MONTE DEI PASCHI DI SIENA BANK

2015 Annual Report

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Monte dei Paschi di Siena Group
Consolidated Annual Report 2015

Banca Monte dei Paschi di Siena S.p.a.
Share Capital: € 9,001,756,820.7 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 SHAREHOLDERS' MEETING

The Shareholders of Banca Monte dei Paschi di Siena S.p.A. ("**BMPS**" or "**Company**" or "**Bank**") are called to the Ordinary Shareholders' Meeting in **Siena, Viale Mazzini 23** on **14 April 2016 at 9:30 a.m. on a single call**, to discuss and pass resolutions on the following

AGENDA

1. Separate and consolidated financial statements at 31 December 2015, 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. Remuneration Report: resolution pursuant to Article 123-*ter* of Legislative Decree No. 58 of 24 February 1998 ("**Consolidated Finance Act**").
3. Proposal pursuant to the combined provisions of Article 114-*bis* and Article 125-*ter* of the Consolidated Finance Act, to approve the plan of *"performance shares"* in favor of the employees of Banca Monte dei Paschi di Siena S.p.A. and of its subsidiaries; resolutions pertaining thereto and resulting therefrom.

The full version of the notice is available on on the website www.mps.it in the section Investors & Research - Corporate Governance – Shareholders' Meetings and BoD.

Siena, 14th March 2016

GOVERNING AND CONTROL BODIES

BOARD OF DIRECTORS

Massimo Tononi*	Chairman
Roberto Isolani	Deputy Chairman
Fabrizio Viola	Chief Executive Officer
Stefania Bariatti	Director
Fiorella Bianchi	Director
Daniele Bonvicini	Director
Lucia Calvosa	Director
Maria Elena Cappello	Director
Béatrice Bernard Derouvroy	Director
Alessandro Falciai	Director
Fiorella Kostoris	Director
Stefania Truzzoli	Director
Antonino Turicchi	Director
Christian Whamond	Director

* Dr.Massimo Tononi was appointed director and chairman of the Board of Director of BMPS by the assembly of September 15, 2015, following the resignation of director and chairman of the board of directors of BMPS Dr.Alessandro Profumo on July 24, 2015 with effect from August 6, 2015.

BOARD OF STATUTORY AUDITORS

Elena Cenderelli	Chairman
Anna Girello	Standing Auditor
Paolo Salvadori	Standing Auditor
Gabriella Chersicla	Alternative Auditor
Carmela Regina Silvestri	Alternative Auditor

SENIOR MANAGEMENT

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

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

CONSOLIDATED REPORT ON OPERATIONS

Basis of preparation

The Consolidated Report on Operations as at 31 December 2015 provides a snapshot of the activities and results which largely characterised the Group's operations in 2015, 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 they are consistent with the most commonly used metrics within the banking industry in order to ensure the comparability of figures presented.

The income statement and balance sheet have been reclassified based on presentation criteria that are more suitable for representing the contents of the items according to consistent operational criteria.

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 specific section dedicated to the implementation of sustainability policies - as regards the updating and implementation of the corporate sustainability policy - as well as in other relevant corporate communications found within the Parent Company Banca MPS website www.mps.it, such as: the "Report on Corporate Governance and the Shareholding Structure", the "Remuneration Report" and the "Pillar 3 Disclosure".

As described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the consolidated notes, which should be referred to for more information, the Parent Company, in implementation of what was required by Consob in resolution no. 19459 of 11 December 2015, adjusted the accounting representation of the "Alexandria" transaction in the 2015 financial statements as a CDS and restating the previous financial statements according to the requirementsof IAS 8.

Results in brief

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/12/2015

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP

		(*)	
INCOME STATEMENT FIGURES (EUR mln)	31/12/2015	31/12/2014	% chg
Income from banking activities	4,068.5	3,839.8	6.0%
Income from banking and insurance activities	5,215.5	4,150.7	25.7%
Net operating income	593.8	(6,629.7)	n.s.
Net profit (loss) for the period	388.1	(5,398.7)	n.s.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	31/12/2015	31/12/2014	% chg
Direct funding	119,275	122,870	-2.9%
Indirect funding	106,172	106,140	0.0%
of which: assets under management	*55,516*	*51,519*	*7.8%*
of which: assets under custody	*50,656*	*54,622*	*-7.3%*
Loans to customers	111,366	119,676	-6.9%
Group net equity	9,596	5,769	66.3%
KEY CREDIT QUALITY RATIOS (%)	31/12/2015	31/12/2014	Abs. chg
Net doubtful loans/Loans to Customers	8.7	7.1	1.7
Net Unlikely to pay/Loans to Customers	11.1	9.7	1.3
Net NP past due and overdue exposures/Loans to Customers	1.9	2.6	-0.7
PROFITABILITY RATIOS (%)	31/12/2015	31/12/2014	Abs. chg
Cost/Income ratio	50.4	66.4	-16.0
Net loan loss provisions / End-of-period loans	1.79	6.54	-4.8
CAPITAL RATIOS (%)	31/12/2015	31/12/2014	Abs. chg
Total Capital ratio	16.0	12.8	3.1
Common Equity Tier 1 (CET1) ratio	12.0	8.5	3.6
Return on Assets (RoA) ratio	0.23	-3.00	3.23
INFORMATION ON BMPS STOCK	31/12/2015	31/12/2014	
Number of ordinary shares outstanding	2,932,079,864	5,116,513,875	-2,184,434,011
Price per ordinary share:	From 31/12/14 to 31/12/15	From 31/12/13 to 31/12/14	% chg
average	1.88	1.19	57.5%
low	1.15	0.46	148.7%
high	2.56	2.56	0.0%
OPERATING STRUCTURE	31/12/2015	31/12/2014	Abs. chg
Total head count - end of period	25,731	25,961	(230)
Number of branches in Italy	2,133	2,186	(53)
Number of specialised centres	263	279	(16)
Financial advisory branches	112	118	(6)
Number of branches & representative offices abroad	40	40	-

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

A trend summary of the main economic and financial aggregates of the Group as at 31 December 2015 is provided below:

- **Total funding** amounted to around **EUR 225 bn** (-1.6% compared to 31 December 2014), with a shift in volumes to assets under management. In the 4th quarter, the aggregate showed a decrease in volumes (-1.5%), due to the decreasing trend in Direct Funding.

- **Loans to customers** amounted to around **EUR 111 bn**, down with respect to the end of 2014 as well as 30 September 2015. The comparison with 31 December 2014 shows a decrease in volumes of roughly EUR 8.3 bn (-6.9%), also impacted by the closing of the "Alexandria" transaction. In particular during the year, Other Loans decreased by 21.6% YoY, Current Accounts by 12.5% and Mortgages by 5.2%. In the 4th quarter, Loans to Customers decreased by around EUR 1 bn (-1%), with a drop particularly in Mortgages (EUR -1 bn) and Other Loans (EUR -0.8 bn), while Repurchase agreements increased by around EUR 1 bn. During the quarter there was also a reduction of approximately EUR 0.2 bn in net non-performing loans. **Coverage of non-performing loans** stood at 48.5%, a reduction of 17 bps compared to 30 September 2015 and 48 bps compared to 31 December 2014. Within this aggregate, the coverage of doubtful loans decreased to 63.4% (from 64% at the end of September and 65.3% last year, impacted by transfers made in 2015). With respect to unlikely to pay exposures, coverage at the end of December equals 29.2% (-165 bps compared to 30 September 2015), while that of non-performing past due exposures increase to 26.1% from 23.4% at the end of September and 19.6% at 31 December 2014.

- With regard to capital ratios, the **Common Equity Tier 1 Ratio** stood at **12% and the Total Capital Ratio at 16%** as at 31 December 2015.

- In 2015 **Total Group Revenues** were around **EUR 5,216 mln** (+25.7% over the previous year), with a Q4 2015 contribution of roughly EUR 1,118 mln, down 24% QoQ, affected by the downturn in the "Net profit (loss) from trading-valuation-repurchase of financial assets/liabilities" component (which was impacted by the overall contribution of the "Alexandria" transaction), while Primary Banking Income was up by 0.5%. **Net interest income** in 2015 stood at around **EUR 2,259 mln**, up 5.4% over the previous year, impacted by the recalculation of the NFIs repayment value for around EUR 147 mln; net of this component, net interest income would be substantially the same as last year (-1.3%). The 4th quarter contributed for around EUR 541 mln, and the decrease since Q3 2015 (-2.8%), was primarily due to the reduction in volumes and of returns on loans to business customers. **Net fee and commission income**, standing at **EUR 1,810 mln**, was up 6.6% compared to 2014 due to the increase in income from asset management supported by placements and continuing operations. The 4th quarter contributed for EUR 452 mln circa (+4.7% QoQ). **Net profit (loss) from trading-valuation-repurchase of financial assets/liabilities** in 2015 stood at around **EUR 1,038 mln**, up by roughly EUR 838 mln over the previous year, impacted by the overall contribution of the "Alexandria" transaction, which had an annual impact of around EUR 608 mln. The 4th quarter, which contributed approximately EUR 134 mln, benefitted from income from the transfer of part of the government bonds portfolio.

- Group **operating expenses** in 2015 totalled approx. **EUR 2,629 mln** (-4.6% from the previous year) with the 4th quarter of 2015 accounting for roughly EUR 662 mln, up from the previous quarter (+0.8% QoQ), which was also impacted by seasonal effects. More specifically:

  - **Personnel expenses**, amounting to approximately **EUR 1,653 mln**, were down 3.3% against the previous year (-6.3% QoQ), mainly due to workforce downsizing carried out at the end of 2014 and the start of 2015, which, alongside with initiatives taken during the year to streamline and reduce accessory costs, more than offsets increased expenses associated with the renewal of the National Collective Labour Agreement.

  - **Other administrative expenses**, amounting to around **EUR 760 mln**, were 5.6% lower than in 2014, due to structural actions undertaken to cut expenses, which particularly concerned the real estate/security and facility management and office supplies segments. Q4 2015 accounted for roughly EUR 206 mln, generating a quarterly growth in expenses (+15%); comparing the values with the expense incurred in Q4 2014, there was a significant reduction in costs – more than 9% - confirming the effectiveness of the structural expense cutback policy implemented by the Group for some time;

- **Net value adjustments to tangible and intangible assets** totalled roughly **EUR 216 mln** (-10.3% YoY). The 4th quarter, contributing approximately for EUR 59 mln (+9.1% QoQ), is characterised by a non-recurring increase in the property, plant and equipment component.

- In 2015, the Group booked **net impairment losses (reversals) on loans** for around **EUR 1,991 mln**, down by 74.5% compared to the previous year, which had higher impairment losses connected to the review of classification and valuation methods and parameters for the entire loan portfolio, also as a part of the *Asset Quality Review*. The 4th quarter of 2015 contributed roughly for EUR 577 mln, up 34.3% compared to Q3 2015. The ratio of the impairment losses on loans in 2015 over total customer loans reflects a **provisioning rate of 179 bps**, compared to 654 bps in 2014.

- Considering the net effects of the PPA (approximately EUR -38 mln) and profit for non-controlling interests (EUR -1.8 mln), **the Group's profit for the year amounted to approx. EUR 388 mln in 2015**, compared to a loss of EUR -5,399 mln in 2014. The 4th quarter of 2015 provided a negative contribution of approx. EUR 197 mln, which was also impacted by the contribution to SRF and DGS funds (EUR 256 mln in profit recorded in Q3 2015).

Group overview

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.

The Group is also active through its specialised product companies in business areas such as leasing, factoring, corporate finance and investment banking. 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.

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 financial advisors through Widiba Bank.

Foreign banking operations are focused on supporting the internationalisation processes of corporate clients in all major foreign financial markets.

Most back office activities, administrative, accounting and other services (e.g. accounts payable) are outsourced to Fruendo (the joint venture between Bassilichi SpA and Accenture Italia).

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 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's 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.

Shareholders

As at 31 December 2015, Banca Monte dei Paschi di Siena's share capital amounted to EUR 9,001,756,820.70, broken down into 2,932,079,864 ordinary shares.

According to the communications received pursuant to the applicable legislation and based on other information available, as at 31 December 2015 the entities that directly and/or indirectly hold significant shareholdings in the Issuer and which do not fall under the cases of exemption set forth in art. 119-bis of the Issuers' Regulation, are as follows:

BMPS main shareholders as at 31 December 2015

Shareholder	% of Outstanding Ordinary Shares*
Fintech Advisory Inc.**	4.50%
Ministry of Economy and Finances	4.02%
AXA S.A.***	3.17%
People's Bank of China	2.00%

*Situation related to the size of the share capital as at 31 December 2015 amounted to Euro 9,001,756,820.70

** Stake in its capacity as manager of the investments held by Fintech Investment Ltd. Parent company Fintech Europe S.à r.l..

***Share held directly and 12 through subsidiary companies

Note that on 1 July 2015, according to the resolution adopted by the Board of Directors on 21 May 2015, 117,997,241 shares of the Parent company equal to 4.024% of the new share capital, were issued to the Ministry of Economy and Finance (MEF) for interests accrued as at 31 December 2014 pursuant to the regulation relating to "New Financial Instruments" set forth under Decree Law no. 95 of 6 July 2012 , thus increasing the Shareholders' Equity to EUR 9,001,756,820 as of 3 July 2015

Compared to the breakdown of the share capital as at 30 September 2015, BTG Pactual is no longer one of the largest shareholders.

BMPS share price

Share price and trends

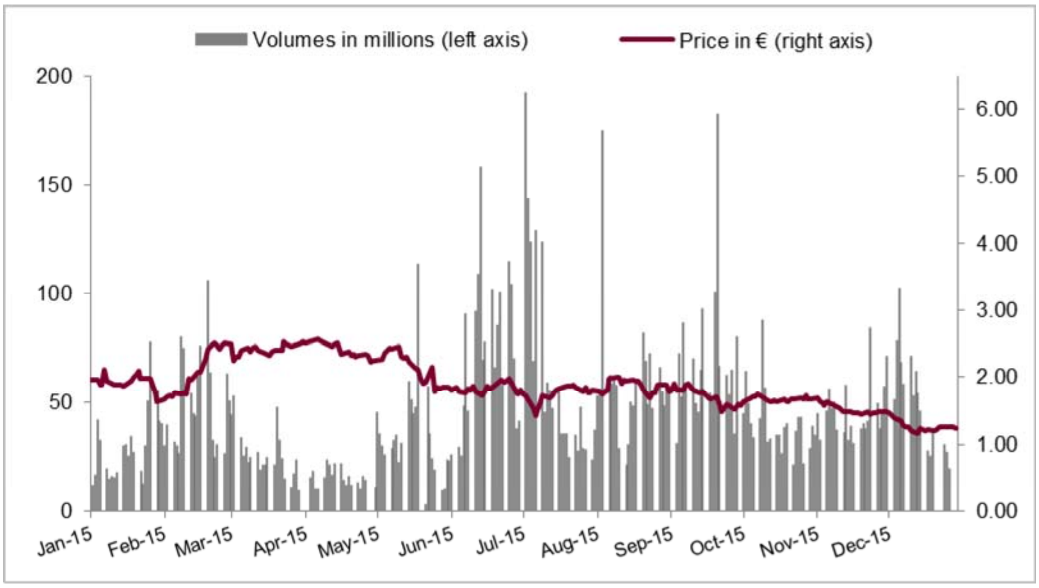
Several important events took place in 2015: the ECB's decision to launch a Quantitative Easing plan at the beginning of the year to contrast low inflation; strong geopolitical tensions, especially in the Middle East; the economic slowdown in China, with the decision by the Chinese Authorities to depreciate the yuan; the Volkswagen automotive company scandal; and, last but not least, the hike in official rates by the Federal Reserve after nearly ten years. All of this influenced stock market trends, sometimes generating phases of high volatility.

In the fourth quarter of 2015, the European share indexes recorded positive performances (Milan +0.6%; Frankfurt +11.2%; Paris +5%; London +3.5%; Madrid +0.9%), despite the downturns experienced in the last days of December caused by new declines in crude oil prices.

In terms of annual performance, Milan closed the 2015 with a rise of 12.7%, the best performance on the continent. Frankfurt closed the year with +9.6% and Paris +9.5%, while Madrid and London closed in red at -6.2% and -4.5%, respectively. The Italian banking sector also registered a positive performance in 2015, with the FTSE Italian Banks index up 14.8% YoY.

BMPS stock closed the fourth quarter at EUR 1.23 (with a negative performance of 35.6% since the beginning of the year).

BMPS SHARE PERFORMANCE (from 31 December 2014 to 31 December 2015)

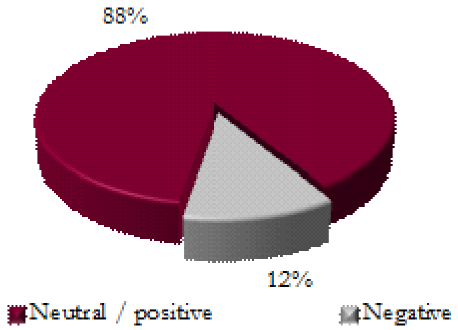


BMPS SHARE PRICE: STATISTICAL SUMMARY (from 12/31/2014 to 12/31/2015)	
Average	1.88
Lowest	1.15
Highest	2.56

In 2015, the volumes of BMPS shares traded on a daily basis averaged 46.3 million.

