruments include:

- the NFIs are financial instruments which may be converted into ordinary shares by the issuer BMPS and are characterised by subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumptions. In particular, on a going-concern basis, the NFIs absorb losses that reduce the capital ratio to below 8% in the same proportion with respect to the share capital and reserves, by reducing the nominal value;
- the NFIs are perpetual instruments and the Parent Company has the right to redeem them subject to the previous authorisation by the Bank of Italy; repayment of the instruments will occur at the greater of the following values:
    - an increasing percentage of the nominal value over time (100% by 30 June 2015, then increased by 5% every two years up to a maximum of 160%);
    - the product of shares underlying the NFIs and the price paid in the event of a takeover bid on BMPS after the subscription date;
    - the product of shares underlying the NFIs and the price received by the Fondazione MPS in the event that over 10% of its shareholding is sold over a period of 12 months.
- the NFIs have no rights under art. 2351 of the Civil Code and are convertible into shares upon the request of the issuer (art. 23-decies para.1); in particular, in the event of conversion, the MEF is to be assigned a number of shares equal to the ratio between the nominal value of the NFIs and the Theoretic Ex Rights Price (TERP) discounted by 30%; the TERP is positively related to the market value of BMPS shares;
- interest on NFIs is paid in cash up to the amount of net profit for the year gross of the same interest, tax effect and net of provisions for statutory reserves;
- any interest in excess of this threshold is paid through the issue of new shares at market value or, for 2013 interest, through the issue of additional NFIs for the equivalent nominal value;
- with regard to interest payment on NFIs:
    - interest on NFIs is calculated on a pro rata basis by applying a fixed rate of 9% to the nominal value for the first year (2013) with a subsequent step up of half a point every 2 years until the 15% cap is reached;
    - subject to the exceptions provided for in 2013 and 2014, interest that is not covered by net profit for the year is to be paid through the allocation of a number of shares equal to the number of shares in issue multiplied by the ratio between interest due and market

capitalisation of BMPS (average of 10 days prior to the date of the Board of Directors which approved the financial statements) net of the same interest;

- in the event of loss for the year, no dividends shall be paid out under any circumstances.

In June 2014 the Parent Company launched a rights offering for shares for a maximum amount of EUR 5 bn. At the end of the offering period, which began on 9 June 2014 and closed on 27 June 2014, rights had been exercised for the subscription of 4,992,056,324 new shares, accounting for 99.85% of total new shares available and amounting to a total of EUR 4,992 mln. On the basis of this outcome and the authorisations received by the Bank of Italy and the Ministry of Economy and Finance, on 1 July 2014 the Parent Company redeemed a nominal value of EUR 3 bn of New Financial Instruments as well as New Financial Instruments relating to interest accrued for the financial year 2013 and issued at the same time, for a total consideration of EUR 3,455.6 mln, which includes the effects from the terms and conditions of the NFIs following the sale of shares by Fondazione Monte dei Paschi di Siena.

As a result of these events and in application of the rules of prudential supervision, as at 31 December 2014 CET 1 included the shares subscribed and regulated at this date, ie. EUR 4,992 mln di euro net of costs of the transaction amounting to EUR 176 mln, and excluded the EUR 3 bn of NFIs repaid to the MEF. Thus Common Equity T1 as at 31 December 2014 includes EUR 1,071 mln of NFIs. Additionally, the capital increase transaction involved the acquisition of resources in CET 1 for EUR 2.3 mln related to the placement on the market of unexercised options.

The following table reports the main characteristics of instruments included in Common Equity Tier 1.

31 12 2014

Features of subordinated instruments	Interest rate	Step up	Issue Date	Maturity Date	Early redemption as of	Currency	Grandfathering	Original amount in currency units	Contribution to capital (€/000)
Ordinary shares	N.A.	NO	N.A.	N.A.	N.A.	EUR	NO	12,297,338,774	12,297,339
New financial instruments	9,5%	YES	28/02/13	N.A.	N.A.	EUR	YES	4,071,000,000	1,071,000
Total Equity Instruments (Common Equity Tier 1 - CET1)									**13,368,339**

2. Additional Tier 1 (AT1)

Full application requirements

The main requirements for including capital instruments in AT1 are:

- the subscription and acquisition must not be financed by the Parent Company or its subsidiaries;
- they are subordinated to T2 instruments in the event of bankruptcy;
- they are not subject to guarantees that increase their seniority issued by the Parent Company, its subsidiaries or other companies with close ties to the Bank and its subsidiaries;
- they have indefinite duration and do not include incentives for repayment;
- call options may be exercised only at the issuer's discretion and, in any event, no earlier than 5 years, unless authorised by the Supervisory Authority related to specific circumstances;
- interest is paid as a function of distributable profits;
- the Parent Company has full discretion in paying interest and at any moment may decide to not pay for an unlimited period; the cancellation is not cumulative;
- cancellation of interest does not constitute issuer default;
- in the event of trigger events, the nominal value may be reduced permanently or temporarily or the instruments may be converted into CET1 instruments.

AT1 is subject to the following deductions for Montepaschi Group:

- direct, indirect and synthetics investments in the Bank's AT1 instruments;
- direct, indirect and synthetics investments in AT1 instruments of financial institutions;
- any adjustments exceeding T2.

As a result of these previsions, some instruments issued in previous years by Montepaschi Group do not meet the requirements to be included in AT1.

Transitional requirements

The following are the key aspects of the transition requirements for 2014:

- non significant investments in AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from AT1 due to the transition period are deducted from AT1 at 50% and from T2 at 50%;
- significant investments in AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from AT1 due to the transition period, are deducted from AT1 at 50% and from T2 at 50%;
- the excess of expected losses on impairments (expected loss delta), temporarily not deductible from CET1 due to the transition period, is deducted from AT1 at 50%.

The following table reports the main contractual features of instruments included in the calculation of Additional Tier 1.

31 12 2014

Featurs of subordinated instruments	Interest rate	Step up	Issue Date	Maturity Date	Early redemption as of	Currency	Grandfathering	Original amount in currency units	Contribution to capital (€/000)
F.R.E.S.H. - principal not computable in CET1	N.A.	NO	N.A.	N.A.	(a)	EUR	NO	189,158,000	189,158
F.R.E.S.H. (Floating Rate Equity-Linked Subordinated Hybrid)	Euribor 3m + 88 bps.	NO	30/12/03	N.A.	(b)	EUR	NO	700,000,000	27,915
Capital Preferred Securities I^ tranche	Euribor 3m +6.3%	YES	21/12/00	N.A.	(c)	EUR	YES	80,000,000	43,238
Capital Preferred Securities II^ tranche	Euribor 3m+6.3%	YES	27/06/01	N.A.	(c)	EUR	YES	220,000,000	85,202
Preferred Capital I LLC	Euribor 3m+ 6.3%	YES	07/02/01	N.A.	(d)	EUR	YES	350,000,000	192,907
Total Preference share and Equity instruments (Tier I)									**538,420**

a) F.R.E.S.H. 2008 refers to the EUR 950 mln capital increase reserved to JP Morgan. By virtue of a usufruct contract between the Bank and JP Morgan, the latter only has the bare ownership of the shares, while the Bank is entitled to the voting rights and the dividends. Under this contract, in the event of profits subject to distribution the Bank shall pay a fee to the counterparty. Following a free share capital increase of EUR 750 mln approved in 2012 applicable to the share premium reserve, the portion of the 2008 reserved capital increase that has AT1 characteristics as at 31 December 2014 amounts to EUR 189 mln.

b) The innovative capital instruments F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid notes) issued by the vehicle "MPS Preferred Capital II LLC", for an original nominal value of EUR 700 mln, are perpetual instruments and as such contain no redemption or step-up clauses but are convertible into shares. In September of each year from 2004 through 2009 and however, at any time effective as of 1 September 2010, the instruments are convertible upon the investor's initiative. In addition, an automatic conversion clause is provided for in the event that, after the seventh year from date of issue, the reference price of the ordinary shares should exceed a set amount. For the portion still outstanding, it is noted that the return is non-cumulative, with an option for it not to be paid if, during the previous year, the Bank did not register any distributable profits and/or did not pay any dividends to its shareholders. Any unpaid consideration shall be considered as forfeited. The rights of the note holders are guaranteed on a subordinated basis. In the event of liquidation of the Parent Bank, the rights of the investors will be subordinated to all of the Parent Bank's creditors who are not equally subordinated, including holders of securities coming under Tier 2 capital and will override the rights of Parent Bank's shareholders. In virtue of these characteristics, these instruments are eligible for inclusion in core Tier1. Within the overall structure, a limited liability company and a business Trust were set up, which have respectively issued convertible preferred and convertible trust securities. The Parent Company underwrote an on-lending contract in the form of a subordinated deposit agreement. The conditions of the on-lending agreement are substantially the same as the conditions of the convertible preferred securities. For these securities, the issuer exercised the option not to proceed with payment of interest accrued on the coupon dates scheduled, as of 30 September 2013.

c) Capital Preferred Securities, Antonveneta Capital Trust I and Antonveneta Capital Trust II are non-redeemable securities. For these securities, the issuer exercised the option not to proceed with payment of interest accrued on the coupon dates scheduled, as of 21 September 2013 and 27 September 2013 respectively.

d) Preferred Capital Shares I LLC are non-redeemable. For these securities, the issuer exercised the option not to proceed with payment of interest accrued on the coupon dates scheduled, as of 7 February 2013.

3. Additional Tier 2 (AT2)

Full application requirements

The main requirements for including capital instruments in T2 are:

- the subscription and acquisition must not be financed by the Parent Company or its subsidiaries;
- they are not subject to guarantees that increase their seniority issued by the Parent Company, its subsidiaries or other companies with close ties to the Bank and its subsidiaries;
- the original duration is not less than 5 years and there are no incentives for early repayment;
- call options may be exercised only at the issuer's discretion and, in any event, no earlier than 5 years, unless authorised by the Supervisory Authority related to specific circumstances;
- interest does not vary based on the Parent Company's credit standing;
- amortisation of these instruments for purposes of inclusion in the T2 calculation is pro-rata temporis in the last 5 years;

T2 is subject to the following deductions:

- direct, indirect and synthetics investments in the Bank's T2 instruments;
- direct, indirect and synthetics investments in T2 instruments of financial institutions.

Based on the information emerged from the Comprehensive Assessment, the Patagonia vehicle was consolidated also for prudential purposes. This treatment resulted in a Tier 2 reduction by approximately EUR 100 mln as at 31 December 2014.

Transitional requirements

The following are the key aspects of the transition requirements for 2014:

- non significant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100%; non significant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted with a phase-in of 20% per year as of 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs;
- significant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100%; significant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted with a phase-in of 20% per year as of 2014 (20% in 2014 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs;
- the excess of expected losses on impairments (expected loss delta), temporarily not deductible from CET1 due to the transition period, is deducted from T2 at 50%.

The following table reports the main contractual features of instruments included in the calculation of Tier 2.

Features of subordinated instruments	Interest rate	Step up	Issue Date	Maturity Date	Early redempion as of	Currency	Grandfathering	Original amount in currency units	Contribution to capital (EUR/000)
Subordinate bond loan	4.875% fixed	NO	31 05 2006	31 05 2016	N.A.	EUR	no	750,000,000	167,105
Subordinate bond loan	5.750% fixed	NO	31 05 2006	30 09 2016	N.A.	GBP	no	200,000,000	31,133
Subordinate bond loan	Euribor 6m+2,50%	NO	15 05 2008	15 05 2018	N.A.	EUR	no	2,160,558,000	1,456,543
Subordinate bond loan	CMS Convexity Notes	NO	07 07 2000	07 07 2015	N.A.	EUR	no	30,000,000	3,089
Subordinate bond loan	CMS Volatility Notes	NO	20 07 2000	20 07 2015	N.A.	EUR	no	25,000,000	2,752
Subordinate bond loan	5.6% fixed	NO	09 09 2010	09 09 2020	N.A.	EUR	no	500,000,000	376,733
Subordinate bond loan	Euribor 3m+0.40% until 30/11/2012, then Euribor 3m+1%	YES	30 11 2005	30 11 2017	30 11 2012	EUR	no	500,000,000	214,837
Subordinate bond loan	7% fixed	NO	04 03 2009	04 03 2019	N.A.	EUR	no	500,000,000	417,306
Subordinate bond loan	5% fixed	NO	21 04 2010	21 04 2020	N.A.	EUR	no	500,000,000	364,700
Subordinated debt	Euribor 3m+2,8%	NO	10 10 2006	10 10 2016	10 10 2011	EUR	no	400,000,000	142,169
Total equity instruments Tier 2									**3,176,367**

Grandfathering

A gradual exclusion from the relevant capital level is envisaged for capital instruments issued previously and calculated in regulatory capital through 31 December 2013 that do not meet the requirements of the new regulatory framework. Specifically, 80% of the nominal value outstanding in 2014 may be included in the CET1, AT1 and T2 calculation, decreasing 10% per year until its full exclusion in 2022, for those instruments issued or calculated in the regulatory capital prior to 31 December 2011 that do not meet the new requirements.