MONTHLY VOLUMES OF SHARES TRADED	
2015 volumes summary (mln)	
January	555
February	985
March	651
April	315
May	751
June	1,468
July	1,489
August	1,205
September	1,475
October	938
November	901
December	1,024

BMPS SHARE RATINGS AS AT 31 December 2015



Ratings

The ratings given by the rating agencies as at 31 December 2015 are provided below:

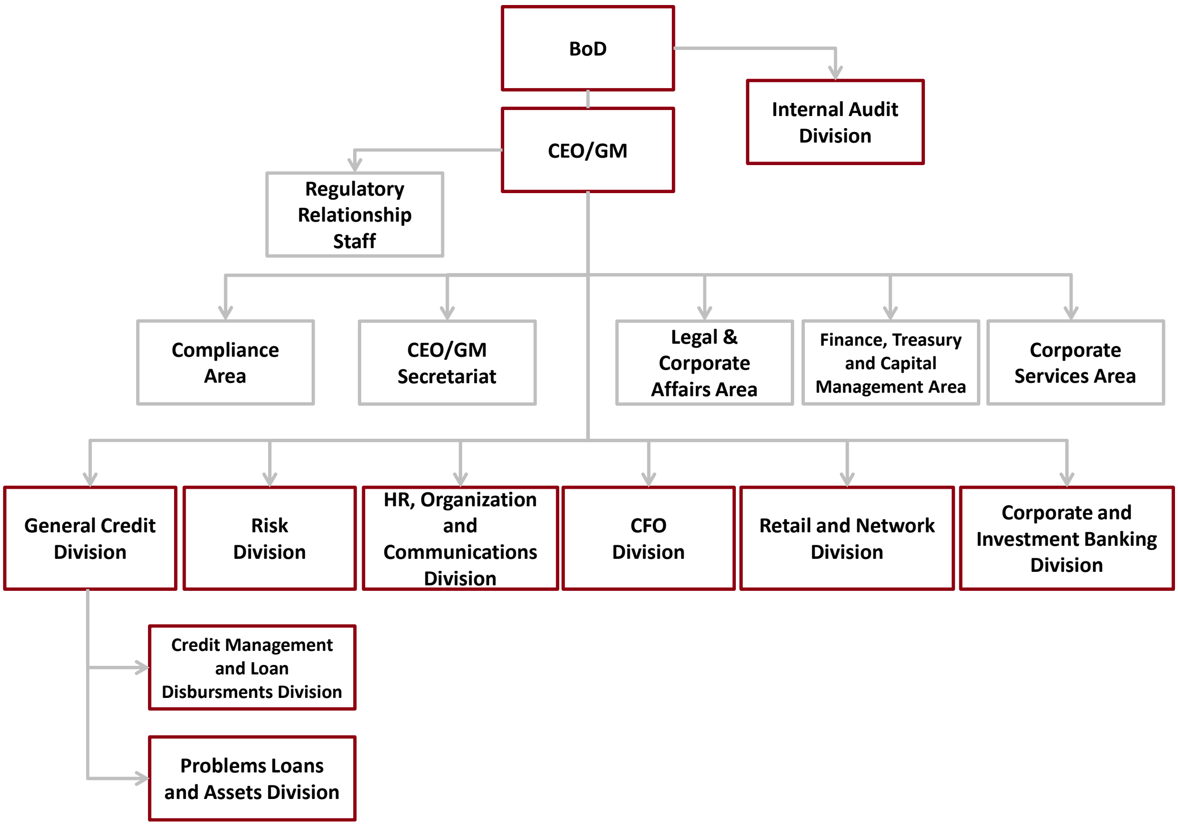
Rating Agencies	Short-term debt	Outlook	Long-term debt	Outlook	Last update
DBRS	R-3	Negative	BB (high)	Negative	29/09/2015
Fitch Ratings	B	-	B-	Stable	19/05/2015
Moody's Investors Service	NP	-	B3	Negative	22/04/2015

- On 22 April 2015, following the publication of the new rating criteria and the downgrade of the systemic support provided to banks of countries involved in the Single Resolution Mechanism for settling bank crises, Moody's downgraded the long-term rating from 'B1' to 'B3', with a negative outlook. The individual rating (Baseline Credit Assessment - BCA) was instead confirmed at "caa2", due to the approval of the share capital increase by the extraordinary shareholders' meeting.
- On 19 May 2015, the Fitch rating agency lowered the Bank's long-term rating from "BBB" to "B-" and the short-term rating from "F3" to "B", while the Viability Rating (VR) was confirmed at "B-". The outlook was deemed stable. The Bank's ratings were lowered in light of Fitch's review of the rating criteria and in particular for the assumptions underlying the public support announced in March 2014.
- On 29 September 2015, the rating agency DBRS, following the review of the systemic support initiated by the agency in May 2015 for all European banks, lowered the long-term rating of the Issuer from "BBB (low)" to "BB (high)" and the short-term rating of the Issuer from "R-2 (low)" to "R-3" , with a negative outlook. At the same time DBRS left the Intrinsic Assessment (IA) unchanged at "BB (high)".

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.

Organisational chart of the Bank's Head Offices as at 31.12.2015



Changes were made in the organisation of the Parent company and the Network in 2015 in order to support company strategies through various lines of intervention:
- the strengthening and evolution of the **lending chain governance procedures**;
- the reinforcement of **the organisational adequacy** in compliance with regulatory provisions;
- an improvement in **commercial effectiveness**;
- the maximisation of the **operational efficiency**.

With respect to the first area (**lending chain governance procedures**), Banca MPS has launched a profound transformation of ordinary, distressed and non-performing loan organisational structures. These changes aim to achieve clear coding of credit management roles and responsibilities and strengthen the oversight role of the Head Office with respect to policies and the management of the most critical customers; they are based on a comprehensive end-to-end vision, anticipating the spirit of non-performing loan regulations recently published by the regulator. In this context, it is worth noting the objective of strengthening the organisation of non-performing loan oversight, for which the new Problem Loan & Asset Department has been created, a structure dedicated to Non-Core Portfolio Management which reports to the General Credit Division.

Regarding the improvement of the **organisational adequacy**, the year 2015 saw the development of new functions specifically responsible for coordinating the initiatives of supervisory bodies (Staff Regulatory Relationship, reporting to the CEO) as well as the organisational positioning of the Compliance function, also reporting to the CEO. Specific projects have also been launched in this area to comply with the provisions of the system and regulators.

In terms of **commercial effectiveness**, the "Top Corporate" segment was introduced, which includes companies from the SME segment identified according to specific qualitative and quantitative parameters, to create a new commercial chain for the development and consolidation of relationships and increase relationship profitability, pursued through the establishment of dedicated structures within the Corporate & Investment Banking Department and new Network structures (Top Corporate Centres). At the same time, the Corporate SME and Institutions Area was created within the Retail and Network Division to improve the effectiveness of synergistic actions undertaken by those responsible for the assignment of sales guidelines (strategic marketing) and those responsible for the transmission to the Network and the verification of results (operational marketing). In addition, Consum.it was merged into BMPS on 1 June 2015, giving rise to a new structure integrated within the Retail and Network Division.

Within the broader "Banca 2020" project, the Sales Network Distribution Model review was launched during the year, with the roll-out of the first wave of Hub & Spoke style branches in 4 Regional Areas and 4 pilot DTMs (local unit offices); at the same time, a plan for further streamlining the Sales Network was carried out, involving the closure of an initial group of 50 branches in late September.

With respect to the pursuit of improved levels of **operational efficiency**, the most significant action in 2015 was the restructuring of the former Finance & Operations Division, which became the CFO Division. The Finance, Treasury & Capital Management Area and the Corporate Services Area were repositioned to report directly to the CEO, to which the Consorzio Operativo di Gruppo (Group Operational Consortium) also reports. Also with a view to improved departmental efficiency and functionality, the Internal Audit Area was established to best manage the priorities given by the strategic role laid out by the Supervisory organisation and the specialist areas covered.

With respect to Network processes, actions are under way to improve the quality of work, free up more time to be dedicated to sales activities and increase customer service quality, while reducing response/service provision times by streamlining "administrative" activities and document management costs (Paperless and Tempo Cliente Projects). A new line of intervention has also been launched with methodologies structured around Head Office processes with the greatest impact.

Governance & Control systems

Corporate Governance

For the Parent, 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 Parent'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 and four Board committees (Risk Committee, Appointments Committee, Remuneration Committee and Committee for Related-party Transactions).

The Parent'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/).

Risk governance

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

Risk governance strategies are defined in accordance with the Group business model, the medium-term Business Plan objectives and the external regulatory and legal requirements.

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the Board of Directors of the Parent Company. Specifically, the Board of Directors periodically defines and approves strategic risk management guidelines and quantitatively expresses the Group's overall risk appetite, in line with the annual budget and multi-year projections.

In 2015, the Group further developed the overall internal reference framework for the determination of its risk appetite: the Risk Appetite Framework (RAF).

The objective of the RAF is to ensure constant alignment between the Group's actual risk profile and the risk appetite approved in advance 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 takes into consideration all of the Group's main strategic areas:

- Pillar 1 and 2 capital adequacy;
- Short- and long-term liquidity profile;
- Level of financial leverage;
- Risk-Adjusted Performance, Reputation and Positioning.

The overall RAF system is broken down in terms of the Group's main Business Units and Legal Entities, also in terms of operating limits for the various business areas, and formalised in governance policies and processes for the management of the various corporate risks.

The Risk Appetite Process is structured so as to ensure consistency with the ICAAP and ILAAP as well as with Planning and Budget and Recovery processes, in terms of governance, roles, responsibilities, metrics, stress testing methods and the monitoring of key risk indicators.

Group Risk governance is provided centrally by the Parent Company's Board of Directors, which also supervises and is responsible for the updating and issue of internal policies and regulations in order to continuously promote and guarantee a greater and more widespread risk culture at all levels of the organisation. Awareness of risks coupled with the correct knowledge and application of the internal processes and models governing those risks - especially for those validated for regulatory purposes - are fundamental requirements for effective, sound and prudent business management.

The incorporation of macro risk and risk-adjusted performance indicators, consistent with the RAF, within staff remuneration and incentive policies represents an additional tool to promote awareness of the conduct of all resources and the cultivation of a healthy risk culture.

In 2015, the Group was engaged in several risk management system's improvement projects, especially with regard to credit risk, liquidity risk, ILAAP process set-up risk and Recovery risk, as required under the reference European regulations, resulting in the implementation of methodologies and applications within the risk management, reporting, planning and disclosure systems.

The Group is one of the Italian banks subject to the ECB's Single Supervisory Mechanism. In 2015, the Group actively supported the interaction with the ECB-Bank of Italy Joint Supervisory Team (JST), also by creating an organisational unit (Staff Regulatory Relationship) reporting directly to the CEO, which is responsible for handling institutional relations with the Supervisor.

Compliance System

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

In 2015, that system was further strengthened, fulfilling to Bank of Italy's instructions and with reference in particular to the following areas:

- bank transparency;
- usury, with the reinforcement of 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 and to extend alerting procedures for potentially unauthorised accesses to the subsidiaries as well;
- investment services, with the continuation of initiatives included within the action plan disclosed to Consob for the distribution of complex products.

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 Parent'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/)

The enhancement of professional skills and taking management decisions aimed at long-term value creation 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.

Human Resources

Headcount changes

At 31 December 2015, the Group had a total of 25,731 employees, down 230 compared to 31 December 2014 and down 2,686 compared to 31 December 2013. In the course of 2015, there were 181 people hired (of which 54 pursuant to regulatory provisions on mandatory placement) and 416 terminations (among the most important: 152 accepting the Solidarity Fund and 162 resignations), with a positive balance of 5 in terms of changes in the scope of consolidation (secondments/reinstatements). Staff taking up positions involved 13 Executives, 35 Middle Managers and 133 Professionals, while the terminations concerned 30 Executives, 213 Middle Managers and 173 Professionals.

Distribution of the workforce in favour of customer interface units stands at 75.3% (figure does not include the international banking division which represents 2.1% of the total staff) and 22.6% as regards the Head Office units.

Personnel management initiatives

The personnel management policies support the reorganisation projects, in line with the business plan objectives, through mobility plans (geographical and professional) with the aim of seizing opportunities for the career development for employees according to the logics of transparency and participation. The operational initiatives were therefore supported by: professional and managerial plans which, based on a managerial renewal approach, guarantee adequate quality-quantity staff coverage levels; training programmes (MPS ACADEMY) to enhance skills, provide managerial career guidance and support requalification processes; engagement and human resource motivation leverage (incentive policies, BMPS welfare system and internal communication plans).

During the year, support was also given to the operational efficiency and core business strengthening objectives set forth in the Business Plan. In this regard, the subsidiary Consum.it was merged into BMPS. Impacts on the employment of the 254 employees concerned were managed, also through interaction with the trade unions, with resource re-assignments meant to leverage professional skills developed, while taking into consideration personal needs and aspirations.

In the sales network, management activities continued in light of the implementation and experimentation of new distribution structures for Retail, SME and Institutional customers, which entailed total mobility, primarily involving professionals, of roughly 6,000 resources. The Parent's training courses were also revised and improved to provide adequate support to resources in the service model review process.

In this context, incentivised mobility initiatives ("Muoversi in Rete") were also launched to favour the active participation of employees, also with the aim of integrating skills amongst the head office and sales network units. This initiative made it possible to intervene with respect to operating units with seasonal and other staffing requirements.

In the head office units, initiatives were launched to redistribute qualitative and quantitative personnel skills in strategic/priority areas, predominantly in the General Credit Division, for a more effective focus of loan portfolio management, in the Retail and Network Division, for more active oversight over sales activities and the updated distribution structures, and in the Internal Audit Area.

With respect to training, in its three main areas - People, Business, Compliance & Safety - MPSAcademy provided roughly 907,000 training hours for the Parent in 2015 (898,761 in 2014), equal to 38.6 hours per capita (38.2 in 2014). Approximately 97% of the staff was involved in training activities (95% in 2014).

Distribution channels

The Group operates with a view on developing and rationalising its distribution network, by combining regional coverage with the strengthening of innovative channels.

Traditional domestic branches are supported by specialist sales centres, which oversee relations with and the specific management of particular customer segments (e.g. SMEs, Private individuals, Institutions, etc.) and by 597 Financial Advisors (an increase of +2 over 31 December 2014) that carry out their activities by making use of the offices open to the public that are distributed nationwide (down by 6 units compared to 31 December 2014).

The subsidiary MPS Leasing & Factoring SpA has 12 branches, unchanged from 31 December 2014.

MONTEPASCHI GROUP - DISTRIBUTION NETWORK AS AT 31/12/2015

	MONTE DEI PASCHI DI SIENA BANCA DAL 1472											
Territory	Domestic branches (*)	Inc.	Client Centres (**)								Financial Advisory Offices	Inc.
			SME	Corporate	Private Top	Private	Istitutions	Corporate Top	Tot.	Inc.		
Emilia Romagna	149	7,0%	9			7	5		21	8,0%	7	6,3%
Friuli Venezia Giulia	58	2,7%	3			2	2		7	2,7%	3	2,7%
Liguria	30	1,4%	2			1	1		4	1,5%	4	3,6%
Lombardia	296	13,9%	10	1	2	12	7	2	34	12,9%	10	8,9%
Piemonte	46	2,2%	3			2	2		7	2,7%	2	1,8%
Trentino Alto Adige	3	0,1%								0,0%	0	0,0%
Valle d'Aosta	4	0,2%								0,0%	0	0,0%
Veneto	276	12,9%	16		1	8	8	1	34	12,9%	5	4,5%
Northern Italy	**862**	**40,4%**	**43**	**1**	**3**	**32**	**25**	**3**	**107**	**40,7%**	**31**	**27,7%**
Abruzzo	47	2,2%	3			2	2		7	2,7%	3	2,7%
Lazio	184	8,6%	12		2	7	5	1	27	10,3%	15	13,4%
Marche	68	3,2%	4			2	2		8	3,0%	4	3,6%
Molise	13	0,6%	1						1	0,4%	1	0,9%
Toscana	430	20,2%	17	1	2	17	10	1	48	18,3%	8	7,1%
Umbria	50	2,3%	3			2	2	1	8	3,0%	4	3,6%
Central Italy	**792**	**37,1%**	**40**	**1**	**4**	**30**	**21**	**3**	**99**	**37,6%**	**35**	**31,3%**
Basilicata	10	0,5%					1		1	0,4%	2	1,8%
Calabria	54	2,5%	2				2		4	1,5%	3	2,7%
Campania	117	5,5%	8		1	5	4	1	19	7,2%	18	16,1%
Puglia	125	5,9%	6			5	4		15	5,7%	16	14,3%
Sardegna	16	0,8%	1			1	1		3	1,1%	2	1,8%
Sicilia	157	7,4%	4	1		4	5	1	15	5,7%	5	4,5%
Southern Italy and island	**479**	**22,5%**	**21**	**1**	**1**	**15**	**17**	**2**	**57**	**21,7%**	**46**	**41,1%**
Total	**2.133**	**100,0%**	**104**	**3**	**8**	**77**	**63**	**8**	**263**	**100,0%**	**112**	**100,0%**

(*) as reported to the Bank of Italy
(**) of which 23 reports to the Bank of Italy since it is a non-branch-based centre.

The **Italy Network** has **2,133 branches** surveyed by the Supervisory Body, a reduction of 53 operating units compared to 31 December 2014 due mainly to the spin-off of 50 branches, which were subsequently closed, as the initial step for the execution of the 2015-2018 Business Plan, which foresees the closure of 350 units.

The Group also relies on **263 Specialised Centres** (-16 compared to 31 December 2014), of which 178 dedicated to Corporate and Institutions and 85 to Private customers.

The Group's **ATM** network comprises a total of **2,926 machines** (+5 compared to 31 December 2014), of which 2,496 (of which 497 "cash-in" machines) coinciding with traditional branches (2,276 of these are located in premises with an independent entrance also accessible outside of branch hours) and 430 installed in public places with high operational potential (93) and in institutions/companies (337). There are 497 machines with cash-in functions, of which 324 located in self-service areas and 173 inside branches.

The Group has an international presence with a **Foreign Network**, distributed, geographically speaking, in the main financial and economic markets, as well as in the emerging countries with the highest rates of growth and/or key relations with Italy, currently structured as follows: **4 operational**

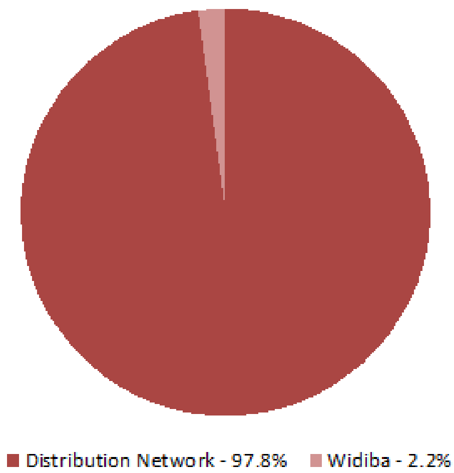
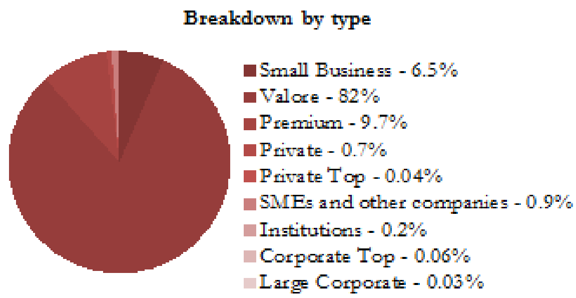
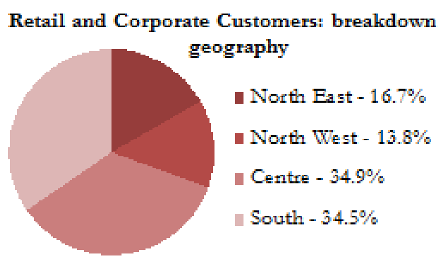
branches (London, New York, Hong Kong and Shanghai), **10 representative offices** located in various "target areas" (EU, Central-Eastern Europe, North Africa, India and China), **2 banks under foreign law** - MP Belgio (8 branches in Belgium) and MP Banque (18 branches in France).