B. Quantitative Information

	31 12 2014	31 12 2013*
A. Tier 1 before prudential filters	7,266,990	10,437,667
of which CET1 instruments subject to transitional provisions	1,071,000	4,071,000
B. Tier I prudential filters	(1,183)	87,958
C. Tier I capital gross of items to be deducted (A+B)	**7,265,807**	**10,525,625**
D. Items to be deducted from Tier I	1,743,282	3,688,876
E. Transitional regime - Impact on CET1 (+/-)	1,084,984	1,914,865
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**6,607,509**	**8,751,614**
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	538,420	539,127
of which AT1 instruments subject to transitional provisions	321,347	321,347
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	(538,420)	(539,127)
L. Total additional Tier 1 (AT1) - (G - H +/- I)	**-**	**-**
M. Tier2 (T2) gross of items to be deducted and transitional regime effects	3,351,208	4,144,654
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	68,516	65,644
O. Transitional regime - Impact on T2 (+/-)	9,916	(551,166)
P. Total Tier 2 (T2) (M - N +/- O)	**3,292,608**	**3,527,844**
Q. Total capital (F + L + P)	**9,900,117**	**12,279,458**

** The data as at 31 December 2013 are shown, for comparison purposes only, according to the regulatory framework in effect from 1 January 2014.*

As at 31 December 2014, CET 1 decreased by EUR 2,144.1 mln, totalling EUR 6,607.5. mln, compared to EUR 8,751.6 mln at the end of 2013. The reduction is mainly attributable to the loss for the period and the redemption of New Financial Instruments for EUR 3 bn, partly offset by the capital increase and reduced deductions (goodwill and expected loss delta).

The item relating to CET1 instruments subject to transition requirements refers solely to the New Financial Instruments amount.

Unrealised losses relating to exposures to central administrations classified as AFS and not included in the Capital calculation amount to EUR 164.4 mln. The amount takes into account the treatment of the Alexandria transaction as requested by the Supervisory Authority.

The prudential filter to absorb gradually the effects of application of the new IAS 19 amounts to EUR 88 mln, and the values of net liabilities for benefits defined according to the rules of the old and new IAS 19 amount to EUR 14.1 mln and 126.4 mln respectively.

At the same date AT1 remained unchanged, i.e. equal to zero.

T2 decreased by EUR 235.2 mln, totalling EUR 3,292.6 mln, compared to EUR 3,527.8 mln, pro-forma, at the end of 2013.

As at 31 December 2013, the official data - calculated according to the previous regulatory framework - for T1, T2 and regulatory capital was EUR 8,973 mln, EUR 3,865 mln and EUR 12,838 mln, respectively.

2.3 Capital adequacy

A. Qualitative information

Under the prudential regulation, the minimum equity requirements for 2014 are as follows:

- CET1 ratio of at least 4.5% of the Group's total risk exposure;
- AT1 ratio of at least 5.5% of the Group's total risk exposure; in 2015 the threshold will increase to 6%;
- Total Capital ratio of at least 8% of the Group's total risk exposure.

Additionally, the new regulations envisage that banks must have the following reserves:

- capital conservation buffer - aimed at conserving the minimum level of regulatory capital during difficult periods in the market, through the allocation of high quality capital in periods in which there are no market tensions. This reserve is mandatory and must be at least 2.5% of the Bank's total risk exposure. The reserve consists of CET1 capital;
- countercyclical capital buffer - aimed at protecting the banking sector in phases of excessive growth in loans. The buffer provides for the accumulation of CET1 capital during phases of rapid growth in the credit cycle, which can then be used to absorb losses in the downward phase of the cycle. As opposed to the capital conservation buffer, the countercyclical buffer is imposed only during periods of loan growth and is calculated according to pre-established criteria. Supervisory Authorities have not yet defined the amount of this reserve;
- G-SII buffer for global systemically important banks and O-SII buffer for other systemically important entities - impose higher capital requirements on those entities based on their systemic relevance, at a global or national level, which pose greater risks for the financial system and for which a crisis could have impacts on contributors. The Group falls under the Basel Committee's definition of systemically important banks, required to publish indicators according to the established times and methods. Hence, from 2016, the Group will be subject to additional loss absorbency requirements, the extent of which will be defined by the Bank of Italy.

As concerns capital requirements, for credit risks the Group uses the Advanced Internal Rating Based (AIRB) method with reference to the "Credit Exposures to Retail" and "Credit Exposures to Entities" regulatory portfolios. The scope of application of the AIRB method currently includes the Parent Company Banca MPS, MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring. For the remaining portfolios and Group entities, capital requirements relative to credit risks are calculated according to the standard method.
Conversely, capital requirements relative to market risk are calculated according to the standard method for all Group entities.
Capital requirements relative to the operational risk calculated according to the AMA method cover the entire Banking Group perimeter almost completely. For the remaining part of the perimeter, the base method applies.

Furthermore, in 2014 the ECB performed, in collaboration with the national competent authorities responsible for the supervision of banks, a system-wide Comprehensive Assessment, pursuant to the regulations on the Single Supervisory Mechanism (EU Regulation no. 1024/2013 of the European Council on 15 October 2013), which became effective on 3 November 2013. The Comprehensive Assessment has three main goals: transparency (to enhance the quality of information available on the condition of banks), repair (to identify an implement necessary corrective actions, if and where needed) and confidence building (to assure all stakeholders that banks are fundamentally sound and trustworthy).

The Comprehensive Assessment touched on three aspects: (i) a supervisory risk assessment to review, quantitatively and qualitatively, the most sensitive exposures in the credit portfolio (supervisory risk assessment); (ii) an asset quality review (AQR) to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions; and (iii) a stress test to examine the resilience of banks' financial statements to stress scenarios (assessed over the three-year period 2014-2016).

The results of the Comprehensive Assessment, which includes the Asset Quality Review and the Stress Test in the two scenarios, "base" and "adverse", were published by the EBC on 26 October 2014. The Comprehensive Assessment identified for the MPS Group a shortfall of EUR 2.1 bn. The Bank is required to cover the shortfall within the 9 months following 26 October 2014 and to comply, once the shortfall is made up, with the Total Capital and Common Equity Tier 1 target ratios of 10.9%and 10.2% respectively. In order to have a capital buffer with respect to the CET1 threshold required under the SREP, the Bank's Board of Directors approved a resolution to propose to the Shareholders' Meeting an increase in the amount of the planned capital increase up to a maximum of EUR 3 bn. The rights issue is backed by a pre-underwriting agreement.
The target ratios required by the EBC must be complied with at all times when the Authority's Decision is in force; similarly, at those times the Bank may not distribute dividends.
For more exhaustive information on AQR impacts, the methods for inclusion in the 2014 financial statements and remedial actions, see section *Disclosures pursuant to art. 114 paragraph 5 of Italian Legislative Decree no. 58/1998*.

Lastly, with reference to the Liquidity Coverage Ratio, the observation period by the Supervisory Authorities began in March 2014, which precedes the official introduction of this ratio in January 2015. Also in the case of the Net Stable Funding Ratio, the observation period started on 31 March 2014. These two ratios and the associated minimum requirements will become effective 1 January 2018, upon authorisation of the European Council and Parliament.

The Leverage Ratio is calculated with a denominator that is based on the assets not risk weighted at the end of the quarter. The indicator will become binding in 2018, the transition observation phase will take place from 2014 until 31 December 2017. To date, the Supervisory Authorities have not yet determined the minimum Leverage Ratio thresholds.

Schematically, the Leverage Ratio is calculated as follows:

$$\frac{\text{TIER 1}}{\text{(Off balance-sheet items* Credit Conversion Factor + Derivatives + Securities Financing Transaction) + Other Balance sheet assets – Regulatory Adjustment)}}$$

The exposures must be reported net of regulatory adjustments envisaged in the T1 calculation in order to avoid double counting. In fact, items fully deducted from capital do not contribute to the Leverage Ratio and are deducted to the extent of the exposure.

B. Quantitative Information

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	31 12 2014	31 12 2013*	31 12 2014	31 12 2013*
A. RISK ASSETS				
A.1 Credit and couterparty risk (*)	**197,772,204**	**205,920,107**	**62,520,495**	**68,032,648**
1. Standardized Approach	79,985,932	84,188,887	33,216,331	35,525,523
2. Internal rating-based (IRB) approach	117,732,184	120,915,000	29,140,499	30,843,700
2.1 Foundation	-	-	-	-
2.2 Advanced	117,732,184	120,915,000	29,140,499	30,843,700
3. Securitisations	54,088	816,220	163,665	1,663,425
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**5,001,640**	**5,442,612**
B.2 Credit valuation adjustment risk			**98,579**	**93,313**
B.3 Settlement risk			**-**	**-**
B.4 Market risk			**289,142**	**504,621**
1. Standardized Approach			286,106	504,621
2. Internal models			-	-
3. Concentration risk			3,036	-
B.5 Operational risk			**708,267**	**659,407**
1. Foundation			20,212	29,343
2.Standardized approach			-	-
3. Advanced			688,055	630,064
B.6 Other prudential requirements			**-**	**-**
B.7 Other calculation elements			**-**	**-**
B.8 Total prudential requirements			**6,097,628**	**6,699,953**
C. RISK ASSETS AND CAPITAL RATIOS			**-**	**-**
C.1 Risk-weighted assets			76,220,350	83,749,413
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			8.67%	10.45%
C.3 Tier 1 capital/Risk-weighted assets (Tier1 capital ratio)			8.67%	10.45%
C.4 Total capital/Risk-weighted assets (Total capital ratio)			12.99%	14.66%

The data as at 31 December 2013 are shown, for comparison purposes only, according to the regulatory framework in effect from 1 January 2014.

The new key elements in terms of capital adequacy include: the re-calculation of market risks, the capital absorption of exposures to central counterparties and the quantification of credit valuation adjustment (CVA) risk. The RWA resulting from the introduction of the new capital rules (refer to preceding section) was quantified by applying the transition requirements.

As at 31 December 2014, CET1 and T1 were 8.7%, while the Total Capital ratio was 13%. As at 31 December 2013 the data show coefficients, determined according to the rules set out in the regulatory framework in force as of 1 January 2014, of 10.5% for CET 1 capital ratio and 14.7% for Total capital ratio.

The historical data as at 31 December - calculated according to the previous regulatory framework - shows a T1 ratio of 10.6% and a Total Capital ratio of 15.2%

Finally, with respect to disclosure requirements for Global Systemically Important Banks ("G-SIBs") note that, as provided for in the Basel document "Global systemically important banks: Assessment methodology and the additional loss absorbency requirement", all of the information that contributed to the determination of the 12 indicators used in the assessment methodology as at 31 December 2014 will be published on the Bank's website at http://b.mps.it/go/gsibs14 .by 30 April 2015.

Section 3 - Insurance regulatory capital and ratios

The Group does not include exclusively or jointly controlled companies subject to insurance supervision.

Section 4 – Capital adequacy of the financial conglomerate

The MPS Group is not a financial conglomerate.

Part G – Business combinations

Section 1 – Business combinations during the period

1.1 Business combinations

1.1.1 Transactions included in the scope of application of the international accounting standard IFRS 3 "Business combinations"

No business combinations, as defined by IFRS 3, were carried out in 2014.

1.1.2 Business combinations of entities under common control

Among business combinations under common control, the following should be noted:

- Monte Paschi Ireland Ltd and MPS Immobiliare S.p.A. were merged into the Parent Company in February and December 2014 respectively;
- in the last quarter, the Parent Company proceeded with the unwinding of the fully subscribed entity Corsair Finance n.6 series no. 15, also known as "Nota Italia", and replacing it with the underlying financial instruments. The vehicle was fully consolidated as of 1 January 2014 following the first-time application of the new standard governing the consolidated financial statements (IFRS 10). Under this new standard, the vehicle was recognised as a structured entity.

  For accounting purposes, the unwinding transaction was treated as a *business combination between entities under common control* since its impact was similar to a merger by absorption of a subsidiary, although the "merged" company is atypical since it is not the same as a legal entity but only part of it (series 15 of the vehichle, which constitutes a separate and segregated asset within the wider legal entity, Corsair Finance n. 6).

  As a result of this approach, the principle of accounting continuity was applied; consequently, Nota Italia, which had previously been posted to the portfolio "Loans to customers" was derecognised and replaced with the underlying financial instruments, which were accounted for in the Bank's financial statements under "Loans to Banks" using the values at which these instruments had already been recognised in the consolidated financial statements. The transaction had no impact on the Parent Company's income statement;
- In June 2014 (and effective as of December 2014) the Parent Company by mean of the contribution in kind of its financial advisory services, with all assets and liabilities amounting to EUR 568.9 mln as at December 2014, to the subsidiary WIDIBA.

The aforementioned transactions have been accounted for at the book value relating to the consolidated annual report.

Section 2 - Business combinations completed after the period

There are no transactions to report.

Section 3 – Retrospective adjustments

No retrospective adjustments are reported.

Part H – Related-party transactions

1 Compensation of key management personnel

Items/Amounts	Total 31 12 2014	Total 31 12 2013
Short-term benefits	6,110	8,439
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	4,540
Share-based payments	-	-
Other compensation	-	-
Total compensation paid to key management personnel	**6,110**	**12,979**

Considering instructions provided by accounting standard IAS 24 and in light of the current organisational structure, the Group has opted for the disclosure scope to include not only Directors, Statutory Auditors, the General Manager and Deputy General Managers, but also other Key Management Personnel.

For detailed information regarding remuneration policies, pursuant to art. 123 ter of the Consolidated Law on Finance, please refer to the document "Report on Corporate Governance and Ownership Structure – Remuneration Report" which contains data reported in the past financial statements, including:

- A detailed breakdown of compensation paid to the Governing and Control bodies, General Management and, in aggregate form, to Key Management Personnel, as well as stock option plans reserved for members of the Governing and Control bodies, the General Management and Key Management Personnel;
- Details and developments regarding stock option plans for Key Management Personnel;
- The shares of the Parent Company and its subsidiaries held by members of the Governing and Control bodies, General Management, Key Management Personnel and other related parties.

2 Related-party transactions

“Regulations containing provisions relating to transactions with related parties” was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

In its meeting of 10 November 2010, the Board of Directors established the Parent Company's Committee of Independent Directors which, as of 18 July 2013, has been renamed “Committee on Related-Party Transactions”; as at today, the Committee is composed solely of independent directors pursuant to the principles and criteria of the Corporate Governance Code of listed companies, which BMPS adhered to, and the Consolidated Law on Finance.

On 25 November 2010, the Board of Directors of the Parent Company resolved to approve "Group Directive on related-party transactions", which sets out the model for related-party transactions establishing roles and responsibilities of internal relevant functions and related implementing processes. The Directive was subsequently updated and renamed "Group Directive on BMPS Related Parties and Group Associated Parties”, with reference to “Associated Parties” as governed by the Bank of Italy in its 9th update of Circular no. 263/2006. The update was in implementation of art. 53 of the Consolidated Law on Banking and in compliance with resolution no. 277 of the Interministerial Committee for Credit and Savings (ICRC) of 29 July 2008, to govern regulations concerning risk assets and conflicts of interest in relation to the Associated Parties of the Group.

Through a resolution dated 12 November 2014, the Parent Company's Board of Directors approved – in accordance with regulatory provisions and having obtained the prior favourable opinions of the Committee on Related Party Transactions and of the Board of Statutory Auditors, the “Global Policy on transactions with related parties and associated parties, obligations of the Banking entities” (hereinafter the “Global Policy”), which includes in a single document the Group's provisions on conflicts of interest in transactions with related parties in accordance with the above referenced Consob Regulation no. 17221/10 and with Associated Parties in accordance with Bank of Italy Circular no. 263/06, Title V- Section 5, as well as those on the obligations of banking entities, in accordance with art. 136 of the Consolidated Law on Banking (TUB), and also contains rules for subsidiaries.

The Global Policy dictates the principles and rules to be adhered to in order to control the risk arising from situations of possible conflict of interest with certain entities close to the Bank's decision-making centres, and supersedes the “Procedure for Related Party Transactions” - adopted on 25 November 2010 and updated on 24 June 2012 - and the “Deliberative Procedures governing transactions with Associated Parties” – adopted on 24 June 2012.

The Global Policy was published on the Parent Company's website and are therefore available in full-text version at the following links:

https://www.mps.it/Investor+Relations/Corporate+Governance/Global+Policy.htm

Information is provided below regarding related-party transactions carried out by the MPS Group during 2014, which deserve specific mention and were conducted based on reciprocal assessments of economic advantages.

February 2014

- On 7 February 2014, the General Manager authorised the extension and increase of the ordinary credit lines for a total of EUR 26.8 mln for ALERION CLEAN POWERS S.P.A. This was an ordinary transaction of minor relevance, subject to related party procedures pursuant to Consob Regulation no. 17221/2010, as BMPS exercises significant influence over said company, due to the shareholders' agreement signed with other large shareholders in Alerion Clean Power S.p.A.
- On 20 February 2014, the Executive Committee resolved in favour of signing a debt moratorium agreement through 30 June 2014 for the principal and interest on all outstanding loans amounting to EUR 106.507 mln for SANSEDONI SIENA SPA and EUR 109.351 mln for SVILUPPO ED INTERVENTI IMMOBILIARI SRL. The transaction is subject to related party procedures pursuant to Consob Regulation no. 17221/2010, in consideration of the significant influence exercised by BMPS on Sansedoni Siena S.p.A. due to the equity investment of 21.75% of its share capital, which in turn, controls 100% of Sviluppo ed Interventi Immobiliari Srl.
- On 20 February 2014, the Board of Directors authorised an update to the Framework Agreement with AXA Group, through the signing of agreements with certain companies within AXA Group, regarding the arrears for the price adjustment resulting from the sale to AXA of 50% of the share capital of AXA MPS Assicurazioni Vita S.p.A. and of AXA MPS Assicurazioni Danni S.p.A., and relative to the acquisition by BMPS of 100% of the share capital of AXA SIM S.p.A., for which AXA paid BMPS a total of EUR 40 mln. This transaction of minor relevance is included in the application of Consob Regulation no. 17221/2010, as the counterparties to the agreement, AXA SA, AXA Mediterranean Holding SA and AXA Assicurazioni Italia S.p.A., are related parties given the joint bancassurance venture between MPS Group and AXA Group. Under the agreements reached and notwithstanding the provisions of the Framework Agreement, AXA was granted authorisation for the distribution of insurance products (via third-party banking networks) through subsidiary companies 100% owned by AXA rather than through the companies AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A. Moreover, having received this authorisation, AXA granted a call option on 50% minus one share of the new companies to be established for this purpose. The price of the call option will be determined on the basis of the policies outstanding at the time of disposal, without taking into account goodwill.
- On 20 February 2014, the Executive Committee resolved in favour of granting a transitional credit line for EUR 46 mln to ANIMA HOLDING S.P.A. (as the participation share of the syndicated medium-term long for a total of EUR 185 mln) and the resulting release of guarantees. This is an ordinary transaction of minor relevance that falls within the scope of application of Consob Regulation no. 17221/2010, insofar as the company is subject to significant influence from BMPS due to the equity investment of 21.63% of the share capital.

June 2014

- On 4 June 2014, the Credit Committee approved the extension as at 1 April 2015 of an advance of EUR 18.5 mln granted in favour of MARINELLA SPA in 2011 and a further credit facility of EUR 4 mln against the Company's commitment to channel revenues from the sale of certain assets, for the same amount, to the Lender in order to repay the credit facility granted. The effectiveness of the resolution is subject to the condition precedent that the financial statements for the year ended 31 December 2013 must be approved. This is an ordinary transaction of minor relevance conducted at arm's length or standard conditions, that falls within the scope of application of Consob Regulation no. 17221/2010, insofar as the company is subject to significant influence from BMPS due to the equity investment of 25% of the share capital.
- On 17 June 2014, the Credit Committee granted a new credit facility of EUR 380 thousand in favour of LE ROBINIE SPA and an extension of a EUR 2 mln ordinary loan subject to revocation with subsequent conversion to loan maturity and repayment by 31 December 2020. Regarding the mortgage loans outstanding, the Committee also resolved to extend the pre-amortisation period to 31 December 2016 and the amortisation period to 20 years. The validity of the resolution is subject to the Parent Company assuming an "equity commitment" for a total of EUR 2.9 mln as well as the approval of the financial statements as at 31 December 2013. This is an ordinary transaction of minor relevance, agreed upon at market-equivalent or standard conditions, that falls within the scope of application of Consob Regulation no. 17221/2010, insofar as the company is subject to significant influence from BMPS due to the equity investment of 20 % of the share capital.

July 2014

- On 22 July 2014 the Board of Directors authorised a transaction with GRUPPO IMMOBILIARE NOVOLI which involved the following: Banca MPS acquired 41.67% of IMMOBILIARE NOVOLI SPA, recapitalised the company through credit conversion and capital increases, granted new construction mortgages and issued new bank guarantees; with respect to SANDONATO SRL it undertook to repurchase a portion of a loan and to extend the ordinary credit line already in existence, for a total commitment to GRUPPO IMMOBILIARE NOVOLI of approximately EUR 117 mln. The transaction is subject to provisions on related party transactions in accordance with Consob Regulation no. 17221/2010 as Banca MPS holds an equity investment in IMMOBILIARE NOVOLI SPA, which as a result of this same transaction has become a 50% shareholding; in turn, IMMOBILIARE NOVOLI SPA owns 100% of SANDONATO SRL.

September 2014

- On 29 September 2014 the Credit Committee authorised in favour of SIENA BIOTECH SPA - in liquidation as of 23 December 2014 - confirmation of the existing credit lines, amounting to EUR 5.730 mln, the granting of an extension until 1 March 2015 of a EUR 1.925 mln credit line, and rescheduling of the expiry date of two credit lines for a total of EUR 24.5 mln as reproposition of suspended credit lines and concomitant extension of the repayment period. This is an ordinary transaction of minor relevance conducted at arm's length or standard conditions, that falls within the scope of application of Consob Regulation no. 17221/2010, insofar as the company is wholly owned by Fondazione Monte dei Paschi di Siena, which is a related party of the Bank as it owns 2.5% of Banca MPS.

October 2014

- On 9 October 2014 the Executive Committee authorised in favour of ANIMA HOLDING SPA - listed in the MTA 1 segment of the MTA market - the granting of a EUR 90 mln credit line as participation share in a loan pool to be repaid in a single payment upon expiry 5 years after signing the agreement. The Committee also authorised an increase of the provisional credit line for derivatives from EUR 1.15 mln to EUR 2.25 mln, usable for the hedging of rates on the participation share in the loan pool, and the extension of the ordinary grant of EUR 2 mln for the issued of bank guarantees. This is an ordinary transaction of minor relevance, agreed upon at market-equivalent or standard conditions, that falls within the scope of application of Consob Regulation no. 17221/2010, insofar as ANIMA HOLDING SPA is subject to significant influence from BMPS due to the equity investment of 10.32% of the share capital and as a result of agreements with other major shareholders of the Company.
- On 25 October 2014 the Executive Committee agreed to the requests for a moratorium until 31 December 2014 - with reference to the credit lines granted to the companies SANSEDONI SIENA SPA and SVILUPPO ED INTERVENTI IMMOBILIARI SRL in liquidazione, exposed to Banca MPS for a total amount of approx. EUR 120 mln, subject to a similar agreement by the other lender banks, in order to ensure the necessary protection of the existing credit rights. Previously, on 19 September 2014, the Credit Committee had authorised the issue of two Comfort Letters in favour of SANSEDONI SIENA SPA and SVILUPPO E INTERVENTI IMMOBILIARE SRL, containing information to the debtor companies regarding the intention to submit to the Bank's decision-making bodies, with the favourable opinion of the technical function, a request for moratorium which was subsequently granted. These are ordinary transaction of minor relevance subject to the provisions on related party transactions of Consob Regulation no. 17221/2010, in consideration of the significant influence exercised by BMPS due to the equity investment of 21.75% in SANSEDONI SIENA SPA, which owns 100% of SVILUPPO ED INTERVENTI IMMOBILIARI SRL in liquidazione.