In addition to its presence across the country, Banca MPS offers banking services to customers through electronic channels, through Integrated Multichannel products for Retail and Corporate customers. At 31 December 2015, there were a total of 1,982,212 agreements relating to electronic services, corresponding to 1,040,148 active users (up 52,011 compared to 31 December 2014). Active customers of Retail Multichannel services numbered 939,457 (relating to 1,804,266 agreements) while Corporate customers totalled 94,917 (for 177,946 agreements).

Customer base

As at 31 December 2015, the Group had around 5.3 mln customers (stable with respect to 31 December 2014) broken down as follows:

- around 5.2 mln managed by the Sales Network of Banca Monte dei Paschi[1];
- roughly 0.1 mln managed exclusively by Widiba, the Group's new on-line bank, in which the "Financial Advisory" sales channel was merged.

Customer Breakdown	*Business Customers*
	 

Retention and Acquisition indicator trends (94.4% and 4.1%, respectively) are in line with expectations. Extraordinary transactions (e.g., distribution network optimisation projects) influenced the trend observed, and there was substantial stability YoY for Acquisitions and a decline in Retention compared to 2014 (95.2% and 4.2%, respectively).

[1] The figure also includes customers previously managed exclusively by the former subsidiary Consum.it, merged by incorporation in Banca Monte dei Paschi di Siena on 1 June 2015, effective from 1 January 2015.

Reference context

In 2015, growth in advanced economies strengthened, even while the weakness of emerging economies weighed on the expansion of global trade and helped to drive down raw material prices. Oil prices fell to below the minimums reached during the worst phase of the 2008 financial crisis.

The Federal Funds rate hike implemented by the Fed in December, in light of significant improvements in the job market, marks the end of the accommodating interest rate policy adopted in the United States at the outset of the crisis.

In the Eurozone, the European Central Bank was the unquestioned key player in 2015, with its launch of a Quantitative Easing plan at the start of the year to offset low, at times negative, inflation. The Bank later decided to extend QE at its December meeting, and also made a -10 bps adjustment on the deposit rate (to -0.3%). The expansionary measures adopted by the Governing Council of the ECB have boosted economic activity and the recovery in credit.

In this environment, the Italian economy managed to bring three years of negative growth to an end, with annual inflation that remained close to zero, as for all Eurozone countries. In 2015, there were great expectations with respect to an improvement in the job market, in the wake of important new legislation introduced by the government (the jobs act). The unemployment rate effectively declined from 12.4% in December 2014 to 11.3% in November 2015. However, the labour market continues to suffer from high youth unemployment and a high rate of people not looking for work.

The return on the ten-year BTP (long-term government bond), which started to rise again in June, sitting at 2.30%, fell again to new historical lows, with the BTP-10-year Bund spread at 97 basis points at the end of the year (down 17 basis points compared to 30 September 2015), falling below 100 bps for the first time since 2010. The same movement was also seen for monetary rates, with the Euribor rate falling to new historical lows in negative territory (except for the 12-month rate).

The credit market continues to improve, assisted by the cyclical recovery and the measures adopted by the Governing Council of the ECB, with a stabilisation of loans to the non-financial private sector following a prolonged decrease. The trend in credit is shaped by the conditions of businesses in the different sectors, favouring, in particular, those companies that do not present any repayment anomalies. The cost of new loans to companies recorded another slight decrease, even if the spread of individual conditions remains high.

Significant events in the period

Significant events in 2015

G/C = Governance/Corporate

S = Strategy

R = Rating

January

(G/C) The ECB asked the Parent to cover the capital deficit deriving from the Comprehensive Assessment by implementing the Capital Plan submitted in November which - among the various measures - foresees a share capital increase of EUR 2.5 bn.

February

(G/C) On 11 February:

- the results as at 31 December 2014 were approved;
- SREP was completed with a target CET1 ratio of 10.2%;
- the share capital increase up to a maximum EUR 3 bn was approved.

(G/C) David Manuel Martinez resigned from the Board of Directors of the Parent.

March

(G/C) On 4 March, the Board of Directors resolved:

- to call the Shareholders' Meeting to approve the 2014 Financial Statements, appoint the new Board of Directors and Board of Statutory Auditors, and increase the share capital by up to a maximum EUR 3 bn;
- to co-opt Cristian Whamond to the Board of Directors to replace David Martinez;
- on the number of shares to be allocated to the Ministry of the Economy and Finance as the interest payment on the "Monti Bonds".

(G/C) On 21 March, the lists were filed for appointment of the Board of Directors and the Board of Statutory Auditors of the Parent.

April

(G/C) On 2 April the Parent's Board of Directors meeting minutes were filed: decision on the merger by absorption of Consum.it into Banca Monte dei Paschi di Siena S.p.A.

(G/C) On 14 April, the ordinary and extraordinary Shareholders' Meeting of the Bank was called: the quorum for the meeting to be held on first call was not reached.

(S) On 15 April, an agreement was reached on the sale to Poste Italiane of the Bank's 10.3% equity investment in Anima Holding.

(G/C) On 16 April, Alessandro Profumo and Fabrizio Viola were re-appointed to the Board of Directors, with Alessandro Profumo as Chairman and Roberto Isolani as Deputy Chairman.
The following were also appointed to the Board of Directors: Fiorella Kostoris, Fiorella Bianchi, Lucia Calvosa, Antonio Turicchi, Stefania Truzzoli, Alessandro Falciai, Stefania Bariatti, Daniele Bonvicini and Maria Elena Cappello. Christian Whamond and Beatrice Derouvroy Bernard were confirmed.
The Ordinary Shareholders' Meeting:

- approved the 2014 Financial Statements and the Remuneration Report;

- appointed the Board of Directors and the Board of Statutory Auditors.

The Extraordinary Shareholders' Meeting:

- approved the share capital decrease due to losses and the non-replenishment of valuation reserves;
- authorised the share capital increase and reverse split operation;
- approved amendments to the Articles of Association.

(G/C) On 20 April, Fabrizio Viola was confirmed as Chief Executive Officer.

May

(S) On 8 May, the new 2015-2018 Business Plan was approved.

(G/C) On 13 May, the European Central Bank approved the Bank's EUR 3 bn share capital increase with rights issue and the resulting repayment of New Financial Instruments for a nominal value of EUR 1.071 bn.

(R) On 19 May, Fitch lowered the long-term rating (long-term IDR) of the Issuer from "BBB" to "B-", with a stable outlook.

(G/C) On 21 May, the Board of Directors set the final terms of the share capital increase with rights issue for a maximum of EUR 3 bn, approved by the Shareholders' Meeting on 16 April 2015.

(S) On 21 May, the guarantee contract relating to the share capital increase with rights issue approved by the Shareholders' Meeting on 16 April 2015 was signed. The AXA Group and the Mutuelles AXA committed to subscribing their respective shares.

June

(G/C) On 12 June, the share capital increase offering period ended.

(G/C) On 15 June, the Parent fully repaid the remaining nominal value of EUR 1.071 bn of New Financial Instruments (in exchange for the payment of consideration of roughly EUR 1.116 bn, pursuant to the New Financial Instruments terms and conditions). With that repayment, which follows the repayment for a nominal value of EUR 3 bn made on 1 July 2014, the Parent completed the return of government aid received in 2013 way ahead of the final deadline of 2017 set forth as part of the commitments made to the Ministry of Economy and Finance and the DG for Competition of the European Commission.

(G/C) On 19 June, the rights offering to BMPS shareholders of 2,558,256,930 newly issued ordinary BMPS shares was concluded. The share capital increase with rights issue was fully subscribed for a total value of EUR 2,993,160,608.10 and no new share was subscribed by the underwriting syndicate.

(S) On 23 June, a binding agreement was reached for the without recourse sale of a doubtful loans portfolio consisting of consumer loans, personal loans and credit cards originated by Consum.it to Banca IFIS S.p.A. and a securitisation vehicle financed by a company associated with Cerberus Capital Management LP. The sold portfolio consists of nearly 135,000 positions with a gross book value of roughly EUR 1 bn (EUR 1.3 bn including interest on arrears accrued and/or other charges that are transferred along with the principal amount).

(S) On 25 June, a final agreement was reached for the acquisition by Poste Italiane of the 10.3% equity investment held by the Parent in Anima Holding S.p.A., as all conditions precedent set forth in the preliminary sale agreement were fulfilled. On the date of the sale, Poste will take over all of the Bank's rights and obligations pursuant to the shareholders' agreement regarding the shares of Anima originally signed on 5 March 2014 between MPS and Banca Popolare di Milano.

July

(G/C) On 1 July, in execution of the resolution adopted by the Board of Directors on 21 May 2015, 117,997,241 ordinary shares, equal to 4% of the share capital, were issued to the Ministry of Economy and Finance for interest accrued as at 31 December 2014, with a simultaneous increase in the share capital by EUR 243,073,800.00. On 3 July the relative certification pursuant to art. 2444 of the Italian Civil Code was filed with the Siena Register of Companies.

(G/C) On 24 July, Alessandro Profumo resigned from the positions of Chairman and member of the Board of Directors of the Bank, as of 6 August 2015, at the end of the Board of Directors meeting for the approval of the Half-Year Financial Report as at 30 June 2015.

September

(G/C) On 14 September, Bernardo Mingrone resigned from Head of the General Finance and Operations Division, effective from 25 September 2015.

(G/C) On 15 September, the Shareholders' Meeting resolved to supplement the Board of Directors through the appointment of Massimo Tononi as director, and to nominate him as Chairman of the Board of Directors.

(G/C) With reference to the structured finance transaction called "Alexandria", on 23 September, Banca Monte dei Paschi di Siena and Nomura International PLC signed an agreement which governs the conditions of the early closing of the transactions, implemented in 2009, regarding an investment in BTP via an asset swap expiring in 2034 for a value of EUR 3 bn, financed with a Long-term Repo with the same term. For more details on the transaction, please refer to the Press Release of BMPS dated 23 September 2015, available on the Bank's website.

October

(G/C) On 1 October, Arturo Betunio was appointed Group CFO.

(G/C) On 8 October, the Board of Directors confirmed both the existence of the requirements of professionalism and integrity of Chairman Massimo Tononi and the non-existence of relevant situations pursuant to the legislation governing the prohibition of Interlocking.

(G/C) On 20 October, the first Covered Bond issue of 2015 was launched. Demand for over EUR 800 mln enabled BMPS to issue EUR 750 mln in Covered Bonds, maturing on 20 January 2022.

November

(G/C) On 19 November, a new Covered Bond issue was launched. Demand for over EUR 1.6 bn enabled BMPS to issue EUR 1 bn in 10-year Covered Bonds, maturing on 26 November 2025.

(G/C) On 26 November, the European Central Bank's (ECB) Supervisory Review and Evaluation Process (SREP) for the year 2015 was completed. In the SREP Decision, the ECB notified the Bank that it should maintain the minimum capital requirement, in terms of the Common Equity Tier 1 Ratio, at 10.20% on a consolidated basis from 1 January 2016 to 31 December 2016 and at 10.75% starting from 31 December 2016.

December

(S) On 14 December, an agreement was signed with Amundi SGR to expand the direct placement UCITS range for Private and Family Office customers.

(G/C) On 16 December, BMPS acknowledged that Consob, by resolution no. 19459 of 11 December 2015, found, after completing its activities, that the consolidated and separate financial statements for 2014 and the half-year report at 30 June 2015 were not compliant with the rules governing their preparation, namely with respect to the application of IAS 1, IAS 34 and IAS 39, with specific and exclusive reference to the accounting of items referring to the "Alexandria" transaction.

(G/C) On 28 December, a non-recourse factoring agreement was entered into for the sale to Epicuro SPV Srl of a doubtful loans portfolio consisting of approximately 18,000 positions for a gross book value of approximately EUR 1 bn.

Events after 2015

January

(G/C) On 21 January, a new securitisation transaction of the leasing receivables portfolio was carried out for EUR 1.6 bn

(G/C) On 26 January, the Banca Monte dei Paschi di Siena employee union meetings ratified the agreement on the second-level supplementary contract. This agreement is part of a path of change and strengthening for BMPS and represents an important achievement for the company and for employees, as it renews the second-level contract while enhancing it with important measures that strengthen social equity with a view to redistribution and solidarity. The agreement also governs the variable remuneration structure by introducing a new Variable Performance-Based Bonus linked to the achievement of the Business Plan's reinforcement targets in the areas of capital, liquidity and profitability, and which is broken down over multiple ranges to reward results and recognise distinctive performance, with a focus on typical welfare disbursement methods.

Strategy

Banca MPS Board of Directors approved the 2015-2018 Business Plan on 8 May 2015. This Plan is an update of the previous strategy covering the period 2013 to 2017, and provides greater alignment and consistency with the new reference environment (economic and financial context, Comprehensive Assessment results, new targets set by the sector Supervisory Authority at the end of the Supervisory Review Evaluation Process, Asset Quality Review results and the resulting need to review loan portfolio classification and valuation methods and parameters).

The Plan is broken down along the following development guidelines:

- Increased productivity and efficiency, through structural growth in overall revenue and a reduction in operating expenses.

  The Plan envisages the structural review of the distribution and business models: optimisation of the Network territorial structure; a new customer service model; multi-channel integration; and the consolidation of digital channels in terms of transactions and relationships, also to support activities in the branches, an increase in multi-channel penetration for customers and the evolution of digital processes in order to extend and improve the product offering. In this regard, a hub & spoke network model is currently being implemented, involving the closure of an additional 350 branches and the restructuring of approximately 700 branches.

  Sales processes will be made more efficient, which will save time to further improve sales activities and dedicate more attention to relationships with customers. The Network will be more streamlined, with more flexible sales outlets that can better meet the customers' requirements.

  In addition, the Plan envisages strengthening the focus on the world of businesses by activating and fully rolling out the new commercial chain dedicated to SMEs of high standing/potential. That chain, launched in 2015 with the establishment of dedicated centres and teams and the activation of the sales package, takes advantage of an even higher level of manager specialisation, high value-added products and a more efficient sales process decision-making chain.

  The Plan aims to boost organisational efficiency overall, with actions that involve Head Office as well as regional coordination units. The operational efficiency targets remain confirmed and projects under way were further enhanced (e.g. the digitalisation of network business processes; further centralisation of administrative services; the review of the processes of management of expenses, demand and property management; the optimisation of the credit and control chains).

- Credit quality improvement: the goal is to decrease the cost of credit through a radical review of credit processes. These initiatives are expected to optimise the risk/return profile of the loan portfolio, by implementing rigorous credit policies and selection principles in relation to new loan disbursements. In addition, after the comprehensive assessment, the Bank identified and carried out the major actions in order to cope with the specific areas of concern pointed out by the Regulatory Authorities.

  In particular, with respect to impaired loans, a review of the organisation models and management processes was completed for the purpose of significantly increasing the rates of loan collection and cure (focusing internal units on collections for the most significant positions and outsourcing the management of the small ticket positions; optimising external legal support with remuneration procedures that are also linked to performance; portfolio disposals, etc.).

- Structural rebalance of liquidity: the commitment to rebalance the Group's liquidity position at the structural level has been confirmed.

- Capital strengthening: in this area, June 2015 saw the conclusion of the Parent Company's share capital increase of EUR 3 bn set out in the Business Plan. Therefore, the remaining New Instruments were fully reimbursed, completing the repayment of Government aid received in 2013. Capital management and optimisation initiatives of the Risk Weighted Assets (RWA) at a parity of assets continue, partly through the selective reduction of the loan portfolio aiming at increasing quality without decreasing the Bank's support to the local economy.

With respect to the commitments assumed by the Bank in relation to the European Commission, which required, inter alia, the sale of the subsidiaries MP Banque and MP Belgio as well as the leasing activity carried out by MPS Leasing & Factoring, the conditions have not yet been created to meet them. The Group's long-term objectives, as described above, do not include the potential effects of the above-mentioned disposals, which we recall have to take place with no negative effects on the activities and economic, capital and/or financial situation of the Bank and/or the Group.

Analysis of the key economic-financial indicators

Reclassified accounts

Income statement and balance sheet reclassification principles

In order to guarantee adequate disclosure to the public with respect to the criteria for presenting the impacts on the income statement and the balance sheet of the "Alexandria" transaction, the values published in the previous quarters referring to the years 2014 and 2015 have been restated. For additional information, please refer to the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" in the consolidated notes to the financial statements.

This correction had an impact on the following reclassified items:

- Income Statement:
    - Net interest income;
    - Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities;
    - Net profit from hedging activities;
    - Tax expense (recovery) on income from continuing operations;
    - Profit (Loss) for the year.
- Balance Sheet:
    - Tradable financial assets;
    - Other assets;
    - Deposits from customers and debt securities issued;
    - Other liabilities;
    - Group equity (Valuation reserves, Reserves, Profit (Loss) for the year).

Please recall that from the 1st quarter of 2015 the structure of the reclassified consolidated income statement was amended to introduce the concept of "pre-provision profit" in accordance with practices already adopted by the major Italian banking groups and the European supervisory authorities. The new structure of the reclassified income statement with operational criteria differs from that adopted by the Group until 31 December 2014, as follows:

- inclusion among "Total revenues" (formerly "Income from banking and insurance business") of the "Other operating income (expense)" aggregate, until 31 December 2014 included in the item "Net provisions for risks and charges and Other operating income (expense)";
- "Net impairment losses on loans and financial receivables" was moved to operating expenses, thereby introducing the concept of "Gross operating income" as the difference between ordinary revenue and operating expenses;
- "net operating income" is therefore calculated as the difference between gross operating income and net impairment losses on loans and financial receivables.