December 2014

- On 18 December 2014 the Board of Directors authorised the revision of Transfer Price (TP) mechanisms and levels, with a view to preserving the current overall level of value distribution between the distributor and the company, between AXA SA and Banca MPS and the signing of distribution agreements with AXA MPS ASSICURAZIONI DANNI SPA, AXA MPS ASSICURAZIONI VITA SPA and AXA MPS FINANCIAL LTD, 100% owned by AXA MPS ASSICURAZIONI VITA SPA. These transactions of minor relevance fall within the scope of application of Consob Regulation no. 17221/2010, as AXA MPS ASSICURAZIONI DANNI SPA, AXA MPS ASSICURAZIONI VITA SPA and AXA MPS FINANCIAL LTD are related parties both by virtue of the bancassurance joint venture existing between the Monte dei Paschi di Siena Group and the AXA Group, and of the fact that the Parent Company of the counterparties - AXA SA - is a large shareholder of Banca MPS with an equity investment greater than 2% of the Bank's share capital and as such, in accordance with the Global Policy, falls within the scope of the issuer's related parties.

- On 19 December 2014 the Managing Director authorised the signing of an agreement whereby Banca MPS provides to AXA ASSICURAZIONI SPA the names of customers. This transaction of minor relevance and involving a small amount falls within the scope of application of Consob Regulation no. 17221/2010, as AXA ASSICURAZIONI SPA, is a related party both by virtue of the bancassurance joint venture existing between the Monte dei

Paschi di Siena Group and the AXA Group, and of the fact that the Parent Company of the counterparty - AXA SA - is a large shareholder of Banca MPS with an equity investment greater than 2% of the Bank's share capital and as such, in accordance with the Global Policy, falls within the scope of the issuer's related parties.

Pursuant to art.14, paragraph 2 of CONSOB Regulation no. 17221/2010 and to Chapter 6, Section II of the Global Policy adopted by the Parent Company on transactions with related parties, associated parties and obligations of banking entities, this is to inform that in 2014 the Board of Directors of Banca MPS approved the following transactions with subsidiaries:

- 7 August 2014: authorisation to renew previously granted credit lines to MPS CAPITAL SERVICES BANCA PER LE IMPRESE SPA, a 99.92% owned subsidiary, with an increase from a total of EUR 18.8 mln to a total of EUR 28.7 mln;
- 16 September 2014: WIDIBA SPA, wholly owned by Banca MPS, started operating following the assignment on 24 June 2014 of a business unit from Banca MPS;
- 3 December 2014: merger of MPS IMMOBILIARE SPA, wholly owned by Banca MPS.
- 22 December 2014: the Assembly of Consortium Members of CONSORZIO OPERATIVO DEL GRUPPO MONTEPASCHI - 99.76% owned by Banca MPS - approved the admission among Consortium members of WIDIBA SPA - wholly owned by Banca MPS - and of AXA ITALIA SERVIZI, a related party both by virtue of the bancassurance joint venture existing between the Monte dei Paschi di Siena Group and the AXA Group, and of the fact that the Parent Company of the counterparty - AXA SA - is a large shareholder of Banca MPS with an equity investment greater than 2% of the Bank's share capital and as such, in accordance with the Global Policy, falls within the scope of the issuer's related parties.

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The following tables summarise the Group’s relationships with its Associates and other related parties as at 31 December 2014, as well as the profit and loss effects of operations during the year. In calculating the shares of total, note that:

- financial assets had the total of items 10 to 80 on the Assets side of the Balance Sheet (balance-sheet financial assets) as their denominator;
- financial liabilities had the total of items 10 to 60 on the Liabilities side of the Balance Sheet (balance-sheet financial liabilities) as their denominator;
- for other assets and liabilities, the denominator reflected the items "Other assets" and "Other liabilities" in the Balance Sheet;
- for revenues and costs, the denominator is represented by the Group’s “Pre-tax profit (loss) from current operations”.

2.a Transactions with associates

31 12 2014

Items	Amounts	% on Consolidated
Total financial assets	980,868	0.58%
Total other assets	5,354	0.20%
Total financial liabilities	869,199	0.51%
Total other liabilities	16,470	0.39%
Guaranties issued	68,047	
Guaranties received	1,406,302	
Loan commitments	114,603	
Costs	8,384	-0.11%
Revenues	598,796	-7.79%

2.b Transactions involving Key Management Personnel and other related parties

31 12 2014

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	1,239	11,531	0.01%
Total financial liabilities	2,129	312,660	0.18%
Total functioning costs	6,110	-	
Guarantees issued	-	3,296	
Guarantees received	1,787	36,675	
Loan commitments	-	-	
Costs	78	83	0.00%
Revenues	109	207	0.00%

Part I – Share-based payments

Qualitative information

Description of share-based payment agreements

The remuneration and incentive policies adopted by the Group – as approved by the Parent Company's Shareholders meeting in April 2011 – provide that the variable component of compensation for all employees whose professional activity has or may have considerable impact on the company's risk profiles (a.k.a. "key employees") should meet the prescribed requirements in terms of maximum potential value as a percentage of fixed compensation (Gross Annual Salary), disbursement timing (at least 50% of the bonus should be paid after three years), disbursement methods (at least 50% of both the up-front and the deferred portions should be awarded in Bank shares).

In 2013, no incentive system was put in place by the Parent Company for these employees; no disbursements (either cash or equity) were made in 2014 in relation to 2013 and there are no variable remuneration components to be paid in financial instruments in 2014.

In addition, with reference to the Board of Directors resolution of March 2014 concerning the new incentivizing system 'LPO Lavorare per Obiettivi' (Working by Objectives - WBO), no allocations have been made in consideration of the negative result of operations, already confirmed in the first part of the year.

Part L – Segment reporting

This section of the Notes to the Consolidated Financial Statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS8 "Operating Segments".

The aforementioned accounting standard, applied as of 1 January 2009 to replace IAS14 "Segment reporting" and the adoption of which has no effect on the valuation of balance sheet items, requires reports to be drafted in relation to operating segments on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group operations by business segment

The Montepaschi Group operates in the following areas of business:

- *Retail and commercial banking*: includes lending activities, traditional banking services, the offering of banking and insurance products through the strategic partnership with AXA, financial advisory services, wealth management and investment products;
- *Leasing and Factoring*: includes the offering of leasing and factoring packages for businesses, artisans and professionals;
- Consumer credit: special purpose loans, personal loans, option and revolving credit cards;
- Corporate finance: mid- and long-term lending, corporate finance, capital markets and structured finance;
- *Investment banking*: trading and global markets;
- *Foreign banking*: products and services in support of market expansion and investments of Italian companies abroad.

Operations in the business areas are conducted by the following operating units of the Group:

- sales & distribution network, comprising the branches and specialised centres of Banca Monte dei Paschi di Siena;
- product factories, i.e. Group banks and companies expressly dedicated to developing specialised financial instruments to offer on the market, particularly including: Consum.it (a consumer credit company), MPS Capital Services (specialised in corporate finance, capital market and structured finance), MPS Leasing & Factoring (specialising in the provision of leasing and factoring services to businesses);
- foreign network, geographically present in all major financial and economic markets as well as in emerging countries with the highest rates of growth and/or key relations with Italy. It includes the foreign units of Banca Monte dei Paschi di Siena (4 operational branches, 10 representative offices) and 2 banks under foreign law (MP Belgium: 8 branches; MPS Banque: 18 branches).

The Group also includes service operations dedicated to the management of IT and telecommunications (Consorzio Operativo di Gruppo).

For the purpose of identifying the Operating Segments provided for by IFRS 8, the Montepaschi Group has adopted the business approach. Income statement/balance sheet data are then aggregated based on criteria including business area and operating unit of reference, relevance and strategic importance of operations involved, and cluster of clients served. These aggregation criteria, into which reporting for the highest decision-making levels is organised, enabled the identification of the following operating segments as at 31 December 2014:

- *Retail Banking*: includes income statement and balance sheet results pertaining to clusters of Small Business, Value, Premium and Private customers of Banca Monte dei Paschi di Siena, the results of fiduciary management and of consumer credit activities performed by the companies MPS Fiduciaria and Consum.it respectively;

- *Financial Advisory and Digital Banking*: consists of the results of the Financial Advisory Network as well as the subsidiary WIDIBA, the Group's newco in the digital banking sector, who has been authorized to carry out banking in May and started its operations in the last quarter of 2014;

- *Corporate Banking*: includes income statement and balance sheet results pertaining to clusters of Business, Entities and Public Administration customers of Banca Monte dei Paschi di Siena, the results of corporate finance activities of MPS Capital Services and those provided by MPS Leasing & Factoring. The results of Banca Monte dei Paschi di Siena's foreign branches are also included in this Operating Segment.

- *Corporate Center:* in addition to cancellations of intragroup entries, this Operating Segment incorporates the results of the following business centres:
    - banks under foreign law (MP Banque and MPS Belgio);
    - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Consorzio Operativo di Gruppo);
    - companies consolidated at equity and held for sale;
    - operating units, such as proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

In 2001 the Montepaschi Group introduced and gradually implemented Value Based operational management instruments, with the objective of monitoring profitability by business areas and units. The Value Based Management system adopted by the Group proved appropriate to manage the criteria for the identification of business segments and the review of segment reporting principles set out by existing regulations, as well as to meet regulatory requirements for the reconciliation of internal management reporting with data used for external reporting.

Income statement criteria by operating segment

The net operating income by operating segments was constructed based on the following criteria:

- **Net interest income**: in relation to the business centres of Banca Monte dei Paschi di Siena, it is calculated by way of contribution on the basis of internal transfer rates broken down by products and maturities. With reference to non-divisionalised entities, net interest income is the difference between "interest income and similar revenues" and "interest expense and similar charges".
- **Net fee and commission income**: net fee and commission income is determined by direct allocation of commissions to the operating segments.
- **Net impairment losses/reversals on loans:** are allocated to the operating segments which generated them.
- **Operating expenses** the aggregate includes Administrative Expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. The operating expenses of non-divisionalised entities (mono-segments) are directly allocated to their corresponding Operating Segments while, for Banca Monte dei Paschi di Siena, they are allocated to their respective Segments of reference by using a "cost allocation" model. With regard to Other administrative expenses and Net value adjustments to tangible and intangible assets, the model allocates external and intragroup cost components to the business centres either directly or by means of specific drivers, starting from a set of previously identified and priced services. With reference, however, to "Personnel costs", the model allocates costs to Business Centres on the basis of the unique functional position of the resources, or, if this is not possible, according to specific criteria relating to the operations performed.

Balance-sheet criteria by operating segment

Balance-sheet aggregates were defined by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to the income/expenses allocated to each segment. In particular:

- **Interest-bearing loans to customers** are the assets used for the operations of a business segment, which are directly attributable to the segment itself;
- **Deposits from customers and debt securities issued** are the liabilities arising from the operations of an operating segment, which are directly attributable to the segment itself.

Transactions between operating segments

Each segment's income and results include transfers between operating segments. These transfers are reported in accordance with the best practices accepted by the market (i.e. the fair value method or cost method increased by a proper margin) both with respect to commercial and financial transactions.
The income of each operating segment is determined before intragroup balances and intragroup transactions are eliminated during the process of consolidation. If intragroup transactions are made between entities belonging to the same operating segment, the respective balances are eliminated within such segment. In line with the internal reporting system used by the Montepaschi Group, balances of intragroup transactions are not shown separately.

Basis of preparation

In accordance with the recommendations of IFRS 8, the table below presents the Group's income statement and balance sheet results as at 31 December 2014, developed according to the Operating Segments defined above:

SEGMENT REPORTING	Business segments			Corporate Center	Total MPS Group
Primary segment	Retail banking	Corporate banking	Financial advisory and digital banking		
(million of Euro)	31/12/2014	31/12/2014	31/12/2014	31/12/2014	31/12/2014
PROFIT AND LOSS AGGREGATES					
Income from banking and insurance	3,578.6	1,723.6	32.0	(1,105.8)	4,228.4
Net impairment losses (reversals) on loans and financial assets	(2,279.8)	(5,660.2)	(0.4)	(84.9)	(8,025.3)
Operating expenses	(2,098.8)	(606.5)	(27.8)	(22.1)	(2,755.2)
Net operating income	(799.9)	(4,543.1)	3.8	(1,212.8)	(6,552.0)
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	50,918	51,003	64	9,246	111,231
Deposits from customers and debt securities issued	61,609	22,854	573	41,188	126,224

Previous year values reflect the changes to the scope of consolidation (following the introduction of new accounting standards which came into force on 1 January 2014) and the reclassification of P&L items relating to the transfer of a business unit to the company Fruendo Srl effective as of 1 January 2014.

SEGMENT REPORTING	Retail & Corporate Banking division			Corporate Center	Total MPS Group
Primary segment	Retail banking	Corporate banking	Promozione Finanziaria e Digital banking		
(million of Euro)	31/12/2013	31/12/2013	31/12/2013	31/12/2013	31/12/2013
PROFIT AND LOSS AGGREGATES					
Income from banking and insurance	3,908.3	1,787.8	31.8	(1,763.2)	3,964.7
Net impairment losses (reversals) on loans and financial assets	(982.1)	(1,808.3)	0.3	(33.1)	(2,823.2)
Operating expenses	(2,120.5)	(611.3)	(13.7)	(71.3)	(2,816.8)
Net operating income	805.7	(631.8)	18.4	(1,867.6)	(1,675.2)
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	55,031	56,921	138	9,628	121,718
Deposits from customers and debt securities issued	69,000	33,589	659	26,589	129,836

Public disclosure pursuant to art. 89 - Communication by country of Directive 2013/36/EU ("CRD IV")

The 4th update to Bank of Italy Circular no. 285/2013, Part One (Title III, Chapter 2), transposes into the Italian legal framework the public disclosure set out in art. 89 - Communication by country - of Directive 2013/36/EU ("CRD IV"), which introduces the obligation to disclose information concerning banking activities, subdivided by country where each bank is based; the disclosure is to be attached to the financial statements or posted on the entity's website.

In particular, the Parent Companies of banking groups are required to provide on a consolidated basis the following information, subdivided by country :

a) Names of the companies based in the country and nature of the business

b) Turnover

c) Number of Full-time equivalent employees

d) Profit or loss before tax

e) Tax on profit or loss

f) Public subsidies received

The table below presents the required information for the Montepaschi Group, with reference to the situation as at 31 December 2014.

The term "Turnover" refers to the total banking income as recorded in item 120 of the income statement and of the consolidated income statement.

The term "Number of Full-time equivalent employees" refers to the ratio between the total number of hours worked by all employees, excluding overtime, and the total annual number of hours contractually required of full-time employees.

"Profit or loss before tax" means the sum of items 280 and 310 (the latter before taxes) of the consolidated income statement.

"Tax on profit or loss" means the sum of taxes recorded in item 290 of the consolidated income statement and income taxes on groups of assets held for sale (2).

The item "Public subsidies received" should indicate any grants received directly from the public administrations. This item does not include transactions performed by central banks for purposes of financial stability or transactions carried out to facilitate the monetary policy transmission mechanism. Similarly, transactions included in government aid schemes approved by the European Commission should not be taken into consideration.

Country	Company name	Type of business		Turnover (€/000)	Number of FTEs	Profit or loss before tax (€/000)	Tax on profit or loss (€/000)	Public subsidies received (€/000)
Algeria	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Algiers	-	1	-	-	-
Belgium	BANCA MONTE PASCHI BELGIO S.A.	Retail & Corporate banking services	Retail & Corporate banking services	9,104	110	(8,444)	-	-
China	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Shanghai and Hong Kong branches, representative offices in Guangzhou and Beijing	9,574	43	3,612	(591)	-
Egypt	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Cairo	-	4	-	-	-
France	MONTE PASCHI BANQUE S.A.	Retail & Corporate banking services		44,271	304	(5,263)	(5,072)	-
Germany	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Frankfurt	-	2	-	-	-
India	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Mumbai	-	2	-	-	-
Ireland	NOTA ITALIA - CORSAIR IRELAND Serie n. 15	Financial services for businesses	Special Purpose Entity (SPE)	570	-	570	(513)	-
Ireland	MONTE PASCHI IRELAND LTD	Financial services for businesses		(1,058)	-	(1,058)	-	-
Ireland	Conpanies under significant influence (valued at equity)	Various		-	-	74,873	-	-
Italy	MONTE DEI PASCHI DI SIENA LEASING & FACTORING S.P.A.	Retail & Corporate banking services	Leasing e factoring	200,503	-	(382,019)	115,120	-
Italy	MPS COVERED BOND 2 s.r.l. - societa veicolo	Financial services for businesses	Special Purpose Entity (SPE)	-	-	2	(2)	-
Italy	MPS COVERED BOND S.R.L.	Financial services for businesses	Special Purpose Entity (SPE)	-	-	2	(2)	-
Italy	SIENA CONSUMER S.R.L.	Financial services for businesses	Special Purpose Entity (SPE)	-	-	2	(2)	-
Italy	SIENA LEASE 11-1 SRL	Financial services for businesses	Special Purpose Entity (SPE)	17	-	2	(2)	-
Italy	SIENA MORTGAGES 07-5 S.P.A.	Financial services for businesses	Special Purpose Entity (SPE)	(142)	-	(538)	(3)	-
Italy	SIENA MORTGAGES 09-6 S.R.L.	Financial services for businesses	Special Purpose Entity (SPE)	(155)	-	(440)	(5)	-
Italy	SIENA SME 11-1 SRL	Financial services for businesses	Special Purpose Entity (SPE)	(2)	-	(2)	-	-
Italy	AIACE REOCO S.r.l.	Real estate		-	-	(112)	-	-
Italy	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services		3,001,209	23,520	(6,447,327)	1,804,441	-
Italy	CASAFORTE S.r.l.	Financial services for businesses		(117,413)	-	(23,148)	(500)	-
Italy	CIRENE FINANCE S.r.l.	Financial services for businesses		-	-	10	(10)	-
Italy	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	IT services		(584)	971	5,476	(5,422)	-
Italy	CONSUM.IT S.p.a.	Retail banking	Consumer credit	390,628	204	(26,814)	34,552	-
Italy	COSTRUZIONI ECOLOGICHE MODERNE SPA	Real estate		-	-	(9,845)	3,176	-
Italy	ENEA REOCO S.r.l.	Real estate		-	-	(70)	-	-
Italy	G.IMM ASTOR S.r.l.	Real estate leasing		-	-	271	(108)	-
Italy	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Warehousing		-	10	357	(124)	-
Italy	MONTE PASCHI FIDUCIARIA S.p.a.	Trust management		2,545	25	(206)	(95)	-
Italy	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Retail & Corporate banking services		571,872	365	(856,387)	284,360	-
Italy	MPS COVERED BOND 2 S.r.l.	Financial services for businesses	Special Purpose Entity (SPE)	(132)	-	(324)	-	-
Italy	MPS COVERED BOND S.r.l.	Financial services for businesses	Special Purpose Entity (SPE)	(91)	-	(271)	-	-
Italy	MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Retail & Corporate banking services	Leasing e factoring	-	201	-	-	-
Italy	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Winery		(3)	20	509	73	181
Italy	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Real estate		(1,034)	2	(1,345)	112,914	-
Italy	SIENA CONSUMER S.r.l.	Financial services for businesses	Special Purpose Entity (SPE)	69	-	(172)	-	-
Italy	SIENA LEASE 11-1 S.r.l.	Financial services for businesses	Special Purpose Entity (SPE)	(33)	-	240	-	-
Italy	SIENA MORTGAGES 10-7 S.r.l.	Financial services for businesses	Special Purpose Entity (SPE)	(88)	-	(160)	(3)	-
Italy	SIENA SME 11-1 S.r.l.	Financial services for businesses	Special Purpose Entity (SPE)	98	-	5	(5)	-
Italy	Conpanies under significant influence (valued at equity)	Various		-	-	(8,857)	-	-
Italy	WISE DIALOG BANK S.p.a. - WIDIBA	Retail & Corporate banking services	On-line bank	102	117	(8,168)	439	-
Luxembourg	PATAGONIA FINANCE SA	Financial services for businesses	Special Purpose Entity (SPE)	2,408	-	2,350	(2,449)	-
Luxembourg	MONTEPASCHI LUXEMBOURG S.A.	Financial services for businesses	Special Purpose Entity (SPE)	(25,796)	-	(531)	(7)	-
Morocco	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Casablanca	-	3	-	-	-
Holland	STICHTING MONTE 2008 I	Financial services for businesses	Special Purpose Entity (SPE)	3,759	-	3,739	-	-
Russia	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Moscow	-	3	-	-	-
Tunisy	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Tunis	-	1	-	-	-
Turkey	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	Representative office in Istanbul	-	3	-	-	-
U.K.	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	London branch	15,361	25	14,348	-	-
U.S.A.	ANTONVENETA CAPITAL L.L.C. I	Financial services for businesses	Special Purpose Entity (SPE)	-	-	(2,811)	-	-
U.S.A.	ANTONVENETA CAPITAL L.L.C. II	Financial services for businesses	Special Purpose Entity (SPE)	-	-	(7,496)	-	-
U.S.A.	ANTONVENETA CAPITAL TRUST II	Financial services for businesses	Special Purpose Entity (SPE)	80	-	80	-	-
U.S.A.	ANTONVENETA CAPITAL TRUST I	Financial services for businesses	Special Purpose Entity (SPE)	721	-	721	-	-
U.S.A.	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services	New York branch	8,393	25	20,900	(2,754)	-
U.S.A.	MPS PREFERRED CAPITAL I LLC	Financial services for businesses	Special Purpose Entity (SPE)	(19,885)	-	(19,919)	(927)	-
U.S.A.	MPS PREFERRED CAPITAL II LLC	Financial services for businesses	Special Purpose Entity (SPE)	(110)	-	(97)	-	-
U.S.A.	Companies under significant influence (valued at equity)	Various		-	-	9	-	-
Total				**4,094,758**	**25,961**	**(7,683,746)**	**2,336,479**	**181**

Disclosures pursuant to art. 114 paragraph 5 of Italian Legislative Decree no. 58/1998

The following information is provided following Consob's communication of 30 January 2015 pursuant to art. 114 paragraph 5 of Italian Legislative Decree no. 58/1998, with which, making reference to the results of the Comprehensive Assessment, and in particular of the AQR, published by the EBC on 26 October 2014, the Supervisory Authority asked the Bank to include in the requested press release concerning approval of the preliminary results as at 31 December 2014 and in the Annual Financial Report on Operations at the same date the following information concerning the accounting effects of the quantitative results of the AQR.

a) **With reference to the results of the *Credit File Review* (CFR), a reconciliation between the amount of the major *provisions* required by the EBC and the provisions accounted for in the 2014 consolidated financial statements on the reviewed positions, indicating in particular:**
   - ***(i)*** **the amount of value adjustments emerged from the AQR;**
   - ***(ii)*** **the amount of value adjustments recognised by the Bank as at 31 December 2014 on the sampled credit positions;**
   - ***(iii)*** **the reasons of the differences between value adjustments emerged from the AQR and those recognised by the Bank as at 31 December 2014.**

   With reference to the results of the Credit File Review (CFR), the following should be noted:

   (i) the amount of value adjustments emerged from the CFR is EUR 1,130 mln;

   (ii) the amount of value adjustments recognised by the Bank as at 31 December 2014 on the CFR credit positions is EUR 1,529 mln;

   (iii) the major significant adjustments recognised by the Bank, compared with those emerged during the CFR, are attributable to the natural evolution of the exposures that were taken into account during the review, as well as to the availability or more updated information on the debtors' situation and the value of the guarantees.

b) **With reference to the result of the statistical projection of CFR findings, (*Projection of Findings* – PF), the manner in which this Bank has taken into account the adjustments identified by the ECB, with particular reference to changes in the policies, procedures and parameters used for the valuation of credit assets, also indicating the effects of these changes on financial statements as at 31 December 2014.**

   With reference to the results of the statistical projection of CFR results, the Bank took into account the adjustments identified by the EBC by introducing changes to the methodologies and parameters used for credit classification and valuation and adopting the new accounting policy "Loans, guarantees given and commitments to grant funds".

   In particular, the worsening of the general economic environment recorded in 2014 and its continued impact have led the Board of Directors, in compliance with the principle of sound and prudent business management, to updated methods and parameters for the classification and valuation of loans. Against this backdrop, a Board of Directors resolution implements the updates to the methodologies and parameters used for credit classification and valuation contained in the new accounting policy "Loans, guarantees given and commitments to grant funds".