The economic impact deriving from the contribution to the DGS/BRRD funds and other similar schemes is reclassified to a new dedicated item "**Risks and charges connected to SRF, DGS and similar schemes**", and is therefore removed from the items originally impacted.

The comparative figures for the previous periods were re-aggregated on the basis of the new Income Statement format reclassified with operational criteria.

Given the above, the reclassified income statement and balance sheet are provided below in accordance with operational criteria, describing the reclassifications carried out as at 31 December 2015:

Income Statement

a) "**Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities**" in the reclassified income statement includes item 80 "Net profit (loss) from trading", item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and item 110 "Net profit (loss) 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 10 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" (around EUR 91 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) The income statement item "**Other operating income/expenses**" excludes the stamp duty and customer expense recoveries restated under "**Other administrative expenses**".

d) The income statement item "**Personnel expenses**" was reduced by approx. EUR 17 mln in restructuring costs relating to a number of employment contract terminations. The amount was reclassified under "Restructuring costs/One-off charges".

e) "**Other administrative expenses**" in the reclassified income statement includes the portion of stamp duty and client expense recovery (approx. EUR 350 mln) posted under item 220 "Other operating expenses/income". This item was also reduced by the costs deriving from the adoption of the DGSD EU directive for the guarantee of deposits and BRRD for the resolution of bank crises (approx. EUR 196 mln), which were reclassified to the item "Risks and charges connected to SRF, DGS and similar schemes".

f) "**Net impairment losses (reversals) on financial assets and other transactions**" includes items 130b "Financial assets available for sale", 130c "Financial assets held to maturity" and 130d "Other financial transactions".

g) The income statement item "**Restructuring costs/One-off charges**" includes one-off charges of approx. EUR 17 mln reclassified out of Personnel Expenses.

h) The income statement item "**Risks and charges connected to SRF, DGS and similar schemes**" includes costs (approx. EUR 196 mln) reclassified out of "Other Administrative Expenses" and "Net provisions for risks and charges", deriving from the adoption of the DGSD EU directive for the guarantee of deposits and BRRD for the resolution of bank crises.

i) "**Gains (losses) on investments**" was cleared of components reclassified as "Dividends and similar income and gains (losses) on investments".

j) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular "**Interest income**" for EUR 29 mln and **Depreciation/amortisation** for EUR 28 mln, net of a theoretical tax burden of EUR -19 mln which integrates the item).

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.

Income statement

Reclassified Income Statement (Euro mln)				
	31/12/2015	31/12/2014	Change	
Montepaschi Group		(*)	Abs.	%
Net interest income	2,258.6	2,142.0	116.5	5.4%
Net fee and commission income	1,809.9	1,697.7	112.2	6.6%
Income from banking activities	**4,068.5**	**3,839.8**	**228.7**	**6.0%**
Dividends, similar income and gains (losses) on investments	99.9	120.9	(21.0)	-17.4%
Net profit (loss) from trading	1,037.8	199.6	838.2	n.s.
Net profit (loss) from hedging	14.1	(13.2)	27.3	n.s.
Other operating income (expenses)	(4.7)	3.7	(8.3)	n.s.
Income from banking and insurance activities	**5,215.5**	**4,150.7**	**1,064.8**	**25.7%**
Administrative expenses:	(2,412.6)	(2,514.4)	101.8	-4.0%
a) personnel expenses	(1,652.8)	(1,709.9)	57.1	-3.3%
b) other administrative expenses	(759.9)	(804.5)	44.7	-5.6%
Net losses/reversal on impairment on property, plant and equipment / Net adjustn	(216.0)	(240.7)	24.8	-10.3%
Operating expenses	**(2,628.6)**	**(2,755.2)**	**126.6**	**-4.6%**
Pre Provision Profit	**2,587.0**	**1,395.6**	**1,191.4**	**85.4%**
Net impairment losses (reversals) on:	**(1,993.1)**	**(8,025.3)**	**6,032.1**	**-75.2%**
a) loans	(1,991.1)	(7,821.4)	5,830.4	-74.5%
b) financial assets	(2.1)	(203.8)	201.8	-99.0%
Net operating income	**593.8**	**(6,629.7)**	**7,223.5**	**n.s.**
Net provisions for risks and charges	(64.0)	(119.0)	54.9	-46.2%
Gains (losses) on investments	119.6	89.9	29.7	33.1%
Restructuring costs / One-off costs	(17.4)	(375.8)	358.4	n.s.
Risks and charges related to the SRF, DGS and similar schemes	(195.5)	(57.6)	(137.9)	n.s.
Gains (losses) on disposal of investments	2.9	84.7	(81.8)	-96.6%
Profit (loss) before tax from continuing operations	**439.3**	**(7,007.5)**	**7,446.8**	**n.s.**
Tax expense (recovery) on income from continuing operations	(11.4)	2,330.4	(2,341.8)	n.s.
Profit (loss) after tax from continuing operations	**427.9**	**(4,677.1)**	**5,104.9**	**n.s.**
Net profit (loss) for the period including non-controlling interests	**427.9**	**(4,677.1)**	**5,104.9**	**n.s.**
Net profit (loss) attributable to non-controlling interests	(1.8)	4.4	(6.1)	n.s.
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**426.1**	**(4,672.7)**	**5,098.8**	**n.s.**
PPA (Purchase Price Allocation)	(38.0)	(38.1)	0.1	-0.2%
Impairment on goodwill and intangibles	-	(687.9)	687.9	-100.0%
Net profit (loss) for the period	**388.1**	**(5,398.7)**	**5,786.8**	**n.s.**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

Quarterly trend in reclassified incomen statement (Euro mln)								
	2015				2014			
Montepaschi Group	4Q	3Q (*)	2Q (*)	1Q (*)	4Q (*)	3Q (*)	2Q (*)	1Q (*)
Net interest income	541.1	556.8	554.0	606.7	605.2	575.2	521.1	440.6
Net fee and commission income	451.6	431.2	484.2	443.0	405.2	421.5	425.8	445.2
Income from banking activities	**992.6**	**988.0**	**1,038.2**	**1,049.7**	**1,010.4**	**996.7**	**946.9**	**885.8**
Dividends, similar income and gains (losses) on investments	4.8	28.7	42.0	24.3	38.8	32.6	23.8	25.7
Net profit (loss) from trading	133.6	459.0	163.5	281.7	(33.6)	242.7	(186.6)	177.1
Net profit (loss) from hedging	4.3	(6.3)	0.2	15.9	(3.8)	3.3	(8.6)	(4.1)
Income from banking and insurance activities	**1,117.6**	**1,469.7**	**1,255.2**	**1,373.0**	**1,029.8**	**1,277.3**	**757.9**	**1,085.8**
Administrative expenses:	(602.2)	(601.8)	(603.7)	(604.9)	(658.2)	(623.8)	(620.4)	(611.9)
a) personnel expenses	(396.2)	(422.7)	(414.4)	(419.4)	(430.7)	(427.9)	(421.9)	(429.3)
b) other administrative expenses	(205.9)	(179.1)	(189.2)	(185.5)	(227.5)	(195.9)	(198.5)	(182.6)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(59.4)	(54.4)	(53.7)	(48.4)	(76.3)	(65.6)	(50.2)	(48.6)
Operating expenses	**(661.6)**	**(656.3)**	**(657.4)**	**(653.3)**	**(734.5)**	**(689.5)**	**(670.7)**	**(660.5)**
Pre Provision Profit	**456.0**	**813.4**	**597.8**	**719.7**	**295.3**	**587.8**	**87.2**	**425.3**
Net impairment losses (reversals) on:	**(575.4)**	**(435.3)**	**(528.1)**	**(454.2)**	**(5,502.2)**	**(1,296.1)**	**(735.2)**	**(491.7)**
a) loans	(577.2)	(429.8)	(515.8)	(468.2)	(5,357.0)	(1,256.5)	(731.4)	(476.6)
b) financial assets	1.8	(5.5)	(12.3)	14.0	(145.2)	(39.6)	(3.8)	(15.2)
Net operating income	**(119.4)**	**378.1**	**69.7**	**265.5**	**(5,206.9)**	**(708.3)**	**(648.0)**	**(66.4)**
Net provisions for risks and charges	(58.7)	43.2	(18.8)	(29.8)	0.4	(37.3)	(27.5)	(54.5)
Gains (losses) on investments	(7.1)	1.5	124.9	0.2	(72.0)	(13.4)	133.4	41.9
Restructuring costs / One-off costs	(14.6)	(2.2)	(0.3)	(0.2)	(53.8)	(318.2)	(2.7)	(1.1)
Risks and charges related to the SRF, DGS and similar schemes	(140.9)	(54.6)	-	-	(57.6)	-	-	-
Gains (losses) on disposal of investments	1.0	0.9	0.6	0.4	77.9	1.7	0.4	4.7
Profit (loss) before tax from continuing operations	**(339.8)**	**366.9**	**176.1**	**236.1**	**(5,312.1)**	**(1,075.5)**	**(544.4)**	**(75.4)**
Tax expense (recovery) on income from continuing operations	152.0	(102.5)	18.1	(79.1)	1,761.8	344.2	227.8	(3.4)
Profit (loss) after tax from continuing operations	**(187.7)**	**264.4**	**194.2**	**157.0**	**(3,550.4)**	**(731.2)**	**(316.7)**	**(78.8)**
Net profit (loss) for the period including non-controlling interests	**(187.7)**	**264.4**	**194.2**	**157.0**	**(3,550.4)**	**(731.2)**	**(316.7)**	**(78.8)**
Net profit (loss) attributable to non-controlling interests	(0.5)	(0.5)	(0.3)	(0.5)	0.6	4.9	(0.6)	(0.5)
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**(188.2)**	**263.9**	**193.9**	**156.5**	**(3,549.8)**	**(726.3)**	**(317.3)**	**(79.3)**
PPA (Purchase Price Allocation)	(8.4)	(8.2)	(8.7)	(12.8)	(10.1)	(9.2)	(9.4)	(9.4)
Impairment on goodwill and intangibles	-	-	-	-	(687.9)	-	-	-
Net profit (loss) for the period	**(196.6)**	**255.7**	**185.2**	**143.7**	**(4,247.8)**	**(735.5)**	**(326.7)**	**(88.6)**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

Trends in revenues

In 2015 **Total Group Revenues** amounted to around **EUR 5,216 mln** (+25.7% over the previous year), with a Q4 2015 contribution of roughly EUR 1,118 mln, down 24% QoQ, affected by the downturn in the "Net profit (loss) from trading-valuation-repurchase of financial assets/liabilities" component (which was impacted by the overall contribution of the "Alexandria" transaction), while Primary Banking Income was up 0.5%.

Financial and insurance income (EUR mln)	31/12/2015	4Q2015	(*) 3Q2015	(*) 2Q2015	(*) 1Q2015	(*) 31/12/2014	Chg Q/Q Abs.	Chg Q/Q %	Chg Y/Y Abs.	Chg Y/Y %
Net interest income	2,258.6	541.1	556.8	554.0	606.7	2,142.0	(15.7)	-2.8%	116.5	5.4%
Net fee and commission income	1,809.9	451.6	431.2	484.2	443.0	1,697.7	20.4	4.7%	112.2	6.6%
Income from banking activities	**4,068.5**	**992.6**	**988.0**	**1,038.2**	**1,049.7**	**3,839.8**	**4.7**	**0.5%**	**228.7**	**6.0%**
Dividends, similar income and gains (losses) on equity investments	99.9	4.8	28.7	42.0	24.3	120.9	(23.8)	-83.1%	(21.0)	-17.4%
Net trading income (loss) / valuation of financial assets	1,037.8	133.6	459.0	163.5	281.7	199.6	(325.4)	-70.9%	838.2	n.s.
net profit (loss) from hedging	14.1	4.3	(6.3)	0.2	15.9	(13.2)	10.6	n.s.	27.3	n.s.
Other operating income (expenses)	(4.7)	(17.8)	0.4	11.3	1.4	3.7	(18.2)	n.s.	(8.3)	n.s.
Financial and insurance income	**5,215.5**	**1,117.6**	**1,469.7**	**1,255.2**	**1,373.0**	**4,150.7**	**(352.2)**	**-24.0%**	**1,064.8**	**25.7%**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

A closer look at the aggregate reveals the following:

- **net interest income** in 2015 stood at around **EUR 2,259 mln**, up 5.4% over the previous year, impacted, for around EUR 147 mln, by the recalculation of the NFIs repayment value; net of this component, net interest income would be substantially the same as last year (-1.3%). This trend was influenced by the lower average amount of the NFIs (impact of approximately EUR +203 mln), the improvement in the average spread (rapid drop in the cost of commercial funding, which offset the reduction in the lending rate), the drop in average interest-bearing loans and the lower return on the securities portfolio as a result of optimisation activities.

  The 4th quarter contributed around EUR 541 mln, a decrease since Q3 2015 (-2.8%), primarily due to the reduction in volumes and of returns on loans to business customers.

- **Net fee and commission income**, standing at **EUR 1,810 mln**, was up 6.6% compared to 2014 due to the increase in income from asset management supported by placements and continuing operations. The 4th quarter contributed around EUR 452 mln (+4.7% QoQ).

- **Net profit (loss) from trading-valuation-repurchase of financial assets/liabilities** in 2015 stood at around **EUR 1,038 mln**, up by roughly EUR 838 mln over the previous year, impacted by the overall contribution of the "Alexandria" transaction, which had an impact on the year of around EUR 608 mln. The 4th quarter, which contributed approximately EUR 134 mln, benefitted from income from the transfer of part of the government bonds portfolio.

Net trading income (loss) / valuation of financial assets (EUR mln)										
			(*)	(*)	(*)	(*)	Chg Q/Q		Chg Y/Y	
	31/12/2015	4Q2015	3Q2015	2Q2015	1Q2015	31/12/2014	Abs.	%	Abs.	%
Net profit (loss) from trading	761.7	(7.6)	438.6	154.0	176.7	38.8	(446.2)	n.s.	722.9	n.s.
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	225.8	85.3	7.9	10.4	122.2	159.0	77.5	n.s.	66.8	42.0%
Net profit (loss) from financial assets and liabilities designated at fair value	50.3	55.9	12.5	(0.8)	(17.3)	1.8	43.4	n.s.	48.4	n.s.
Net profit (loss) from trading	**1,037.8**	**133.6**	**459.0**	**163.5**	**281.7**	**199.6**	**(325.4)**	**-70.9%**	**838.2**	**n.s.**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

A closer look at the result reveals that:

- **Net profit (loss) from trading** showed a positive balance of approx. **EUR 762 mln** (this aggregate was impacted by the overall contribution of the "Alexandria" transaction amounting to EUR 608 mln), with a negative result from Q4 2015 of around EUR -8 mln;
- **Gains/losses on disposal/repurchase of loans, financial assets and liabilities available for sale** totalled approximately **EUR 226 mln**, compared to around EUR 159 mln in 2014, with a contribution of approx. EUR 85 mln from the 4th quarter. This aggregate, which was positively impacted by results connected to the AFS portfolio optimisation activity, includes EUR 49.1 mln relating to non-recourse transfers of doubtful loans portfolios completed in June and December.
- **Net profit (loss) from financial assets and liabilities designated at fair value** showed a positive balance of **EUR 50 mln** (EUR 1.8 mln recorded in 2014), with a 4th quarter contribution of EUR 56 mln, attributable primarily to the reduction in the value of some liabilities designated at fair value (owing to the worsening in the credit rating of issuer Banca Monte dei Paschi di Siena).

The following items make up the **Total Revenue**:

- **Dividends, similar income and gains (losses) on investments**: the result of approx. **EUR 100 mln** (around EUR 121 mln in 2014), includes the contribution from AXA-MPS (consolidated using the equity method).
- **Net profit (loss) from hedging**: showed a positive balance of approx. **EUR 14 mln** (negative balance of EUR 13 mln in 2014) with a positive contribution of around EUR 4 mln in Q4 2015;
- **Other operating income/expenses** showed a negative balance of EUR 5 mln (EUR 3.7 mln in 2014), with a 4th quarter impact of around EUR -18 mln.

Operating expenses

Group **operating expenses** in 2015 totalled approx. **EUR 2,629 mln** (-4.6% from the previous year) with the 4th quarter of 2015 accounting for roughly EUR 662 mln, up from the previous quarter (+0.8% QoQ), which was also impacted by seasonal effects.

Operating expenses (EUR mln)										
							Chg Q/Q		Chg Y/Y	
	31/12/2015	4Q2015	3Q2015	2Q2015	1Q2015	31/12/2014	Abs.	%	Abs.	%
Personnel expenses	1,652.8	396.2	422.7	414.4	419.4	1,709.9	(26.5)	-6.3%	(57.1)	-3.3%
Other administrative expenses	759.9	205.9	179.1	189.2	185.5	804.5	26.8	15.0%	(44.7)	-5.6%
Administrative expenses	**2,412.6**	**602.2**	**601.8**	**603.7**	**604.9**	**2,514.4**	**0.3**	**0.1%**	**(101.8)**	**-4.0%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	216.0	59.4	54.4	53.7	48.4	240.7	4.9	9.1%	(24.8)	-10.3%
Operating expenses	**2,628.6**	**661.6**	**656.3**	**657.4**	**653.3**	**2,755.2**	**5.3**	**0.8%**	**(126.6)**	**-4.6%**

More specifically:

- **Administrative expenses** were approx. **EUR 2,413 mln** (-4% YoY) of which approx. EUR 602 mln referring to the 4th quarter of 2015, stable with respect to the previous quarter (+0.1%). A breakdown of the aggregate shows:
  - **Personnel expenses**, amounting to approximately **EUR 1,653 mln**, were down 3.3% against the previous year (-6.3% QoQ), mainly due to workforce downsizing carried out at the end of 2014 and the start of 2015, which, along with initiatives taken during the year to streamline and reduce accessory costs, more than offset increased expenses associated with the renewal of the National Collective Labour Agreement.
  - **Other administrative expenses**, amounting to around **EUR 760 mln**, were 5.6% lower than in 2014, due to structural actions undertaken to cut expenses, which particularly concerned the real estate/security and facility management and office supplies segments. Q4 2015 accounted for roughly EUR 206 mln, generating quarterly growth in expenses (+15%); comparing the values with the expense incurred in Q4 2014, there was in any event a significant reduction in costs exceeding 9%, confirming the effectiveness of the structural expense cutback policy implemented by the Group for some time;
- **Net value adjustments to tangible and intangible assets** totalled roughly **EUR 216 mln** (-10.3% YoY). The 4th quarter, contributing approximately EUR 59 mln (+9.1% QoQ), is characterised by a non-recurring increase in the property, plant and equipment component.