For the sake of greater clarity, it may be worth noting that the statistical projections are not contemplated in the applicable accounting standards, and therefore (as confirmed by the ECB in the AQR Manual), these projections are not required to be included in the accounting data as at 31 December 2014.

The purpose of updating the accounting policy is to reflect the worsened conditions of the reference economic environment in the company's credit valuation procedures, and for this purpose reference was made to the experience gained during the Comprehensive Assessment, and in particular from the methodologies used in performing the AQR exercise. Despite having the nature of prudential regulations, and as such not automatically producing accounting effects, these methodologies have resulted in a rise in quality standards for asset valuation in a more conservative perspective, without prejudice to the need for compliance with the criteria set out in the international accounting principles.

Lastly, the new accounting policy lays the ground for an alignment of the company's and the Group's accounting practices with the recently implemented supervisory regulation (e.g.: ITS EBA) and with the Supervisory Authority's remarks on the issue.

Below are the main updates to the methodologies and parameters used in credit classification and valuation, also as a result of the adoption of the new accounting policy.

- **Identification of non-performing exposures:** to improve the ability to identify deteriorated exposures promptly, the new accounting policy identifies some impairment triggers for the automatic classification of exposures from performing to non-performing: in a perspective of greater prudence made necessary by the progressive deterioration of the general economic situation, as mentioned above, these additional measures have been implemented over and above those previously in force and compliant with the IFRS accounting standards. Among these impairment triggers, the new requirements governed by the ITS EBA for the treatment of exposures subject to forbearance measures have been considered. Other indicators have also been identified, mostly deriving from the *Asset Quality Review*, verification of which is required in the exposure valuation process.
- **Valuation of non-performing loans – application of haircuts on real estate guarantees:** the accounting policy provides for the systematic application of 2 haircuts at the market value of real estate guarantees determined according to the type of asset and the age of the appraisal/expert witness report. The purpose of these corrective measures is to align the appraisal value more closely to the expected realisable value, within a market context characterised by expectations of further negative changes of real estate prices.
- **Collective valuation of past due and objective substandard exposures:** with reference to collective valuations of defaulting loans (past due and objective substandard loans), the write-down percentages have been calculated in accordance with the provisions of the new accounting policy. Specifically, the previously adopted flat rate write-down percentages have been replaced by a specific *loss rate*, to be updated periodically, distinguishing between secured and unsecured positions.
- **Unsecured doubtful loans**: the Bank has adopted minimum thresholds for determining write-downs on unsecured doubtful loans subject to bankruptcy procedures which, as a result of the economic crisis, show increasingly evident signs of worsening of their recovery performance.

These updates to the methodologies and parameters used in credit classification and valuation resulted in write-downs of EUR 4,195 mln in 2014. In this regard it should be noted that the higher amount of write-downs compared to those identified by the AQR as a result of the statistical projection of CFR results (EUR 2,196 mln) is due to the fact that the Bank applied the new methodologies and updated parameters to the entire scope of credit exposures, and not only to the portfolios on which the AQR was conducted (*Large SMEs*, *Large Corporate*, *Real Estate related*).

c) **With reference to concerns the results of the *Collective provision analyses* – CPA, the manner in which this Bank took into account the adjustments identified by the ECB. In particular, specify whether revisions have been made to the models and parameters used for calculating the collective provisioning, also indicating the effects on the financial statements as at 31 December 2014 of any actions undertaken. Additionally, specify whether these checks were completed or are still in progress, and in this case the expected date of completion.**

With reference to the results of the Collective Provision analyses, the Bank took into account the adjustments identified by the ECB, calibrating and revising its models and parameters for the collective valuation of performing loans, considering the deteriorated economic environment. In particular, in light of the ECB's recommendations the methodological revision of the collective write-down calculation was carried out by: (i) eliminating the corrective algorithms in transactions with a duration shorter than one year, and (ii) as far as the Probabilities of Default (PD) are concerned, in order to make them more representative of the most recent historical evidence, by reducing to 5 years the observation time horizon for all portfolios. The impact of these measures on the financial statements as at 31 December 2014 amounted to EUR 239 mln. The difference compared to the results of portfolio adjustments identified by the AQR (amounting to EUR 854 mln) is attributable to the significant reduction of the stock of performing exposures, which in turn is a consequence of reclassification from performing to non performing, as well as to the different conventions and parameters adopted by the Group which, despite the fine tuning, remain distinct from the challenger model used in the AQR.
Ultimately, while the total adjustments emerged from the AQR on the analysed loan portfolios amounted to EUR 4,180 mln, a total of EUR 5,963 mln non-recurring write-downs for all the credit portfolios were recorded in the financial statements as at 31 December 2014.

d) **As regards the results of the level 3 fair value exposures review, the manner in which the adjustments required by the AQR were implemented, indicating in particular the amounts of the value adjustments recorded in the financial statements as at 31 December 2014 on the individual types of assets.**
With reference to the so-called "Fair Value Review" (relating to derivatives, properties, equity investments and securities) as a result of which possible write-down of EUR 66 mln emerged from the AQR, the adjustments relating to securities, equity investments and derivatives (CVA) have been implemented for the purposes of the financial statements as at 31 December 2014.

As concerns adjustments related to properties, considering that the fair value review highlighted the advisability of carrying out write-downs of EUR 11 mln, the Bank has requested the conduct of new appraisal on all the assets for which a write-down was raccomendend by the AQR analisys. On the basis of these appraisals, on 31 December 2014 the Bank posted write-downs of approximately EUR 4 mln. For the sake of completeness, it should be noted that the Bank conducted a broader audit of the values of real estate assets, which resulted in total write-downs of approximately EUR 41 mln.

e) **The Common Equity Tier 1 ratio as at 31 December 2014, reported to the Prudential Supervisory Authority, ii) with reference to the specific obligations relating to additional capital obligations imposed by the ECB, considerations of the Directors on the current and future ability to comply with these additional obligations.**

The Common Equity Tier 1 (CET 1) ratio as at 31 December 2014, determined taking into account the transition regime, was found to be 8.7%.

Common Equity Tier 1 and the Total Capital in general take into account, among other, the specific treatment of the Alexandria and Patagonia transactions requested by the Supervisory Authority. More specifically, for Alexandria the CET 1 calculation was considered to include the entire amount of the negative reserve related to the government bonds that were the subject of the transaction (amounting to EUR 423 mln as at 31 December 2014).

In light of the above, the treatment adopted on a prudential basis following the ECB's indications represents a deviation from the more favourable general rule, under which the AFS reserve relating to government bonds, until validation of IFRS 9, is not relevant for determining capital.

As to Patagonia, consolidation was carried out also for regolamentary purposes. This treatment has non-significant effects on CET 1, but results in a reduction of Tier 2 by approximately EUR 100 mln.

With reference to the target ratios required by the ECB, the Total Capital Ratio and the Common Equity Tier 1 ratio were set at 10.9% and 10.2% respectively.

In order to have a buffer with respect to the transitional CET1 ratio threshold, as required by SREP, the Bank's Board of Directors approved a resolution to propose to the Shareholders' Meeting an increase in the amount of the planned capital increase up to a maximum of EUR 3 bn instead of EUR 2.5 bn.

The Directors believe that the Group has the ability, in the present and in future, to comply with these additional obligations.

Additionally, the Supervisory Authority asked that the following be provided in the annual financial report as at 31 December 2014:

f) A detailed description of the actions carried out and of any actions planned to resolve the "qualitative issues" emerged from the AQR (remedial actions), with special reference to possible revisions of the policies, procedures and accounting practices or of the parameters and models used for evaluating balance sheet assets, also indicating the effects of such remedial actions on the financial statements as at 31 December 2014.

The qualitative issues and the related remedial actions emerged as part of the AQR concern, in summary, the following aspects of the credit management process:

- Revision of the portfolio risk profile;
- Strengthening of credit monitoring processes and identification of defaulting positions;
- Definition of more analytical guidelines for the periodic valuation of the guarantees;
- Improvement of the collective valuation of corporate exposures;
- Consistency of LGD parameters throughout the Group;
- Optimisation of the credit management process;
- Strengthening of IT system monitoring.

Part of the remedial actions requested by the ECB has already been implemented through the introduction of the accounting policy described in the paragraphs above, and has already been applied in the financial statements as at 31 December 2014. In addition to the accounting policy, the Bank has initiated specific projects to complete the remedial actions requested by the ECB. These projects, expected to be completed in 2015, will concern:

- strengthening of the credit monitoring and non-performing positions identification processes through the fine tuning of indicators able to identify deteriorated exposures;

- appropriate treatment and monitoring of forborne exposures, both in terms of IT and of organisation, with special attention to re-aging exposures and their timely classification among non-performing exposures if necessary, and in general compliance with the requirements set forth by the ITS EBA;
- updating of appraisals on assets pledged as collateral and application of haircuts in continuity with the actions undertaken for the financial statements as at 31 December 2014;
- improvement of the conservative criteria already adopted in the financial statements as at 31 December 2014 for the valuation of unsecured deteriorated exposures;
- optimisation of the number of positions managed by each portfolio manager;
- improvement of the timeliness of valuations so as to be able to rely on the most recent information.

As concerns the effects on the financial statements as at 31 December 2014 of the remedial actions already adopted by the Bank, please refer to the paragraphs above.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned, Alessandro Profumo, as Chairman of the Board of Directors, and Arturo Betunio, as Financial Reporting Officer, of Banca Monte dei Paschi di Siena S.p.A., having regard to Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, do hereby certify the:

   - appropriateness with respect to the company's profile, and
   - effective application of administrative and accounting procedures used in the preparation of the consolidated financial statements for fiscal year 2014.

2. The verification of the adequacy and effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during 2014 was based on methods defined by the MPS Group in line with the COSO model, and for the IT component, COBIT, which constitute the reference framework for the internal control system generally accepted internationally.

3. It is also certified that:

   3.1 the consolidated financial statements:
   - were prepared in accordance with the international accounting standards recognised by the European Union pursuant to European Parliament and Council Regulation No. 1606/2002/EC of 19 July 2002;
   - are consistent with the underlying documentary evidence and accounting records;
   - are suitable to provide a true and fair representation of the capital, economic and financial situation of the issuer and group of companies included within the scope of consolidation.

   3.2 The Report on Operations includes a reliable analysis of the trends and results of operations as well as of the position of the issuer and of all entities included within the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Siena, 4 marzo 2015

Per il Consiglio di Amministrazione
Il Presidente
Alessandro Profumo

Il Dirigente Preposto alla redazione dei documenti contabili societari
Arturo Betunio

INDEPENDENT AUDITORS' REPORT

Building a better working world

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Banca Monte dei Paschi di Siena S.p.A.

1. We have audited the consolidated financial statements of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries, (the "Montepaschi Group") as of December 31, 2014 and for the year then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and the regulations implementing article 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Monte dei Paschi di Siena S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by Consob (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For comparative purposes, the consolidated financial statements include the corresponding figures of the prior year. As described in the specific section of the explanatory notes "Restatement of prior period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", the Directors have restated certain comparative figures related to the prior year and to the balance sheet as of January 1, 2013, with respect to the figures previously included in the consolidated financial statements at December 31, 2013 audited by us and upon which we issued our auditors' report on April 2, 2014. We have examined the criteria applied to restate the corresponding figures and the related information presented in the above-mentioned section for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2014 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Montepaschi Group at December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the regulations implementing article 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations

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and the cash flows of the Montepaschi Group as of December 31, 2014 and for the year then ended.

4. As described in the Report on Operations and in the explanatory notes, on March 4, 2015 the Board of Directors of the parent company has called an extraordinary shareholders' meeting to resolve on the share capital reduction due to losses pursuant to Article 2446 of the Civil Code, as well as on the proposed capital increase, for a total maximum amount of EUR 3 billion included any share premium. The capital increase is aimed to fulfill the capital requirements communicated by the European Central Bank on February 10, 2015 as a result of the Supervisory Review and Evaluation Process. Based on the expected evolution of the business and the actions taken to strengthen the capital as provided by the Capital Plan, the Directors do not foresee any element which could cast doubt on the ability of the entity to continue as a going concern.

5. The Directors of Banca Monte dei Paschi di Siena S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and Ownership Structure published in the section *"Investors & Research - Investor Relations - Corporate Governance - Corporate Governance Report"* of Banca Monte dei Paschi di Siena S.p.A.'s website. Our responsibility is to express an opinion on the consistency of the Report on Operations and of the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and Ownership Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and Ownership Structure, are consistent with the consolidated financial statements of the Montepaschi Group at December 31, 2014.