On the back of these factors, in 2015 the Group's **Gross operating profit** totalled approximately **EUR 2,587 mln** (EUR 1,396 mln in the previous year). The 4th quarter contributed approximately EUR 456 mln, down 43.9% on 3rd quarter of 2015. The cost/income ratio[2] stood at 50.4% (66.4% as at 31 December 2014).

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

In 2015, the Group booked **net impairment losses (reversals) on loans** for around **EUR 1,991 mln**, down by 74.5% compared to the previous year, which had higher impairment losses connected to the review of classification and valuation methods and parameters for the entire loan portfolio, also as part of the Asset Quality Review. The 4th quarter of 2015 contributed roughly EUR 577 mln, up 34.3% compared to Q3 2015.

2 The Cost/Income ratio is expressed as the ratio between operating expenses and total revenues. It should be pointed out that, for the quarter ended as at 31/3/2015 the Group adopted a new reclassified Income Statement layout where Total Revenues also include the balance of the item "Other operating expenses/income".

The ratio of the impairment losses on loans in 2015 over total customer loans reflects a **provisioning rate of 179 bps**, compared to 654 bps in 2014.

"**Net impairment losses (reversals) on financial assets and other transactions**" recorded a **negative balance of around EUR 2.1 mln** (EUR 1.8 mln in Q4 2015), compared to a negative value of roughly EUR -204 mln in 2014, impacted, inter alia, by the write-down of the Istituto per il Credito Sportivo and write-downs of the Fondo Immobiliare Socrate real estate fund and Prelios.

Consequently, the Group's **net operating income** totalled approximately **EUR 594 mln** (roughly EUR -6,630 mln in 2014, penalised especially by impairment losses connected to the review of classification and valuation methods and parameters for the entire loan portfolio also carried out as part of the Asset Quality Review).

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

Profit for the period included:

- **Net provisions for risks and charges** totalled approx. **EUR -64 mln** (approx. EUR -119 mln as at 31 December 2014) with 4Q 2015 contributing approx. EUR -59 mln.
- **Gains (losses) on investments** showed a balance of approx. **EUR 120 mln** (EUR 90 mln as at 31 December 2014), owing to the sale of the investee Anima Holding SpA to Poste Italiane, with a negative 4th quarter contribution of approx. EUR -7 mln.
- **Restructuring costs/One-off charges** of approx. **EUR -17 mln** (of which EUR -15 mln accounted for in the 4th quarter of 2015) relating to employment contract termination initiatives. The balance recognised in 2014 was associated especially with revised early-retirement incentives put in place following the trade union agreement of 19 December 2012.
- **Risks and charges connected to SRF, DGS and similar schemes**, equal to roughly **EUR -196 mln**, refer to the costs accounted for following the adoption of EU Directive 2014/49 (the Deposit Guarantee Schemes Directive - DGSD), which establishes a single format for deposit guarantees, and Directive 2014/59 (the Bank Recovery and Resolution Directive - BRRD), which establishes a single mechanism for settling bank crises. The Group's total contribution to the funds in 2015 (ordinary and extraordinary component) amounts to approx. EUR 255 mln, of which roughly EUR 58 mln was already recognised last year for risks connected to the banks under extraordinary administration.
- **Gains on disposal of investments** showed a positive balance of **EUR 2.9 mln**, compared to approx. EUR 85 mln in 2014, which included 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. The contribution of the 4th quarter of 2015, amounting to EUR 1 mln, remained at the same levels as the previous quarter.

Profit (loss) before tax from continuing operations (EUR mln)										
			(*)	(*)	(*)	(*)	Chg Q/Q		Chg Y/Y	
	31/12/2015	4Q2015	3Q2015	2Q2015	1Q2015	31/12/2014	Abs.	%	Abs.	%
Net operating income	**593.8**	**(119.4)**	**378.1**	**69.7**	**265.5**	**(6,629.7)**	**308.4**	**n.s.**	**2,136.0**	**n.s.**
Net provisions for risks and charges	(64.0)	(58.7)	43.2	(18.8)	(29.8)	(119.0)	(101.9)	n.s.	54.9	-46.2%
Gains (losses) from Investments	119.6	(7.1)	1.5	124.9	0.2	89.9	(8.6)	n.s.	29.7	33.1%
Restructuring charges / One off charges	(17.4)	(14.6)	(2.2)	(0.3)	(0.2)	(375.8)	(12.4)	n.s.	358.4	-95.4%
Profit (Loss) from disposal of branches	(195.5)	(140.9)	(54.6)	-	-	(57.6)	(86.3)	n.s.	(137.9)	n.s.
Gains (losses) on disposal of investments	2.9	1.0	0.9	0.6	0.4	84.7	0.1	11.9%	(81.8)	-96.6%
Profit (Loss) before tax from continuing operations	**439.3**	**(339.8)**	**366.9**	**176.1**	**236.1**	**(7,007.5)**	**(706.6)**	**n.s.**	**7,446.8**	**n.s.**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

As a result of the above trends, in 2015, the Group recorded **profit before tax from continuing operations** of around **EUR 439 mln** against EUR -7,008 mln recorded last year.

Taxes on profit (loss) from continuing operations showed a **negative balance of approx. EUR 11 mln** (positive balance of approx. EUR 2,330 mln in 2014). Please recall that the Group benefits from income relating to ACE (Support to Economic Growth pursuant to art. 1 of Decree Law 201/2011) as well as the effect of the partial tax exemption (95%) of the capital gain realised by the Bank as a result of the sale of the equity investment held in Anima Holding to Poste Italiane under the PEX regime.

Considering the net effects of the PPA (approximately EUR -38 mln) and profit for non-controlling interests (EUR -1.8 mln), **the Group's profit for the year amounted to approx. EUR 388 mln in 2015**, compared to a loss of EUR -5,399 mln in 2014. The 4th quarter of 2015 provided a negative contribution of approx. EUR 197 mln, which was also impacted by the contribution to SRF and DGS funds (EUR 256 mln in profit recorded in Q3 2015).

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In compliance with Consob instructions, below is a reconciliation of the Shareholders' equity and the Net profit and loss for the year between the Bank'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	8,514,993	416,633
including Parent Company's valuation reserves	*(173,401)*	-
Impact of line-by-line consolidation of subsidiaries	169,014	(24,528)
Impact of associates	368,885	95,893
Reversal of dividends from subsidiaries	-	(126,890)
Other adjustments	391,971	26,988
Subsidiaries' valuation reserves	151,584	-
Consolidated balance	**9,596,446**	**388,095**
including valuation reserves	*(21,817)*	

Balance Sheet

Reclassified balance sheet (EUR mln)

ASSETS	31/12/2015	31/12/2014 (*)	Chg vs 31/12/14 abs.	Chg vs 31/12/14 %
Cash and cash equivalents	1,189	1,007	182	18.1%
Receivables :				
a) Loans to customers	111,366	119,676	(8,310)	-6.9%
b) Loans to banks	8,242	7,723	519	6.7%
Financial assets held for trading	35,209	36,339	(1,131)	-3.1%
Financial assets held to maturity	-	-	-	
Equity investments	908	1,014	(106)	-10.4%
Property, plant and equipment / Intangible assets	3,142	3,229	(87)	-2.7%
of which:				
a) goodwill	*8*	*8*	-	
Other assets	8,956	10,930	(1,974)	-18.1%
Total assets	**169,012**	**179,918**	**(10,906)**	**-6.1%**

LIABILITIES	31/12/2015	31/12/2014 (*)	Chg vs 31/12/14 abs.	Chg vs 31/12/14 %
Payables				
a) Deposits from customers and securities issued	119,275	122,870	(3,596)	-2.9%
b) Deposits from banks	17,493	27,648	(10,155)	-36.7%
Financial liabilities held for trading	15,922	15,307	615	4.0%
Provisions for specific use				
a) Provisions for staff severance indemnities	246	271	(25)	-9.3%
b) Pensions and other post retirement benefit obligations	49	66	(17)	-25.1%
c) Other provisions	1,068	1,085	(18)	-1.6%
Other liabilities	5,337	6,878	(1,541)	-22.4%
Group net equity	9,596	5,769	3,828	66.3%
a) Valuation reserves	(22)	(262)	241	-91.7%
c) Equity instruments carried at equity	-	3	(3)	-100.0%
d) Reserves	222	(1,060)	1,282	-121.0%
e) Share premium	6	2	4	
f) Share capital	9,002	12,484	(3,482)	-27.9%
g) Treasury shares (-)	-	(0)	0	-100.0%
h) Net profit (loss) for the year	388	(5,399)	5,787	-107.2%
Non-controlling interests	26	24	3	11.1%
Total Liabilities and Shareholders' Equity	**169,012**	**179,918**	**(10,906)**	**-6.1%**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

Reclassified Balance Sheet - Quarterly Trend (EUR mln)

ASSETS	31/12/2015	30/09/2015 (*)	30/06/2015 (*)	31/03/2015 (*)	31/12/2014 (*)	30/09/2014 (*)	30/06/2014 (*)	31/03/2014 (*)
Cash and cash equivalents	1,189	812	822	682	1,007	878	860	823
Receivables :	-							
a) Loans to customers	111,366	112,513	117,436	123,139	119,676	126,307	132,770	132,677
b) Loans to banks	8,242	6,432	8,327	7,856	7,723	6,884	8,638	10,204
Financial assets held for trading	35,209	36,297	32,990	37,633	36,339	38,371	36,292	40,128
Financial assets held to maturity	-	-	-	-	-	-	-	-
Equity investments	908	960	908	947	1,014	1,001	952	960
Property, plant and equipment / Intangible assets	3,142	3,090	3,122	3,139	3,229	3,934	3,971	4,004
of which:	-							
a) goodwill	*8*	*8*	*8*	*8*	*8*	*670*	*670*	*670*
Other assets	8,956	10,022	10,596	10,453	10,930	9,727	9,392	8,707
Total assets	**169,012**	**170,126**	**174,201**	**183,850**	**179,918**	**187,101**	**192,875**	**197,503**

LIABILITIES	31/12/2015	30/09/2015	30/06/2015	31/03/2015	31/12/2014	30/09/2014	30/06/2014	31/03/2014
Payables								
a) Deposits from customers and securities issued	119,275	122,717	122,891	128,161	122,870	123,252	127,416	125,495
b) Deposits from banks	17,493	17,805	18,831	22,519	27,648	29,425	31,810	40,991
Financial liabilities held for trading	15,922	11,476	14,534	18,268	15,307	14,413	12,836	15,526
Provisions for specific use	- -							
a) Provisions for staff severance indemnities	246	245	246	268	271	295	285	273
b) Pensions and other post retirement benefit obligations	49	51	50	52	66	59	59	60
c) Other provisions	1,068	1,087	1,106	1,104	1,085	1,024	991	1,020
Other liabilities	5,337	6,990	7,285	7,291	6,878	8,494	8,680	7,998
Group net equity	- 9,596	9,730	9,234	6,162	5,769	10,116	10,769	6,107
a) Valuation reserves	(22)	(85)	(324)	(14)	(262)	(209)	(288)	(454)
c) Equity instruments carried at equity	-	-	-	3	3	3	3	3
d) Reserves	222	222	466	(6,458)	(1,060)	(1,014)	3,984	(838)
e) Share premium	6	6	4	2	2	2	-	-
f) Share capital	9,002	9,002	8,759	12,484	12,484	12,484	7,485	7,485
g) Treasury shares (-)	-	(0)	-	(0)	(0)	(0)	(0)	(0)
h) Net profit (loss) for the period	388	585	329	144	(5,399)	(1,151)	(415)	(89)
Non-controlling interests	- 26	26	24	24	24	24	29	34
Total Liabilities and Shareholders' Equity	**169,012**	**170,126**	**174,201**	**183,850**	**179,918**	**187,101**	**192,875**	**197,503**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

Customer funding

At 31 December 2015, the Group's **total funding** amounted to around **EUR 225 bn** (-1.6% compared to 31 December 2014), with a shift in volumes to assets under management. In the 4th quarter, the aggregate recorded a fall in volumes (-1.5%), attributable to the decreasing trend in Direct Funding.

Background

Since the start of 2015, **direct funding** has continued to decline (by more than 5% in the first 10 months of 2015 compared to the same period of 2014), although in recent months the downturn has slowed, opening the way for a trend reversal, with this item standing at approx. EUR 2,028 bn in October. The positive trend in deposits has been confirmed (+2.2% since December 2014), while bond funding continues to decrease (down by nearly EUR 110 bn since the end of 2014).

The reduction in **interest rates** on deposits denominated in Euro of non-financial companies and households did not abate, with the rate on balances, at 0.54%, around 20 bps lower in October than at the end of 2014. The same trend can be seen for the rate on bank bonds, which was down from 3.16% in December 2014 to 3%.

The **asset management** sector (collective and portfolio management) was positive: in January-November 2015 (most recent figure available), total net funding exceeded EUR 130 bn, already approaching the amount recognised in the entire year of 2014 (approx. EUR 134 bn); however, in the last months of 2015 there was a cyclical decline in net funding, likely due to seasonal factors, but which may be foreshadowing the start of a slowdown.

Customer Funding (EUR mln)

	31/12/2015	(*) 30/09/2015	(*) 30/06/2015	(*) 31/12/2014	Chg % vs %	Chg 31/12 %
Direct funding	**119,275**	**122,717**	**122,891**	**122,870**	**-2.8%**	**-2.9%**
Indirect funding	**106,172**	**106,210**	**108,286**	**106,140**	**0.0%**	**0.0%**
assets under management	*55,516*	*54,715*	*54,969*	*51,519*	*1.5%*	*7.8%*
assets under custody	*50,656*	*51,495*	*53,317*	*54,622*	*-1.6%*	*-7.3%*
Total funding	**225,447**	**228,927**	**231,177**	**229,011**	**-1.5%**	**-1.6%**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

In relation to the assets under custody, the data published in the Interim Report on Operations as at 2015 September 30 was adjusted.

More specifically:

- **direct funding**, amounting to approx. **EUR 119 bn**, was down by EUR 3.6 bn compared to 31 December 2014 (-2.9%), impacted by the downturn in repurchase agreements with institutional counterparties (EUR -7.2 bn; -40.6%) and partially offset by growth in direct corporate funding components (EUR +2.6 bn). With respect to the various types, there was an increase in Current Accounts (EUR +1.2 bn; +2.3%) as well as growth in Time deposits (EUR +3.5 bn; +32.8%). Direct Funding volumes decreased in the 4th quarter due to repurchase agreement trends (EUR -2.4 bn) as well as seasonal factors in the corporate segment (EUR -2 bn).

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

Direct funding (EUR mln)								
		(*)	(*)	(*)	Change Q/Q		Change 31.12	
Type of transaction	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Abs.	%	Abs.	%
Current accounts	54,575	55,889	55,585	53,373	(1,314)	-2.4%	1,202	2.3%
Time deposits	14,343	13,863	13,122	10,800	480	3.5%	3,543	32.8%
Reverse repurchase agreements	10,575	13,012	14,214	17,805	(2,437)	-18.7%	(7,230)	-40.6%
Bonds	31,246	30,623	31,200	31,406	623	2.0%	(160)	-0.5%
Other types of direct funding (**)	8,536	9,330	8,769	9,487	(794)	-8.5%	(951)	-10.0%
Total	**119,275**	**122,717**	**122,891**	**122,870**	**(3,443)**	**-2.8%**	**(3,596)**	**-2.9%**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

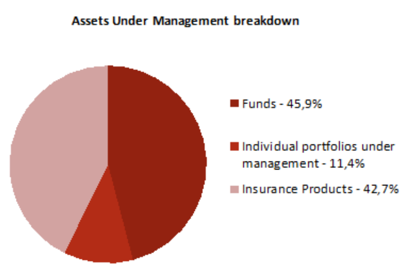
The Group's market share[3], standing at 4.86% (figure updated in October 2015), recorded growth from the start of the year (+37 bps).

- At the end of 2015 the Group's **indirect funding** volumes amounted to **EUR 106 bn**, stable in relation to 30 September 2015 as well as the end of 2014.

Indirect Funding (EUR mln)						
	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Chg % vs %	Chg 31/12 %
Assets under management	*55,516*	*54,715*	*54,969*	*51,519*	*1.5%*	*7.8%*
Mutual Funds/Sicav	*25,493*	*24,833*	*25,033*	*21,994*	*2.7%*	*15.9%*
Individual Portfolio under Management	*6,307*	*6,330*	*6,305*	*6,228*	*-0.4%*	*1.3%*
Insurance Products	*23,716*	*23,551*	*23,631*	*23,297*	*0.7%*	*1.8%*
Assets under custody	*50,656*	*51,495*	*53,317*	*54,622*	*-1.6%*	*-7.3%*
Total funding	**106,172**	**106,210**	**108,286**	**106,140**	**0.0%**	**0.0%**

More specifically:

- **Assets under management** closed the fourth quarter with volumes totalling approx. **EUR 56 bn**, up 1.5% compared to 30 September 2015 and 7.8% on an annual basis. A breakdown of the aggregate shows:
  - ✓ **Mutual Investment Funds and UCITS**, amounting to approx. **EUR 25 bn**, up 15.9% compared to the end of 2014 (+2.7% growth in the 4th quarter), due to the net inflows during the year of approx. EUR 3.4 bn;
  - ✓ **Wealth management** of more than **EUR 6 bn**, at the same levels as at the end of September 2015 and the end of 2014;
  - ✓ the **insurance component** of approx. **EUR 24 bn**, with growth of roughly EUR 0.4 bn (+0.7% compared to 30 September 2015, +1.8% compared to 31 December 2014). In the fourth quarter, insurance premiums collected totalled around EUR 900 mln, supported in particular by Unit Linked products.



- **Assets under custody**, totalling roughly **EUR 51 bn**, were down by approx. EUR 800 mln with respect to 30 September 2015 (-7.3% over 31 December 2014).

[3] *Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) from resident consumer clients and bonds net of repurchases and NFIs placed with resident consumer clients as first-instance borrowers.*

Loans to customers

At 31 December 2015, **loans to customers** amounted to roughly **EUR 111 bn**, down with respect to the end of 2014 as well as 30 September 2015.

The comparison with 31 December 2014 shows a decrease in volumes of roughly EUR 8.3 bn (-6.9%), also impacted by the closing of the "Alexandria" transaction. In particular, Other Loans fell 21.6% YoY, Current Accounts by 12.5% and Mortgages by 5.2%.

In the 4th quarter, Loans to Customers decreased by roughly EUR 1 bn (-1%), with a drop particularly in Mortgages (EUR -1 bn) and Other Loans (EUR -0.8 bn), while Repurchase agreements rose by around EUR 1 bn. During the quarter there was also a reduction of approximately EUR 0.2 bn in net non-performing loans.

The Group's market share, calculated on loans to ordinary resident customers, including doubtful loans and net of repurchase agreements with institutional counterparties, stood at 7.03% (last available figure from October 2015), up 15 bps from December 2014.

Background

Economic improvements in Italy have been fuelling demand for new **loans** from households and businesses, allowing banks to boost their financing, although lending policies continue to remain prudent on the whole. New disbursements of loans to non-financial companies grew by almost 15% on a trend basis in January-October 2015; but it was flows of loans provided to households for the purchase of property which recorded a greater recovery, followed by flows of new consumer credit transactions.
In terms of amounts, loans to households and businesses reached EUR 1,413 bn in October (EUR +8 bn compared to the end of 2014). The drop in loans to resident businesses continues, while amounts of loans to households are on the rise.

Since the start of 2015, in the wake of the ECB's expansionary policies, the **cost of loans** to non-financial companies substantially continued to decline (this trend may have stopped in October) and the rate on new loans for home purchases was more than 23 bps less in October than at the end of 2014; the rate on new consumer credit transactions hovers around the same levels recorded last December.

The improved economic environment is having a positive impact on the flow of new non-performing loans, but the amount of **doubtful loans** remains at critical levels: in October 2015, gross doubtful loans touched EUR 199 bn, around EUR 15 bn higher than the figure at the end of 2014, with a total doubtful loans/total loans ratio remaining above 10%. However, the figure from October also shows a reduction in stocks for the first time in over three years, likely resulting not only from securitisation transactions on doubtful loans, but also from a plausible improvement in the financial position of businesses. Recent reforms concerning procedures for debt collection and the tax deductibility of write-downs and losses on loans could accelerate the closure of doubtful loan positions and revitalise the secondary market.

Loans to customers (EUR mln)

Type of transaction	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Change Q/Q Abs.	Change Q/Q %	Change 31.12 Abs.	Change 31.12 %
Current accounts	7,650	8,004	8,179	8,745	(354)	-4.4%	(1,095)	-12.5%
Mortgages	52,453	53,472	54,511	55,328	(1,019)	-1.9%	(2,874)	-5.2%
Other forms of lending	21,380	22,191	25,461	27,276	(812)	-3.7%	(5,896)	-21.6%
Repurchase agreements	4,686	3,508	4,649	4,142	1,178	33.6%	544	13.1%
Securities lending	1,043	951	938	1,042	92	9.7%	1	0.1%
Non performing loans	24,154	24,387	23,699	23,143	(233)	-1.0%	1,011	4.4%
Total	**111,366**	**112,513**	**117,436**	**119,676**	**(1,147)**	**-1.0%**	**(8,310)**	**-6.9%**

The aggregate was sustained during the year by new disbursements in the medium-long term segment, up by more than 90% YoY (EUR +3.7 bn), which regarded households (EUR +1 bn) as well as businesses (EUR +2.7 bn). This trend made it possible to slow down the decline in lending to businesses, but it was not enough to replace maturing stocks.

Non-performing loans

The new concept of non-performing loans adopted by the Bank of Italy in the 7th Update to Circular 272 of 20 January 2015 (Accounting Matrix) became applicable from the 1st quarter of 2015, following implementation of the new definitions for Non-performing Exposures (NPE) introduced by the implementing technical standards relating to the consolidated and harmonised regulatory statistical reports, defined by the European Banking Authority and approved by the European Commission on 9 January 2015. Consequently, the non-performing loans were broken down into the categories doubtful loans, unlikely to pay and non-performing past due exposures, with repeal of the concepts of substandard and restructured exposures, which are included in the aggregate of unlikely to pay, with the exception of objective substandard loans, which are categorised as non-performing past due.

As at 31 December 2015, the Group's **net exposure to non-performing loans** totalled **EUR 24 bn**, an increase of 4.4% compared to 31 December 2014, but down 1% since 30 September 2015. Within this aggregate, non-performing past due exposures decreased during the quarter (by 24.5%), while doubtful and unlikely to pay loans increased (by 2.7% and 1.5%, respectively).

Loans to customers

Risk category - Net book values	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Inc. %	Inc. %	weight %	weight %	Change Q/Q		Change 31.12	
(EUR mln)					31/12/2015	30/09/2015	30/06/2015	31/12/2014	Abs.	%	Abs.	%
A) Non performing loans	**24,154**	**24,387**	**23,699**	**23,143**	**22**	**22**	**20.2**	**19.3**	**-233**	**-1.0%**	**1,011**	**4.4%**
a1) Doubtful loans	9,733	9,473	9,048	8,445	9	8	7.7	7.1	260	2.7%	1,287	15.2%
a2) Unlikely to pay	12,325	12,139	12,037	11,644	11	11	10.2	9.7	186	1.5%	681	5.8%
a3) Net past due and overdue exposures	2,096	2,774	2,614	3,053	2	2	2.2	2.6	-679	-24.5%	-958	-31.4%
B) Performing loans	**87,213**	**88,126**	**93,737**	**96,533**	**78**	**78**	**79.8**	**80.7**	**-913**	**-1.0%**	**-9,320**	**-9.7%**
Total customer loans	**111,366**	**112,513**	**117,436**	**119,676**	**100**	**100**	**100.0**	**100.0**	**-1,146**	**-1.0%**	**-8,310**	**-6.9%**

Lastly, during the first months of 2015, the Supervisory Authority conducted a review of the Group's credit exposures relating to the Residential Real Estate, Institutional, Project Finance and Shipping portfolios, which were excluded from the previous review conducted in 2014. At that time, adjustments were disclosed for Credit File Review, statistical and collective projections. The adjustments requested were substantially adopted in 2015.

At 31 December 2015, **coverage of non-performing loans** stood at 48.5%, a reduction of 17 bps compared to 30 September 2015 and 48 bps compared to 31 December 2014. Within this aggregate, the coverage of doubtful loans decreased to 63.4% (from 64% at the end of September and 65.3% last year, impacted by transfers made in 2015). With respect to unlikely to pay positions, coverage at the end of December equals 29.2% (-165 bps compared to 30 September 2015), while that of non-performing past due exposures rose to 26.1% from 23.4% at the end of September and 19.6% at 31 December 2014.

Coverage ratios

	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Change Q/Q Abs.	Change 31.12 Abs.
Provisions for Impaired Loans / Gross Impaired Loans	48.5%	48.6%	48.8%	47.5%	-0.17%	0.95%
Provisions for NPLs / gross NPLs	63.4%	64.0%	64.3%	65.3%	-0.53%	-1.84%
Provisions for Unlikely To Pay Loans / Gross Unlikely To Pay Loans	29.2%	30.8%	31.2%	32.3%	-1.65%	-3.12%
Provisions for Past Due Positions / Gross Past Due Positions	26.1%	23.4%	22.8%	19.6%	2.65%	6.47%

The following table provides details for the main Group companies. The subsidiary MPS Capital Services presented lower coverage than the Bank as it is specialised in forms of medium/long-term loans directly secured by collateral.

Npls and Net Substandard loans by business unit				
Risk category - Net values at 31/12/2015 (EUR mln)	**Group**	**BMPS**	**MPS Capital Services**	**MPS Leasing & Factoring**
Net doubtful loans	9,733	6,921	2,246	527
% of total customer loans	8.7%	7.3%	21.8%	9.8%
"loan loss provisions" / "gross doubtful loans"	**63.4%**	**66.0%**	**52.3%**	**63.7%**
Unlikely to pay	12,325	9,233	2,414	664
% of total customer loans	11.1%	9.7%	23.5%	12.4%
"Unlikely to pay" / "gross substandard loans"	**29.2%**	**29.4%**	**25.0%**	**37.6%**
Provisions for Past Due Positions	2,096	1,835	125	116
% of total customer loans	1.9%	1.9%	1.2%	2.2%
"Provisions for Past Due Positions" / "gross substandard loans"	**26.1%**	**26.5%**	**16.6%**	**30.4%**

In relation to **performing loans**, coverage stood at around 0.8%, stable at the levels recorded at 31 December 2014.

The Group's securities and derivatives portfolio

As at 31 December 2015, the **Group's securities and derivatives portfolio** amounts to approx. **EUR 29 bn**, down by approx. EUR 3 bn compared to 30 September 2015 (-9.8%), but substantially stable compared to 31 December 2014 (+0.9%). The Held for Trading portfolio, essentially in line with the levels recorded at the end of September 2015, posted annual growth (of around EUR 2 bn) due to the primary dealer activities performed by the subsidiary MPS Capital Services. The AFS component was down for the year (approx. EUR -1.6 bn) as well as in the 4th quarter (EUR -2.7 bn) due to the optimisation of the portfolio through the disposal of long positions and the partial buy-back of shorter term securities, in addition to the recovery in market values, reflected in the improvement in the reserve recognised under shareholders' equity. The bond portfolio recognised under loans and receivables has decreased slightly due to partial 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	**31/12/2015**	**30/09/2015**	**30/06/2015**	**31/12/2014**	**Chg Q/Q**		**Chg 31.12**	
Type of portfolio		(*)	(*)	(*)	**Abs.**	**%**	**Abs.**	**%**
Held For Trading (HFT) [1]	9,359	9,738	8,233	7,274	(379)	-3.9%	2,085	28.7%
Available For Sale (AFS) [2]	17,191	19,878	16,030	18,776	(2,687)	-13.5%	(1,585)	-8.4%
Loans & Receivable (L&R) [3]	1,954	1,971	2,073	2,191	(18)	-0.9%	(237)	-10.8%
Total	**28,504**	**31,588**	**26,336**	**28,240**	**(3,084)**	**-9.8%**	**264**	**0.9%**

(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.

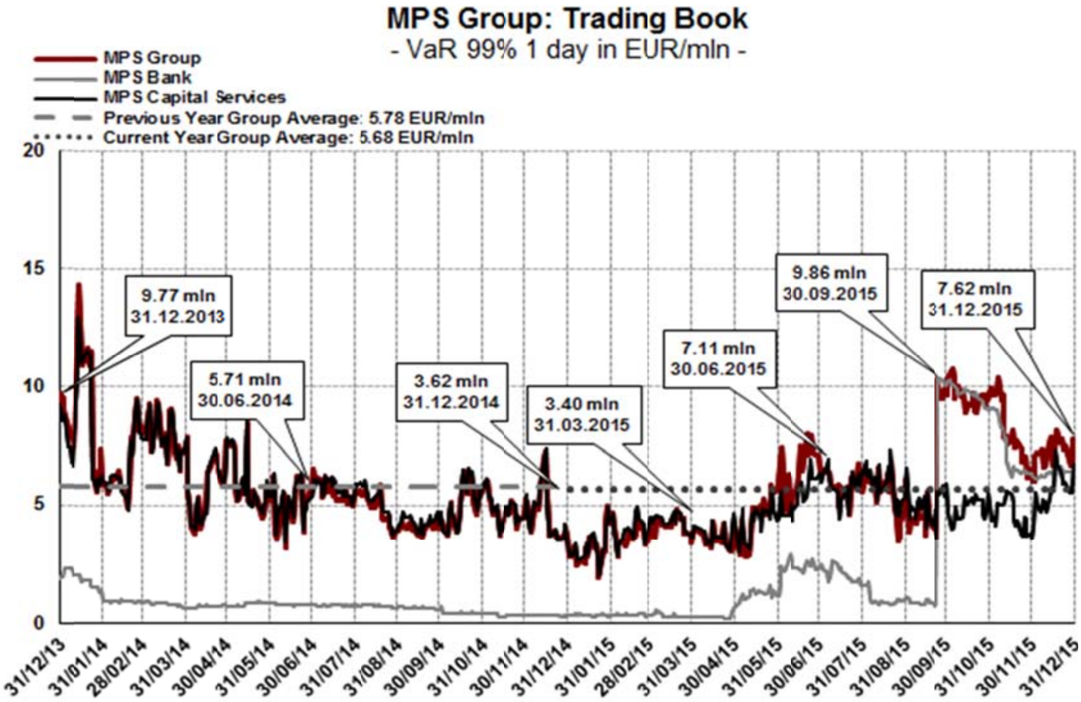
(3) Securities classified under "Loans & Receivables" posted to "Loans to customers" and "Loans to banks".

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

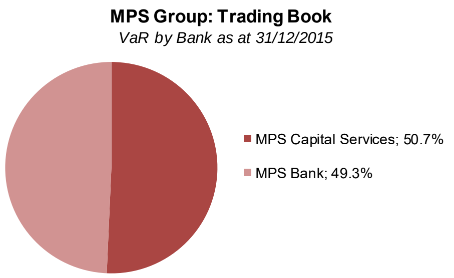
The Group's Regulatory Trading Book

During 2015, market risks in the Group's Regulatory Trading Book in terms of VaR showed an increasing trend in volatility although on average they remained at around the same levels as the previous year. Until the end of September 2015, VaR trends were primarily impacted by the subsidiary MPS Capital Services in relation to trading and policy structuring and hedging activities. VaR increased at the end of September due to transactions resulting from the closure of the "Alexandria" transaction by the Bank, resulting in the acquisition, from the counterparty Nomura, of a portfolio composed primarily of BTPs via an asset swap with medium/long financial term, totalling around EUR 2.64 bn.

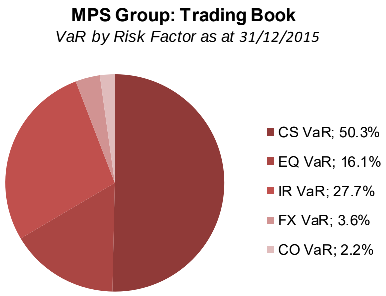
A part of the portfolio, held for sale starting from October, was classified as Held for Trading, consequently causing an increase in the Group's VaR in the last quarter as well as in the weight of the Bank with respect to the overall risk measurement. In any event, the Group's VaR then decreased, reaching EUR 7.62 mln as at 31 December 2015.



VaR breakdown



MPSCS accounted for 50.7% and the Bank for 49.3% of overall risk.



50.3% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 16.1% was absorbed by equity risk factors (EQ VaR), 27.7% was absorbed by interest rate risk factors (IR VaR), 3.6% foreign exchange risk factors (FX VaR) and the remaining 2.2% by commodity risk factors (CO VaR).

VaR trendline

In 2015,TheGroup'sVaR in the Regulatory Trading Book ranged between a low of EUR 1.94 mln recorded on 23 January 2015 and a high of EUR 10.80 mln on 5 October 2015 with an average value registered of EUR 5.68 mln. VaR PNV as at 31 December 2015 amounted to EUR 7.62 mln.

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

	VaR	Date
End of Period	7.62	31/12/2015
Min	1.94	23/01/2015
Max	10.80	05/10/2015
Average	5.68	

Interbank position

As at 31 December 2015, the Group's net interbank position stood at around EUR 9 bn in funding, an improvement of EUR 10.7 bn over the end of 2014 and EUR 2.1 bn over the 3rd quarter.

Interbank balances (end-of-period; EUR mln)					Change Q/Q		Change 31.12	
	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Abs.	%	Abs.	%
Loans to banks	8,242	6,432	8,327	7,723	1,810	28.1%	519	6.7%
Deposits from banks	17,493	17,805	18,831	27,648	(312)	-1.8%	(10,155)	-36.7%
Net position	**(9,251)**	**(11,373)**	**(10,504)**	**(19,925)**	**2,122**	**-18.7%**	**10,674**	**-53.6%**

As at 31 December 2015 the operational liquidity position showed an **unencumbered Counterbalancing Capacity of approx. EUR 24 bn**, stable compared to the end of September 2015 (up EUR 8 bn compared to 31 December 2014).

Shareholders' equity

As at 31 December 2015, **the Group's shareholders' equity and non-controlling interests** came to **EUR 9.6 bn**, an increase of around EUR 3.8 bn compared to 31 December 2014 due to the share capital increase carried out by Banca Monte dei Paschi di Siena in June. In particular, the item Share Capital decreased from EUR 12.5 bn at the end of 2014 to EUR 9 bn as at 31 December 2015 (EUR -3.5 bn) due to the share capital increase noted above (EUR +3 bn) and the allocation of the loss for the year 2014, originally posted to the item "Reserves".

Compared to 30 September 2015, this item reduced by approx. EUR 133 mln, in light of the quarterly result and the improvement in valuation reserves.

Reclassified Balance Sheet (EUR mln)					Chg Q/Q		Chg vs 31/12	
ASSETS	**31/12/2015**	**30/09/2015** (*)	**30/06/2015** (*)	**31/12/2014** (*)	**Abs.**	**%**	**Abs.**	**%**
Group net equity	9,596	9,730	9,234	5,769	(134)	-1.4%	3,828	66.3%
a) Valuation reserves	(22)	(85)	(324)	(262)	63	-74.2%	241	-91.7%
c) Equity instruments carried at equity	-	-	-	3	-		(3)	-100.0%
d) Reserves	222	222	466	(1,060)	(0)	-0.1%	1,282	-121.0%
e) Share premium	6	6	4	2	-		4	n.s.
f) Share capital	9,002	9,002	8,759	12,484	-		(3,482)	-27.9%
g) Treasury shares (-)	-	(0)	-	(0)	0	-100.0%	0	-100.0%
h) Net profit (loss) for the period	388	585	329	(5,399)	(197)	-33.6%	5,787	-107.2%
Non-controlling interests	26	26	24	24	1	2.8%	3	11.1%
Total Liabilities and Shareholders' Equity	**9,623**	**9,756**	**9,258**	**5,793**	**(133)**	**-1.4%**	**3,830**	**66.1%**

(*) Figures restated considering the changes made in accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) as outlined in the chapter "Trend analysis of the key financial parameters."