Milan, March 16, 2015

Reconta Ernst & Young S.p.A.
Signed by: Massimiliano Bonfiglio, Partner

This report has been translated into the English language solely for the convenience of international readers

ANNEXES

Pro-forma statements for the accounting treatment of major long-term structured repos as synthetic derivatives

Foreword

Below are the pro-forma balance sheet, income statement and statement of comprehensive income (the "Pro-forma statements") as at 31 December 2014 and 31 December 2013, which report the estimated accounting effects had the Parent Company classified the "long-term structured repos" (the "Transactions") as synthetic derivatives.

The pro-forma statements have been prepared on the basis of the financial statements for the year ended 31 December 2014 and 31 December 2013, by applying estimated pro-forma adjustments to the representation of transactions, should they qualify as synthetic derivatives, as required by the Bank of Italy/Consob/Ivass document no. 6 of 8 March 2013 - Bank of Italy/Consob/Ivass Coordination forum on the application of IAS/IFRS - Accounting treatment of "long-term structured repos" (the "Document").

The Document provides that, in the case of Transactions for significant amounts, preparers of financial statements should carefully consider the need for an adequate description, including the preparation of pro-forma statements, of the effects on financial statements that would arise from a re-classification of Transactions as synthetic derivatives, after tax, as compared with previous year accounts.

The following statements summarise the balance sheet and profit and loss impacts that would result from a potential recognition of the two long-term repos "Alexandria" and "Santorini" as credit default swaps. Note that the latter transaction, closed with a settlement agreement on 19 December 2013, had no impact on the pro-forma balance sheet and profit and loss as at 31 December 2014.

The pro-forma statements are presented using the balance-sheet, income statement and statement of comprehensive income used for the years ending 31 December 2013 and 2014.

Pro-forma figures were determined by making appropriate pro-forma adjustments to the historical values in the 2013 and 2014 accounts in order to retroactively reflect the effects of recognising the Transactions as synthetic derivatives, as well as the estimated balance-sheet and profit and loss impacts arising therefrom.

Reported in the pro-forma statements below are:

- in the first column ("31 12 2013*" and "31 12 2014"): balance sheet, income statement and statement of comprehensive income as at 31 December 2013 and 31 December 2014;
- in the second column ("pro-forma adjustments of LTR classified as CDS"): pro-forma adjustments estimated to be made to the accounts, had the Parent Company classified the Transactions as synthetic derivatives;
- in the third and final column ("31 12 2013* pro-forma" and "31 12 2014 pro-forma"): estimated pro-forma balance sheet, pro-forma income statement and statement of comprehensive income as at 31 December 2013 and 31 December 2014.

In the light of the above, for an accurate interpretation of the information underlying the pro-forma figures, the following aspects should be considered:

- the accounting representations are based on assumptions; therefore, pro-forma figures do not necessarily coincide with those that would have ensued, had the Transactions (and related income statement and balance sheet effects) in fact been entered into as at the dates considered for preparation of the pro-forma accounts;
- pro-forma data was prepared in such a way as to only represent an estimate of the identifiable and objectively measurable effects of the Transactions.

In the pro-forma accounting treatment as a synthetic derivative, the purchase of securities and its financing through a long term repo agreement are represented as a Credit Default Swap (sale of protection on the risk of the Italian government, i.e. issuer of the bonds).

In the event of issuer default, the Parent Company would incur a loss equal to the difference between the amounts to be returned to the repo counterparty and the value of the defaulted securities to be delivered to the Parent Company by the counterparty. Against this risk, the Parent Company earns a variable premium consisting in the difference between the coupons of bonds held and the interest rate paid on the repo entered into to finance the transaction.

For the purpose of pro-forma accounting, the Transactions were thus assessed in a similar way to Credit Default Swaps, using the same market parameters.

In particular, accounting treatment as a synthetic derivative determines the following pro-forma adjustments and reclassifications:

- balance sheet:
    - recognition of the CDS at Fair Value under “Financial assets held for trading” and “Financial liabilities held for trading” instead of:
        - securities classified as “Financial assets available for sale” and corresponding valuation reserves, gross of the hedge accounting component;
        - “Deposits from banks” and “Deposits from customers” which represent the liabilities associated with the long term repos;
    - reclassification of interest rate swaps from “Hedging derivatives” to “Financial liabilities held for trading”;
    - ensuing tax effects.

- income statement:
    - elimination from “Interest income and similar revenues” and “Interest expense and similar charges” respectively of: interest income from government bonds classified as “Assets available for sale” and interest expense from long term repos classified as “Deposits from banks” and “Deposits from customers”, both posted by using the actual interest rate method;
    - elimination from “Interest income and similar revenues” and “Interest expense and similar charges” of amounts accrued on interest rate hedging swaps;
    - elimination from “Net profit (loss) from hedging” of: fair value changes attributable to the interest rate risk of hedged government bonds, accounted for against the valuation reserve of assets available for sale; and fair value changes in the interest rate swaps, net of any accrued income;
    - recognition under “Net profit (loss) from trading" of: cash flows (coupons and floating spreads) paid on long term repos and fair value changes in IRSs and CDSs;
    - ensuing tax effects;
- statement of comprehensive income:
    - recognition of changes in “Financial assets available for sale” following adjustment to valuation reserves.

In brief, an estimate of transactions treated as synthetic derivatives produces significantly different impacts on the income statement by reason of changes in the fair value of Credit Default Swaps and reclassification of Interest Rate Swaps to trading.

It is noted that, by reason of the different accounting classification of individual items, the Transactions' accounting treatment as CDSs entails a modification to the scope of the two regulatory portfolios (trading book and banking book), with resulting differences, essentially of an offsetting nature, in the VAR of the individual portfolios. As a result, this different representation does not generate any differential impacts on the Group's overall VaR.

Pro-forma consolidated balance sheet

	Assets	31 12 2013*	Pro-forma adjustments of LTR classified as CDS	31 12 2013* pro-forma	31 12 2014	Pro-forma adjustments of LTR classified as CDS	31 12 2014 pro-forma
10	Cash and cash equivalents	877,276	-	877,276	1,006,586	-	1,006,586
20	Financial assets held for trading	19,238,566	-	19,238,566	16,928,788	634,300	17,563,088
40	Financial assets available for sale	23,680,249	(3,240,841)	20,439,408	22,847,582	(4,071,545)	18,776,037
60	Loans to banks	10,485,195	-	10,485,195	7,722,753	-	7,722,753
70	Loans to customers	130,597,727	-	130,597,727	119,676,132	-	119,676,132
80	Hedging deviratives	397,933	-	397,933	612,957	-	612,957
90	Change in value of macro-hedged financial assets (+/-)	159,889	-	159,889	178,613	-	178,613
100	Equity investments	970,378	-	970,378	1,013,899	-	1,013,899
120	Property, plant and equipment	2,883,820	-	2,883,820	2,787,083	-	2,787,083
130	Intangible assets	1,162,056	-	1,162,056	441,693	-	441,693
	of wich: goodwill	669,692	-	669,692	7,900	-	7,900
140	Tax assets	5,515,357	(101,859)	5,413,498	7,562,419	(13,333)	7,549,086
150	Non-current assets and groups of assets held for sale and discontinued operations	80,108	-	80,108	21,805	-	21,805
160	Other assets	2,412,251	-	2,412,251	2,643,513	-	2,643,513
	Total Assets	198,460,805	(3,342,700)	195,118,105	183,443,823	(3,450,578)	179,993,245

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

	Liabilities and Shareholders' Equity	31 12 2013*	Pro-forma adjustment of LTR classified as CDS	31 12 2013* pro-forma	31 12 2014	Pro-forma adjustment of LTR classified as CDS	31 12 2014 pro-forma
10	Deposits from banks	37,278,667	-	37,278,667	27,647,671	-	27,647,671
20	Deposits from customers	85,286,115	(3,366,636)	81,919,479	93,144,981	(3,353,599)	89,791,382
30	Debt securities issued	36,561,566	-	36,561,566	30,455,439	-	30,455,439
40	Financial liabilities held for trading	16,409,678	896,530	17,306,208	13,701,789	1,604,999	15,306,788
50	Financial liabilities designated at fair value	7,988,199	-	7,988,199	2,623,620	-	2,623,620
60	Hedging derivatives	3,421,635	(750,530)	2,671,105	4,112,108	(1,604,999)	2,507,109
80	Tax liabilities	185,521	(85,450)	100,071	163,510	(15,138)	148,372
90	Liabilities associated with non-current assets held for sale and discontinued operations	17,821	-	17,821	-	-	-
100	Other liabilities	3,742,304	-	3,742,304	4,183,569	-	4,183,569
110	Provision for employee severance pay	261,390	-	261,390	271,434	-	271,434
120	Provisions for risks and charges	1,127,312	-	1,127,312	1,151,049	-	1,151,049
140	Valuation reserves	(1,055,910)	411,116	(644,794)	(685,460)	423,122	(262,338)
160	Equity instruments carried at equity	3,002	-	3,002	3,002	-	3,002
170	Reserves	1,174,651	(1,301,231)	(126,580)	(496,120)	(450,358)	(946,478)
180	Share premium	-	-	-	2,291	-	2,291
190	Share Capital	7,484,508	-	7,484,508	12,484,207	-	12,484,207
200	Treasury shares (-)	(24,532)	-	(24,532)	-	-	-
210	Non-controlling interests (+/-)	33,195	-	33,195	23,625	-	23,625
220	Profit (loss) (+/-)	(1,434,317)	853,501	(580,816)	(5,342,892)	(54,605)	(5,397,497)
	Total liabilities and Shareholders' Equity	198,460,805	(3,342,700)	195,118,105	183,443,823	(3,450,578)	179,993,245

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in estimates and errors)" which is referenced to for further details.*

Pro-forma consolidated income statement

	Items	31 12 2013*	Pro-forma adjustment of LTR classified as CDS	31 12 2013* pro-forma	31 12 2014	Pro-forma adjustment of LTR classified as CDS	31 12 2014 pro-forma
10	Interest income and similar revenues	5,982,295	(267,557)	5,714,738	5,213,287	(150,097)	5,063,190
20	Interest expense and similar charges	(3,857,941)	222,160	(3,635,781)	(3,079,016)	128,664	(2,950,352)
30	Net interest income	2,124,354	(45,397)	2,078,957	2,134,271	(21,433)	2,112,838
40	Fee and commission income	2,119,485	-	2,119,485	2,087,059	-	2,087,059
50	Fee and commission expense	(461,956)	-	(461,956)	(389,328)	-	(389,328)
60	Net fee and commission income	1,657,529	-	1,657,529	1,697,731	-	1,697,731
70	Dividends and similar income	17,302	-	17,302	36,944	-	36,944
80	Net profit (loss) from trading	75,458	1,028,688	1,104,146	80,738	(62,444)	18,294
90	Net profit (loss) from hedging	7,032	(849)	6,183	(15,759)	2,559	(13,200)
100	Gains/losses on disposal/repurchase	(83,894)	288,594	204,700	159,001	-	159,001
110	Net profit (loss) from financial assets and liabilities designated at fair value	10,144	-	10,144	1,832	-	1,832
120	Net interest and other banking income	3,807,925	1,271,036	5,078,961	4,094,758	(81,318)	4,013,440
130	Net impairment losses (reversals)	(2,823,167)	-	(2,823,167)	(8,025,266)	-	(8,025,266)
140	Net income from banking activities	984,758	1,271,036	2,255,794	(3,930,508)	(81,318)	(4,011,826)
180	Adiministrative expenses	(2,978,313)	-	(2,978,313)	(3,220,412)	-	(3,220,412)
190	Net provisions for risks and charges	(29,942)	-	(29,942)	(176,551)	-	(176,551)
200	Net adjustments to (recoveries on) property, plant and equipment	(85,482)	-	(85,482)	(158,220)	-	(158,220)
210	Net adjustments to (recoveries on) intangible assets	(100,844)	-	(100,844)	(149,137)	-	(149,137)
220	Other operating expenses/income	93,512	-	93,512	333,845	-	333,845
230	Operating expenses	(3,101,069)	-	(3,101,069)	(3,370,475)	-	(3,370,475)
240	Gains (losses) on investments	67,059	-	67,059	194,328	-	194,328
260	Impairment on goodwill	-	-	-	(661,792)	-	(661,792)
270	Gains (losses) on disposal of investments	1,412	-	1,412	84,701	-	84,701
280	Profit (loss) before tax from continuing operations	(2,047,840)	1,271,036	(776,804)	(7,683,746)	(81,318)	(7,765,064)
290	Tax expense (recovery) on income from continuing operations	666,783	(417,535)	249,248	2,336,479	26,713	2,363,192
300	Profit (loss) after tax from continuing operations	(1,381,057)	853,501	(527,556)	(5,347,267)	(54,605)	(5,401,872)
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	(51,224)	-	(51,224)	-	-	-
320	Profit (loss)	(1,432,281)	853,501	(578,780)	(5,347,267)	(54,605)	(5,401,872)
330	Profit (loss) for the period attributable to non-controlling interests	2,036	-	2,036	(4,375)	-	(4,375)
340	Parent company's net profit (loss)	(1,434,317)	853,501	(580,816)	(5,342,892)	(54,605)	(5,397,497)

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Pro-forma consolidated statement of comprehensive income

	Items	31 12 2013*	Pro-forma adjustment of LTR classified as CDS	31 12 2013* pro-forma	31 12 2014	Pro-forma adjustment of LTR classified as CDS	31 12 2014 pro-forma
10	Profi (loss)	(1,432,281)	853,501	(578,780)	(5,347,267)	(54,605)	(5,401,872)
	Other comprehensive income after tax not recycled to profit and loss	(34,933)	-	(34,933)	(31,150)	-	(31,150)
40	Actuarial gains (losses) on defined benefit plans	(34,942)	-	(34,942)	(31,072)	-	(31,072)
60	Share of valuation reserves of equity-accounted investments	9	-	9	(78)	-	(78)
	Other comprehensive income after tax recycled to profit and loss	1,309,189	(785,915)	523,274	355,859	12,006	367,865
80	Exchange differences	(2,081)	-	(2,081)	5,553	-	5,553
90	Cash flow hedges	80,977	-	80,977	16,365	-	16,365
100	Financial assetes available for sale	1,174,855	(785,915)	388,940	330,513	12,006	342,519
110	Non-current assets held for sale	28,786	-	28,786	(27,021)	-	(27,021)
120	Share of valuation reserves of equity-accounted investments	26,652	-	26,652	30,449	-	30,449
130	Total other comprehensive icome after tax	1,274,256	(785,915)	488,341	324,709	12,006	336,715
140	Total comprehensive income (Item 10+130)	(158,025)	67,586	(90,439)	(5,022,558)	(42,599)	(5,065,157)
150	Consolidated comprehensive income attributable to non-controlling interests	2,031	-	2,031	(4,356)	-	(4,356)
160	Consolidated comprehensive income attributable to Parent Company	(160,056)	67,586	(92,470)	(5,018,202)	(42,599)	(5,060,801)

**With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

Disclosure of audit firm fees

With the aim of making reporting on the Parent Company's relations with its own Auditors more transparent, Consob, with its resolutions No. 15915 of 3 May 2007 and No. 15960 of 30 May 2007, implemented the delegation of authority contained in art.160 of the Consolidated Law on Finance (Incompatibility), introducing Part III, Section VI, of the Issuers' Regulation, Part I-bis (Incompatibility) which contains articles from 149-bis to 149-duodecies.

With this amendment, Consob chose to include this disclosure in the documents accompanying the financial statements with a mandatory requirement to disclose payments received for auditing and other services supplied by the Auditors or by entities forming part of their network.

The table below shows all payments made to the Auditors and to others forming part of its network, broken down by type of service.

Disclosure of fees for the independent Audit firm and other entities of its network (pursuant to art. 149 duodecies of CONSOB resolution no. 15915 of 3 May 2007)

31 12 2014

Type of services	Service provider	Total
Auditing	Reconta Ernst & Young Spa	2,507
Other attest services	Reconta Ernst & Young Spa	1,778
Other services	Tax and legal Firm	67
Other services	Ernst & Young Financial Business Advisory S.p.a.	2,531
Total		**6,883**

Amounts are exclusive of V.A.T. and ancillary expenses.

PENSION FUNDS – Defined-benefit pension funds without plan assets

Supplementary Pension Fund for personnel of former Tax Collection Agencies

Accounting statement as at 31 12 2014		
Opening balance as at 01 01 2014		**20,521,098**
Increases		2,537,287
- provisions for the year		2,537,287
- Other		-
Decreases	-	1,878,405
- Benefit paid	-	1,878,405
- Other		-
Closing balance as at 31 12 2014		**24,936,790**

Supplementary Pension Fund for personnel of former Banca Operaia of Bologna

Accounting statement as at 31 12 2014	
Opening balance as at 01 01 2014	**7,151,355**
Increases	1,085,362
- provisions for the year	1,085,362
- Other	-
Decreases	432,809
- Benefit paid	432,809
- Other	-
Closing balance as at 31 12 2014	**7,803,908**

Supplementary Pension Fund for personnel of former Banca di Credito Popolare e Cooperativo of Reggio Emilia

Accounting statement as at 31 12 2014	
Opening balance as at 01 01 2014	**706,592**
Increases	162,766
- provisions for the year	162,766
- Other	-
Decreases	41,249
- Benefit paid	41,249
- Other	-
Closing balance as at 31 12 2014	**828,110**

Supplementary Pension Fund for personnel of former Banca Popolare Veneta

Accounting statement as at 31 12 2014	
Opening balance as at 01 01 2014	**1,396,200**
Increases	148,142
-provisions for the year	148,142
- Other	-
Decreases	201,078
- Benefit paid	201,078
Other	-
Closing balance as at 31 12 2014	**1,343,264**

Supplementary Pension Fund for personnel of former MPS Capital Services Banca per l'imprese S.p.A.

Accounting statement as at 31 12 2014	
Opening balance as at 01 01 2014	**5,795,539**
Increases	652,492
- provisions for the year	133,240
- Other	519,252
Decreases	545,961
- Benefit paid	545,961
- Other	-
Closing balance as at 31 12 2014	**5,902,070**

PENSION FUNDS – defined benefit and defined contribution pension funds with plan assets

Supplementary Pension Fund for personnel of former BNA – Defined benefit section

BALANCE SHEET

	Assets	31 12 2014	31 12 2013	Changes
10	**Direct investments**	**28,003,804**	**27,776,977**	**226,827**
	a) Deposits	431,763	408,185	23,578
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international institutions	-	-	-
	d) Listed debt securities	27,344,713	27,135,848	208,865
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	-	-	-
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	227,329	232,944	(5,615)
	m) Profit guarantees released to pension fund	-	-	-
	n) Other assets from financial activities	-	-	-
	o) Accrued income not yet received	-	-	-
20	**Managed investments**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Assets from administrative activities**	-	-	-
50	**Tax receivables**	-	-	-
	TOTAL ASSETS	**28,003,804**	**27,776,977**	**226,827**
	Liabilities	**31 12 2014**	**31 12 2013**	**Changes**
10	**Liabilities from social security**	-	-	-
20	**Liabilities from financial activities**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Liabilities from administrative activities**	-	-	-
50	**Tax payables**	-	**174,471**	**- 174,471**
	b) tax payables for current period	-	-	-
	a) tax credit for prior period	-	174,471	(174,471)
	TOTAL LIABILITIES	-	**174,471**	**(174,471)**
100	**Net assets available for payment of benefits**	**28,003,804**	**27,602,506**	**401,298**
	Net assets availabe for payment of benefits in previous year	27,602,507	27,541,379	61,128
	Changes in net assets available payment of benefits	**401,298**	**61,127**	**340,171**

INCOME STATEMENT

		31 12 2014	31 12 2013	Changes
10	**Balance of social security management**	**(1,320,748)**	**(1,350,499)**	**29,751**
	a) Contributions for benefits	-	-	-
	b) Advances	-	-	-
	c) Transfers and redemptions	-	-	-
	d) Transfers to annuities	-	-	-
	e) Payments in capital	-	-	-
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	(1,320,748)	(1,350,499)	29,751
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**1,722,045**	**1,586,097**	**135,948**
	a) Interest and profit on bondsand government securities	1,181,463	1,202,054	(20,591)
	b) Interest on cash equivalents	1,176	2,175	(999)
	c) Profits and losses from financial transactions	539,406	381,868	157,538
	d) Interest (expense) from repo transactions	-	-	-
	e) Pension fund profit guarantee difference	-	-	-
	f) Contingent assets	-	-	-
	g) Forfeitures charged to the participants	-	-	-
	h) Kickbacks from UCITS	-	-	-
	i) Commission expense	-	-	-
30	**Profit (loss) from indirect financial activities**	-	-	-
40	**Operating expenses**	**-**	**-**	**-**
	a) Management companies	-	-	-
	b) Custodian bank	-	-	-
	c) Insurance policy	-	-	-
	d) "State supervision" contribution	-	-	-
50	**Financial and insurance income (loss) (20+30+40)**	**1,722,045**	**1,586,097**	**135,948**
60	**Balance from administrative activities**			
	a) General and administrative expenses	-	-	
70	**Changesin net assets available for payment of benefits before substitute tax (10+50+60)**	**401,298**	**235,598**	**165,700**
80	**Substitute tax**	**(198,035)**	**(174,471)**	**(23,564)**
	Changes in net assets available for payment of benefits (70+80)	**203,262**	**61,127**	

Supplementary Pension Fund for personnel of former Banca Toscana - Defined benefit section

BALANCE SHEET

	Assets	31 12 2014	31 12 2013	Changes
10	**Direct investments**	**110,590,505**	**115,602,885**	**(5,012,380)**
	a) Deposits	95,010,289	102,355,940	(7,345,651)
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international institutions	-	-	-
	d) Listed debt securities	15,305,875	12,972,605	2,333,270
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	-	-	-
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	274,340	274,340	-
	m) Profit guarantees released to pension fund	-	-	-
	n) Other assets from financial activities	-	-	-
	o) Accrued income not yet received	-	-	-
20	**Managed investments**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Assets from administrative activities**	-	-	-
50	**Tax receivables**	-	-	-
	TOTAL ASSETS	**110,590,505**	**115,602,885**	**(5,012,380)**
	Liabilities	**31 12 2014**	**31 12 2013**	**Changes**
10	**Liabilities from social security**	-	-	-
20	**Liabilities from financial activities**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Liabilities from administrative activities**	-	-	-
50	**Tax payables**	-	-	-
	TOTAL LIABILITIES	-	-	-
100	**Net assets available for payment of benefits**	**110,590,505**	**115,602,885**	**(5,012,380)**
	Net assets availabe for payment of benefits in previous year	92,130,126	97,825,800	(5,695,674)
	Changes in net assets available payment of benefits	**18,460,379**	**17,777,085**	**683,294**

INCOME STATEMENT

		31 12 2014	31 12 2013	Changes
10	**Balance of social security management**	**13,448,211**	**14,590,195**	**(1,141,984)**
	a) Contributions for benefits	23,472,760	25,066,425	(1,593,665)
	b) Advances	-	-	-
	c) Transfers and redemptions	-	-	-
	d) Transfers to annuities	-	-	-
	e) Payments in capital	-	-	-
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	(10,024,549)	(10,476,230)	451,681
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**5,023,905**	**3,187,687**	**1,836,218**
	a) Interest and profit on bondsand government securities	2,776,411	4,013,794	(1,237,384)
	b) Interest on cash equivalents	2,247,494	(826,107)	3,073,601
	c) Profits and losses from financial transactions	-	-	-
	d) Interest (expense) from repo transactions	-	-	-
	e) Pension fund profit guarantee difference	-	-	-
	f) Contingent assets	-	-	-
	g) Forfeitures charged to the participants	-	-	-
	h) Kickbacks from UCITS	-	-	-
	i) Commission expense	-	-	-
30	**Profit (loss) from indirect financial activities**	-	-	-
40	**Operating expenses**	**(11,736)**	**(797)**	**(10,939)**
	a) Management companies	-	-	-
	b) Custodian bank	-	-	-
	c) Insurance policy	-	-	-
	d) "State supervision" contribution	(11,736)	(797)	(10,939)
50	**Financial and insurance income (loss) (20+30+40)**	**5,012,168**	**3,186,890**	**1,825,278**
60	**Balance from administrative activities**	**-**	**-**	**-**
	a) General and administrative expenses	-	-	-
70	**Changesin net assets available for payment of benefits before substitute tax (10+50+60)**	**18,460,379**	**17,777,085**	**683,294**
80	**Substitute tax**	-	-	-
	Changes in net assets available for payment of benefits (70+80)	**18,460,379**	**17,777,085**	**683,294**