Capital adequacy

Regulatory capital and requirements

On 25 November 2015 the ECB sent the Bank the results of the Supervisory Review and Evaluation Process (SREP), based on which the Group was asked to reach as of 31 December 2016 and maintain in the long term a minimum limit, based on transitional measures, in the Common Equity Tier 1 Ratio of 10.75%.

Until that date, the CET1 to be met remains at 10.2%, as communicated on 10 February 2015.

As at 31 December 2015 the Group's level of capital was as indicated in the following table[4]:

Capital Adequacy (EUR million)	31/12/2015	31/12/14 Restated	Abs. Change vs 31/12/14 Restated	% Change vs 31/12/14 Restated
Common Equity Tier 1	**8,503**	**6,451**	**2,052**	***31.8%***
Tier 1	9,101	6,451	2,650	*41.1%*
Tier 2	2,196	3,321	-1,125	*-33.9%*
Total Capital	**11,298**	**9,772**	**1,525**	***15.6%***
Risk Weighted Assets	**70,828**	**76,302**	**-5,474**	***-7.2%***
Common Equity Tier 1 Ratio	**12.0%**	**8.5%**	**3.6%**	
Tier 1 Ratio	12.8%	8.5%	4.4%	
Total Capital Ratio	16.0%	12.8%	3.1%	

The increase of EUR 2,052 mln in the CET1 since 31 December 2014 restated was due, on the positive side, primarily to the following factors:

- the share capital increase carried out in the second quarter of 2015;
- increase in share capital dedicated to MEF in respect of the payment of the coupon on New Financial Instruments, accrued in 2014;
- the total profit generated during the year,

and on the negative side:

- the repayment of the last tranche of the New Financial Instruments;
- the deactivation of the mechanism of excess deductions from Additional Tier 1 elements, which was in force in 2014[5].

The excess of the expected loss with respect to the write-downs on loans is not significant.

Tier 1 (EUR +2,650 mln) was positively impacted by the effect of excess deductions, which affected CET1.

By contrast, the Tier2 ratio (EUR -1,125 mln) decreased mainly due to the effect of the regulatory amortisation of subordinated securities as envisaged in Basel 3.

Overall, the Total Capital level was up by EUR 1,525 mln.

RWAs recorded a total decrease of around EUR 5,474 mln, due mainly to:

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[4] *The values as at 31 December 2014 have been restated considering the changes made in compliance with the provisions of IAS 8 (Accounting policies, changes in accounting estimates and errors), as described in the paragraph "Analysis of the key economic-financial indicators".*

[5] Please refer to article 36 (1) point (j) of the CRR, or, if negative elements of Additional Tier 1 (AT1) exceed the positive elements, the excess amount is deducted from CET1, on the basis of the fact that T1 cannot be lower than CET1 (in this manner, at the most CET1 and T1 are equal). In 2014, this phenomenon arose due to the phase-in of the loss generated for the year.

a) an increase of EUR 4.2 bn in RWAs relating to credit risk on positions processed using the AIRB method due to the update of the PD and LGD parameters and the activation of the new slotting criteria method on specialised lending, previously processed using the standard method;

b) a reduction of EUR 8.9 bn in RWAs relating to credit risk on positions processed using the standard method due, in particular, to the decrease in DTAs (transformable and non-transformable) by EUR 2.5 bn, the shift of the specialised lending referred to above from the standard method to the AIRB (EUR 2.6 bn), a drop in counterparty risk (repurchase agreements, securities lending and derivative assets and liabilities) by EUR 0.7 bn, a decrease in off-balance-sheet exposures of EUR 0.6 bn and a reduction in balance sheet exposures of EUR 2.5 bn, of which EUR 1 bn for the run-off of former Consum.it exposures;

c) a reduction of more than EUR 0.4 bn in CVA risk due to the decrease in derivative activities;

d) more marginal reductions for other risk types (market, operational, other) by EUR 0.2 bn.

In light of the above, as at 31 December 2015, the capital ratios on a transitional basis are up considerably compared to 31 December 2014 Restated and are higher than the minimum thresholds required by the Supervisory Authority as part of the SREP.

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. The consolidated income statement and balance sheet data are broken down in relation to the Group's organisational structure. The values are then re-aggregated based on the business area monitored.

Effective as of April 2015, the Group launched the new top corporate service model, which includes more than 3,000 companies that are offered - based on the "bank of choice" model – different and qualified services, taking an approach of continuous business interaction with credit, the network of specialists and the specific skills of the Product Companies.

This strategic decision aims to base the Group's commercial offering on quick decision-making, proximity to the customer and a corporate approach based on advisory services and partnerships with customers. It was accompanied by a revision of the Head Office organisational structure, involving the transfer of the management of the new top corporate service to the Corporate and Investment Banking Division, while the SME and Institutions models are now functionally and hierarchically located directly under the Retail and Network Division.

In the 3rd quarter of 2015, the Group's organisational structure underwent changes which, inter alia, involved a different hierarchical allocation of some of the main subsidiaries. In particular:

- Banca Widiba SpA, which includes the financial advisory business, was required to report to the Retail and Network Division;
- the foreign banks, MP Banque and MP Belgio, which previously reported directly to the Chief Executive Officer, were merged in the Corporate & Investment Banking Division.

Based on the aforesaid organisational changes, the breakdown of the Group's Operating Segments as at 31 December 2015 is therefore the following:

- **Retail Banking**, which includes the sales activities of the Retail, Private, SME and Institutional customers, as well as the results of the subsidiaries Banca Widiba SpA and MPS Fiduciaria;
- **Corporate Banking**, which includes the sales activities of Top Corporate customers, Large Groups, Foreign Branches, of the subsidiaries MPS Capital Services, MPS Leasing & Factoring and of the foreign banks MP Belgio and MP Banque;
- **Corporate Centre**, which in addition to cancellations of intragroup entries, incorporates the results of the following business centres:
  - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Group Operating Consortium);
  - 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.

Lastly, please recall that on 1 June 2015, the merger by incorporation of Consum.it S.p.A. (Group consumer credit company) into Banca Monte dei Paschi di Siena S.p.A. became effective, the accounting and tax effects of which are applicable as of 1 January 2015. Until 31 March 2015, the results of that company were included in the "Retail Banking" operating segment.

In consideration of the aforesaid changes, the comparative data relating to 2014 were restated to ensure the data can be compared on a homogeneous basis.

Results in brief

From the 1st quarter of 2015, the profit and loss of the Group's operating segments are illustrated using the same reclassified income statement layout used for the consolidated figures.

The new format envisages inclusion in the aggregate "Total revenue" of the balance of the item "Other operating income/expense", previously recognised under Net operating income; the latter is calculated as the difference between Gross operating income and Net impairment losses on loans and financial assets.

The following table reports the main income statement and balance sheet items that characterised the Group's Operating Segments as at 31 December 2015.

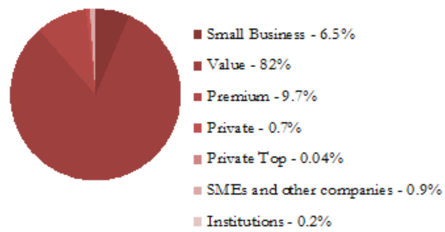
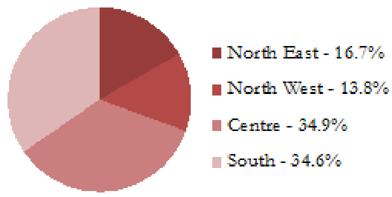
SEGMENT REPORTING	Business Segments							
Primary segment	Retail banking		Corporate banking		Corporate Center		Total MPS Group	
(EUR mln)	31/12/2015	Chg % Y/Y	31/12/2015	Chg % Y/Y	31/12/2015	Chg % Y/Y	31/12/2015	Chg % Y/Y
PROFIT AND LOSS AGGREGATES								
INCOME FROM BANKING AND INSURANCE	4,558.4	-1.5%	747.6	-4.7%	(90.4)	-92.8%	5,215.5	25.7%
Operating expenses	(2,378.1)	-5.4%	(272.2)	-2.9%	21.8	-45.3%	(2,628.6)	-4.6%
PRE PROVISION PROFIT	2,180.3	3.1%	475.3	-5.7%	(68.7)	-94.4%	2,587.0	85.4%
Net impairment losses (reversals) on loans and financial assets	(1,599.2)	-73.0%	(347.7)	-82.7%	(46.3)	-42.1%	(1,993.1)	-75.2%
NET OPERATING INCOME	581.1	n.s.	127.6	n.s.	(114.9)	-91.2%	593.8	n.s.
BALANCE SHEET AGGREGATES								
Interest-bearing loans to customers (*)	73,378	-6.9%	22,945	-7.0%	5,311	-31.3%	101,634	-8.6%
Deposits from customers and debt securities issued(**)	74,536	2.6%	14,506	4.9%	30,232	-17.0%	119,275	-2.9%
Indirect funding	74,868	0.8%	17,155	-5.5%	14,149	3.2%	106,172	0.0%
Assets under management	*51,980*	*8.2%*	*760*	*-11.6%*	*2,776*	*6.9%*	55,516	*7.8%*
Assets under custody	*22,889*	*-12.7%*	*16,395*	*-5.2%*	*11,373*	*2.4%*	50,656	*-7.3%*

(*)Retail Banking and Corporate Banking data refers to Gross Interest-bearing loans not inclusive of the adjustment founds.

(**) Data on Retail Banking includes the figures of BMPS's Sales & Distribution Network and Banca Widiba SpA. The Corporate Banking figure includes the figures of BMPS's Sales Distribution Network as well as those of the Banks under foreign law (MP Banque and MPS Belgio).

Sales & Distribution segments

Retail Banking

Areas of business	*Customers*
• 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). • Digital and self-service offerings, enhanced by the skills of the Financial Advisors (through the subsidiary Widiba).	Retail customers numbered around 5.2 million, of which more than 114,000 managed exclusively by Banca Widiba SpA. **Breakdown by type**  **Breakdown by geography** 

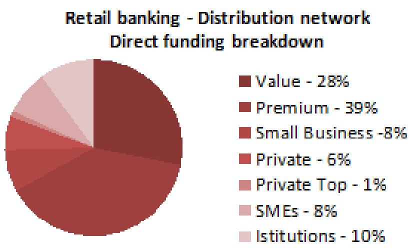
Income statement and balance sheet results

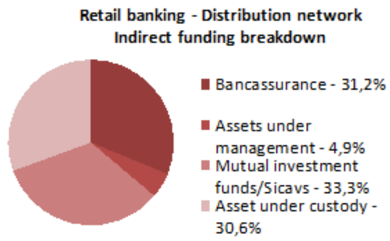
As at 31 December 2015, **Total funding** from Retail Banking stood at around **EUR 149 bn**, with an increase in volumes of EUR 2.5 bn compared to the end of 2014 (+1.7%), although there was a downturn in volumes in the last quarter of the year (EUR -1.7 bn). More specifically:

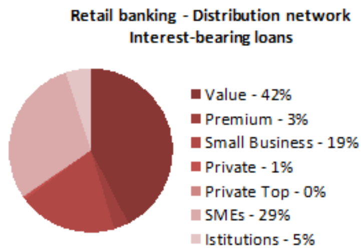
- **Direct Funding**, which amounted to roughly **EUR 75 bn**, grew by around EUR 2 bn during the year (+2.6%), driven by on demand and short-term investment products of SME and Institutional customers, while retail bond funding was down. In the 4th quarter, volumes decreased by around EUR 2 bn in the on demand segment as well as medium-long term funding from retail customers.
- **Indirect funding**, amounting to **EUR 75 bn**, rose by approx. EUR 600 mln compared to 31 December 2014 and by EUR 400 mln in the last quarter of the year, with an improvement in volumes characterised by growth in assets under management (+8.2% YoY and +2% QoQ), offset by the drop in assets under custody (-12.7% YoY and -2.5% QoQ).

Interest-bearing loans stood at **EUR 73 bn**, down by EUR 5.4 bn on 31 December 2014 and by EUR 2.1 bn on 30 September 2015, attributable not only to the planned run-off of Consum.it but also to the difficult process of replacing exposures falling due with new medium/long-term loans.

RETAIL BANKING - BALANCE SHEET AGGREGATES								
(Eur mln)	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Deposits from customers and debt securities issued	**74,536**	**76,663**	**76,069**	**72,623**	**-2,127**	**-2.8%**	**1,913**	**2.6%**
Assets under management	*51,980*	*50,981*	*51,465*	*48,062*	*998*	*2.0%*	*3,918*	*8.2%*
Assets under custody	*22,889*	*23,465*	*23,572*	*26,222*	*-576*	*-2.5%*	*-3,333*	*-12.7%*
Indirect Funding	**74,868**	**74,446**	**75,037**	**74,284**	**422**	**0.6%**	**584**	**0.8%**
Total Funding	**149,405**	**151,110**	**151,107**	**146,907**	**-1,705**	**-1.1%**	**2,498**	**1.7%**
Interest-Bearing Loans to Customers	**73,378**	**75,526**	**76,449**	**78,822**	**-2,149**	**-2.8%**	**-5,445**	**-6.9%**





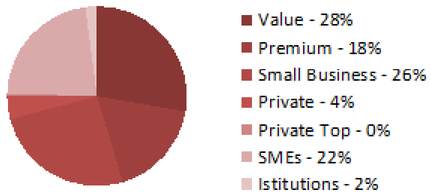


With regard to profit and loss, in 2015 Retail Banking achieved **revenues** of approx. **EUR 4,558 mln**, down 1.5% with respect to last year. The aggregate includes:

- the reduction in net interest income (-7.3% YoY), attributable primarily to the fall in loan volumes;
- the increase in Net fee and commission income (+6.8%), boosted by positive trends in revenues from assets under management;
- growth in "Other revenue from banking and insurance business" (+9.7%), while "Other operating income/expenses" had a net balance of EUR +13.3 mln (EUR -3.2 mln in 2014).

Considering the impact of Operating expenses, which fell by 5.4% YoY, in 2015 Retail Banking achieved **Gross operating income** of approx. **EUR 2,180 mln**, an increase of 3.1% over the levels in the previous year. **Net operating income** therefore totalled approx. **EUR 581 mln**, affected by net impairment losses on loans and financial assets amounting to approx. EUR 1,599 mln, the latter down with respect to the last year, which was negatively impacted by impairment losses connected to the review of classification and valuation methods and parameters for the entire loan portfolio also carried out as part of the Asset Quality Review. The **cost-income ratio** of the Operating Segment is **52.2%** (54.3% in 2014).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/12/2015	31/12/2014	Chg % Y/Y
Net interest income	*2,669.3*	*2,877.9*	*-7.3%*
Net fee and commission income	*1,810.1*	*1,694.3*	*6.8%*
Other income	*65.7*	*59.9*	*9.7%*
Other operating expenses/income	*13.3*	*(3.2)*	*n.s.*
INCOME FROM BANKING AND INSURANCE	**4,558.4**	**4,628.9**	**-1.5%**
Operating expenses	*(2,378.1)*	*(2,514.6)*	*-5.4%*
PRE PROVISION PROFIT	**2,180.3**	**2,114.2**	**3.1%**
Net impairment losses (reversals) on loans and financial assets	(1,599.2)	(5,929.9)	-73.0%
NET OPERATING INCOME	**581.1**	**(3,815.7)**	**n.s.**



PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/12/2015	31/12/2014	Chg % Y/Y
Banca WIDIBA SpA (*)	(11.0)	(7.7)	42.4%
MPS Fiduciaria	0.3	(0.3)	n.s.

(*)The Company is authorized to carry out banking in May 2014, and has started its operations in the last quarter of 2014

The main product/service sales and innovation initiatives

The 2015 sales plan was developed in line with the targets laid out in the Business Plan, within an environment impacted by the following main factors:

- the economic recovery has brought expected GDP growth, 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;
- the evolution in 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;
- spread of advisory services to meet demand (particularly of Private customers);
- regulatory pressure on adopting evolved advisory approaches (MiFID 2) to protect investors (ESMA/Consob instructions on "complex products");
- sales practices based on the linking of products.

The initiatives enacted during the year were developed in accordance with the following main policies:

- **real Funding and Bank growth**, also leveraging the redesigned product offer, new CRM functionalities and revised Bank Service Models, developing differentiated value propositions based on customer targets;
- the **recovery of loans**, while maintaining a focus on credit quality, particularly concentrating on the Small Business market, leveraging the availability of low-cost funding guaranteed by the TLTRO and taking as much advantage as possible of relationships through contractual and/or business covenants supporting the development of commissions;
- **advisory management of investments**, making the most of indirect funding by structurally adopting the Advice advisory approach and New Transactional Adequacy, rebalancing customer portfolios on investment solutions that structurally facilitate bringing customers into contact with a more qualified asset mix;
- **development of segments with greater outlooks for growth** (e.g., protection and e-money), leveraging innovation (e.g., digital wallet) and the creation of new "non-conventional" services to supplement the product offering for customers (e.g., successions service, sale of the physical product catalogue in the branch).

Market	Major commercial initiatives developed in the market of reference
Valore	Release of acquisition initiatives (**"Uno di Noi 5.0"** and **"Uno di Noi 5.0 bis"**) targeted at the new customers with the provision of consumer ordinary current accounts on the basis of terms and conditions in derogation from the usual ones for one year.
	Release of bilateral renegotiation initiatives of the terms and conditions regulating Valore current accounts **("Incontriamoci")** targeted at increasing cross selling through offers of products and services at favourable conditions to the subscribers of the bilateral proposal of terms and conditions.
	With reference to the distribution of **Compass SpA** products, release of commercial initiatives with loans provided at very competitive terms, to pre-scored and pre-accepted customers (up to the amount of EUR 10,000) and customers characterized by high acceptance probability.
Small Business	**Growth of the customer base**, with campaigns at terms and conditions in derogation from the ordinary ones, targeted at new current account holders
	Development of lending, release of the new "CREiamo CREdito" initiative oriented towards the development of loans granted to high standing customers, and focus on the increase in the share of wallet through "Sostimutuo Imprese" for the subrogation of the existing medium-term loans with the competitors
	Increase in new POS, with commercial campaigns targeted both at Prospects and current customers without P.o.S.
	Development of **Protection,** with dedicated targets oriented towards the enhancement of the review of the risk file/inquiry file **of a new credit line, as the crucial check up of the customer's situation**
Premium	**Evolution of the relationship from Affluent to Premium**: seize the opportunity of the new portfolio segmentation for a qualified and distinctive development of customer relations and the know-how of the Premium Account Manager
	Monitoring and growth of funding through the enhancement of Advanced Advice Services in addition to the **control of the cost of funding** with the objective of reducing its impact on the income statement of the segment
	Supply of products to be placed, focused on products open for subscription over a limited period of time in the compartments of **Bancassurance** and **Assets under Management** (investment funds), through diversified investment solutions, in line with the requirements of our customers in terms of risk/return profile and expansion of such supply with bonds issued by selected top issuers as a result of the optimization of the new partnership with JP Morgan
Private Banking/ Private Top	The consolidation of **commercial planning** with the objective of increasing the volumes and improving retention and cross selling. The synergies with other business segments were developed in order to promote the processes of acquisition. The "Private-SME Community" was renewed and, after the introduction of the new Corporate Top Service Model, the new "Family Office - Corporate Top Community" was also released for the purpose of further encouraging cross market synergic interactions.
	Continuation of the specific project in relation to **"Voluntary Disclosure"** (Law 186/2014), with the objective of providing qualified tools and support to the relationships with the customers requiring asset replanning after capital repatriation in compliance with the amnesty under way
	Further extension of the **range of asset portfolios under management,** with the launch of the Obiettivo Valore Line within the Private Investment range and the new **Unit Linked Axa MPS Melody Advanced Bonus Edition** policy
SMEs/Local Authorities	Start of the "Depositary Bank" project for the asset portfolios under management of institutional customers (Foundations, Savings Banks, Funds)
	Completion of the activities preliminary to the participation, through the CBILL Facility, in the AgID platform (Italian E-government Authority) for the collections of the Public Administration (art. 5 of the E-Government Code).

Advertising and marketing initiatives

In 2015, development continued of advertising and marketing initiatives to attract new customers and favour the transfer of Direct/Indirect Funding from other Institutions. The following initiatives are noted in particular:

- "**Un Monte di Valore**" ("A Mountain of Value"), targeted at attracting new deposits in exchange for benefits in the form of expense reimbursement, commissions and stamp duties;

- "**Chi trova 1 Amico**", a member-get-member style programme based on referrals, the main channel for acquiring new banking relationships; incentive mechanism based on non-banking benefits (Amazon and Decathlon gift cards and final first prize drawing).

Activities were also carried out to generate financial returns from services not strictly related to banking. Specifically, the **"Un Monte di Desideri"** initiative was extended to the entire country, allowing Bank current account holders to purchase basic commodities of prestigious brands in the branches. From the same perspective, an innovative co-marketing agreement was entered into with Enegan SpA, a leading energy operator, which provides, inter alia, favourable conditions on energy and gas supplies exclusively for Bank current account holders ("pilot" project activated in the Central Regional Area and Sardinia).

As regards Convention agreements, those supporting initiatives promoting Made in Italy products and the repositioning of manufacturing in Italy, internationalisation and in general credit access for SMEs were privileged.

Funding, Asset management and Bancassurance

- The "**Conto Italiano di Deposito**" continues to represent the main product in the **Short/medium-term funding** segment, also due to the introduction during the year of two innovative lines with advance interest payments.
- With regard to **assets under management**, the Group's positioning was further strengthened with the introduction of the JP Morgan AM investment house into the retail product range. The distribution of JP Morgan UCITS made it possible to strengthen the quality and coverage of the product range so as to effectively expand solutions for customers while avoiding any overlaps with Anima Sgr products. The private customer product range was further improved with the new Amundi UCITS.
- Again in 2015, investment services relied on the **MPS Advice** advisory platform, which was enhanced in the course of the year with: - the extension of the Silver and Gold advisory services to MPS Fiduciaria customers; - the completion of the Advice Previdenza process for formalisation with the customer of the pension advisory offering; - the activation for the Private and Top Private markets of a Morningstar service, co-branded with MPS, for access to summary informational reports on all UCITSs eligible for sale in Italy.
- In the **Asset Management** segment, catalogues for the various service models continued to be supplemented, with the launch of new lines including "**Obiettivo valore**", featuring management with the distribution of an annual coupon in certain circumstances.
- In the **Bancassurance** segment, the Group's offering was further developed and repositioned, particularly in the area of Savings. Attention was especially dedicated to the launch of new products and the restyling of existing products, so as to best meet customer needs with the issue of principal-protected and partially protected unit linked products in the "**AXA-MPS Valore Performance**" line. In addition, the new class I insurance product known as "**Futuro Dedicato**" was launched, which allows for the establishment of an accumulation plan in favour of a beneficiary who must be a minor, with the aim of setting aside capital to be made available when the beneficiary reaches 20 years old, as well as a class III insurance product with window placement.
- BMPS continued to be highly committed to the **Protection** segment (Non-life, Auto and Life) in 2015 as well, and was confirmed the leader in the bancassurance segment. This was emphasised by the various recognitions received, including the Italy Protection Award as the best bank in the placement of protection products, and the Cerchio d'Oro Award in the Non-life products and services category.

Loans

- The business partnership project with **Compass** for personal loans has been enhanced with a new agreement that gives the partner an exclusive right for one year, which may be extended for a second year.
- As regards the Salary-Backed Loan market, after the important results achieved during the test phase with the partner Pitagora, in late November the country was divided between the two partners, **Pitagora and Futuro.**
- In the **Mortgages** segment, in order to better meet private customer needs the new "**Mutuo CDP Plafond Casa 2015**" was launched in August 2015, including for mortgage transfer operations, while for corporate customers the "**Sostimutuo Imprese**" product was introduced in June 2015 and the "**MPS Km Zero**" initiative continued, allowing businesses access to credit at a facilitated rate through bond issues in locations belonging to some of the Regional Areas.

Current Accounts, E-money, Payments and Collections

The following main releases and activities were carried out in the period:

- **Current Account Development**: the new modular and customisable "**MPSOne**" account was released to meet the specific requirements of Premium Retail customers.
- **Acquiring product development**: the "mobile POS" solution was released, allowing merchants to use devices like tablets and smartphones instead of traditional POSs. Release of virtual POS services: **MyBank**, for the management of e-commerce payments via SEPA Credit Transfers, and **MasterPass** to accept payments from wallets. Installation of VAS services at POS terminals (electronic lunch vouchers, phone top-ups, etc.) and activation of payments using international circuit cards on petrol station self-service terminals.
- **Issuing product development**: the new Debit Mastercard debit cards were released, as well as prepaid business cards (Quickard business) and Gold MPSOne credit cards exclusively for new MPSOne current account customers.

Banca WIDIBA SpA

In 2015 Banca Widiba's model became fully operative: with the completion of the financial advisory integration, the sales offering has been enriched with the consulting component and the bank presents itself on the market complete with all its components.

In the Italian market, Widiba is now a well-established bank of excellence due to its focus on innovation and its distinctive value proposition, the qualities of which are founded on simplicity, transparency, dynamism and listening to customers. Within the Group, Widiba's role is that of a "driver for change and innovation": it has introduced several first mover solutions into the market and has contributed to relaunching the image of the MPS Group.

Widiba has also received a variety of recognitions for the new developed platform including, first and foremost, being named one of the six most innovative and "disruptive" banks in the world by the prestigious EFMA international organisation.

In the first year of full operations since its launch, customers have had a positive reaction to the product range.

The commercial offering of the bank, which, since its formation, has been developed primarily with respect to the banking, payments and deposit account product/service components, has been significantly enhanced, along with the introduction of consulting, with the investment component consisting of a broader product range, open architecture and a rich series of innovative information and decision-making support instruments. This package stands out from those of competitors due to the innovative commercial solutions offered to customers in terms of banking experience and the high degree of personalisation.

Amongst the many product and process innovations introduced, the following are particularly significant:

- the full digitalisation of account opening and simultaneous original account closing processes, taking advantage of the new account portability rules introduced in the banking industry;
- the first banking application for Apple Watch;
- account access using voice or fingerprints;
- the PFM service named MyMoney;
- the launch of the new real time P2P payments service (Jiffy-Sia circuit): Widiba was one of the first banks in the market to introduce this service.

Widiba has also developed an advanced CRM and customer contact platform which allows for the multi-channel management of customer contacts (email, phone, social, avatar, website, etc.) as well as integration with all of the company structures involved in customer management, starting with financial advisors.

2015 was also a fundamental year for Widiba in terms of communications with the market, due to its strategy based on a dual objective: consolidating brand notoriety and positioning, in addition to defining a commercial offering go-to-market strategy capable of maximising new customer acquisition in terms of efficiency and quality. Strategy execution was driven by a high level of innovation, in terms of creative approach - using a language that strongly positions and differentiates the bank with respect to its competitors - as well as the media investment mix.

As regards communication channels, in addition to the use of media, digital and social channels played a pivotal role in making the media investment strategy more modern and efficient, with a view to branding as well as customer acquisition. Again in 2015, Widiba was the top social bank in Italy in terms of the size of its fan base and the level of network sentiment.

At the end of 2015, the bank had approx. 139 thousand customers (of which 114 thousand exclusive) and total Funding from business customers amounting to roughly EUR 6.5 bn.

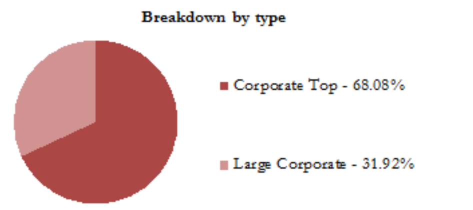
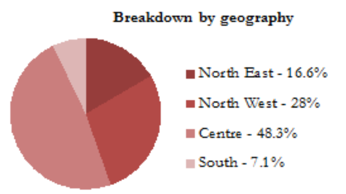
MPS Fiduciaria

In 2015, the subsidiary consolidated volumes managed, with a recovery in the "ordinary" segment supported by positive Private market performance. Positive trends continued in the "corporate" segment, in terms of contractual averages as well as new active relationships, and escrow agent and trustee appointment activities were also up.

The business activities carried out privileged the SME, Private and Family Office market, but did not overlook the Premium market, with targeted meetings involving the Group's distribution network. This development activity achieved multiple top objectives: discontinuity of the bank's value proposition, an increase in network awareness regarding the effectiveness of Monte Paschi Fiduciaria solutions and on-the-job training for managers who, during contact with customers, are supported by company supervisors.

Throughout 2015, meetings continued with the professional world in order to create collaborative relationships capable of taking advantage of opportunities early in the new investment project feasibility analysis phase, for which recourse to fiduciary services can guarantee effective support to the business.

Corporate Banking

Areas of business	*Customers*
• 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 funding is acquired 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 also 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. Activities overseas are also supported by the work of the subsidiaries MP Banque and MP Belgio. • Custody and deposit services for dairy products on behalf of third parties (through the subsidiary Magazzini Generali Fiduciari di Mantova SpA, which is also authorised to issue documents of title to the merchandise, providing for easier access to bank lending).	The Bank has approximately 4,200 Top Corporate and Key Client customers under the direct responsibility of Corporate Banking.  

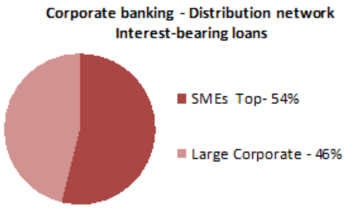
Income statement and balance sheet results

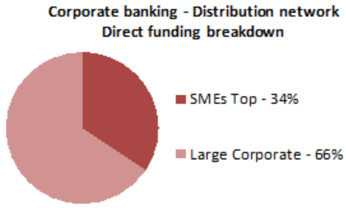
As at 31 December 2015, **Total funding** from Corporate Banking stood at **EUR 31.7 bn**, at substantially the same levels as at the end of 2014 and in the 3rd quarter of 2015.

The **direct** component, which amounted to around **EUR 15 bn**, remained stable at the levels seen in late September, while there was growth of around EUR 700 mln compared to 31 December 2014 (+4.9%). **Indirect funding**, consisting largely of assets under custody, stood at approx. **EUR 17 bn** (-5.5% from 31 December 2014; -2% as compared to 30 September 2015), which was affected by changes in the positions of some of the Group's Key Clients.

With regard to lending, as at 31 December 2015, Corporate Banking **interest-bearing loans** stood at approx. **EUR 23 bn** (-7% on 31 December 2014; -2.3% on 30 September 2015), mainly concentrated in medium-long term loans.

CORPORATE BANKING - BALANCE SHEET AGGREGATES								
(EUR mln)	31/12/2015	30/09/2015	30/06/2015	31/12/2014	Chg Abs Q/Q	Chg % Q/Q	Chg Abs 31/12	Chg % 31/12
Deposits from customers and debt securities issued	**14,506**	**14,412**	**13,789**	**13,827**	**94**	**0.7%**	**679**	**4.9%**
Assets under management	*760*	*799*	*777*	*859*	*-39*	*-4.9%*	*-100*	*-11.6%*
Assets under custody	*16,395*	*16,703*	*17,852*	*17,290*	*-308*	*-1.8%*	*-895*	*-5.2%*
Indirect Funding	**17,155**	**17,502**	**18,629**	**18,149**	**-347**	**-2.0%**	**-994**	**-5.5%**
Total Funding	**31,661**	**31,914**	**32,418**	**31,976**	**-253**	**-0.8%**	**-315**	**-1.0%**
Interest-Bearing Loans to Customers	**22,945**	**23,482**	**23,860**	**24,683**	**-537**	**-2.3%**	**-1,737**	**-7.0%**





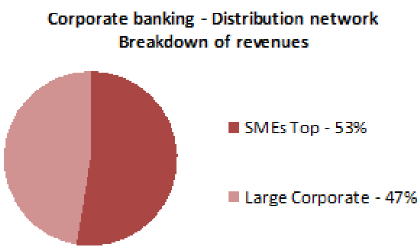
For profit and loss aggregates, in 2015 Corporate Banking **revenues** came to approx. **EUR 748 mln** (-4.7% YoY), in which:

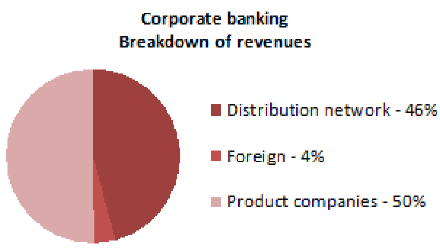
- Net interest income declined by approx. EUR 12 mln compared to last year (-2.7%), attributable to the reduction in volumes and falling average rates on loans;
- Net fee and commission income was around EUR 18 mln lower than the previous year (-10.2%), affected by the net decrease in loans;
- Other Revenue from banking and insurance business was up YoY (+8.7%), in relation to MPS Capital Services activities;
- Other Operating income/expense were negative by EUR 2.8 mln compared to the positive amount of EUR 15 mln in 2014.

Net operating income was approx. EUR 128 mln, compared to EUR -1,511 mln recorded in 2014, affected by both the annual decrease in impairment losses on loans and financial assets (-82.7%) and in operating expenses (-2.9% YoY).

The Corporate Banking **cost-income ratio** stands at **36.4%** (35.7% at 31 December 2014).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/12/2015	31/12/2014	Chg % Y/Y
Net interest income	*446.8*	*459.2*	*-2.7%*
Net fee and commission income	*159.7*	*177.9*	*-10.2%*
Other income	*143.8*	*132.3*	*8.7%*
Other operating expenses/income	*(2.8)*	*14.9*	*-118.6%*
INCOME FROM BANKING AND INSURANCE	**747.6**	**784.3**	**-4.7%**
Operating expenses	*(272.2)*	*(280.3)*	*-2.9%*
PRE PROVISION PROFIT	**475.3**	**503.9**	**-5.7%**
Net impairment losses (reversals) on loans and financial assets	(347.7)	(2,015.4)	-82.7%
NET OPERATING INCOME	**127.6**	**(1,511.4)**	**n.s.**





PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/12/2015	31/12/2014	Chg % Y/Y
MPS Capital Services	6.1	(587.5)	-101.0%
MPS Leasing & Factoring	(49.1)	(269.4)	-81.8%
MP Banque	(11.5)	(10.3)	11.3%
MPS Belgio	12.2	(8.4)	n.s.

Main Corporate and Investment Banking initiatives

Corporate Market

- Funding activities with "Cassa Depositi e Prestiti" continue with regard to the following initiatives: "IV Convenzione ABI-CDP", "V Convenzione ABI-CDP", "Plafond Beni Strumentali - Nuova Sabatini", "Plafond Mutui Casa", "Terremoto Emilia Romagna".
- The "Export Banca" operating agreement was developed and finalised with SACE, the Italian Banking Association (ABI) and CDP.
- New loan products were updated and rolled out based on funding deriving from the Bank's signing of the fifth ABI-CDP agreement and the "Banca MPS Loan for SMEs" agreement signed by the Bank and the European Investment Bank (EIB).
- The "Siena PMI 2015" ABS part was finalised with the EIB, through a framework agreement which allows for the possibility of using funding to provide loans to SMEs and Mid Cap businesses in a total amount of EUR 450 mln, to be placed by 2017.
- Relationship levels were developed, including with institutional functions, to seek out new, appealing operating areas (volumes/risk mitigation) for the Group. An EIB accreditation proposal is currently being defined regarding the possibility of acquiring "Ponderazione zero" INNOVFIN guarantees (Orizzonte 2020) for loans to businesses (SME/MIDCAP) in the Research and Development sectors.
- An agreement was entered into with FINPIEMONTE S.p.A. and FILSE S.p.A..
- Tranched Covers have been defined and the ramp-up period was launched for the SVILUPPO CAMPANIA, SARDAFIDI and A.T.I. EMILIA ROMAGNA operations.
- Agreements have been activated and streamlined to optimise cash handling and the proposition and placement of "tailor-made" non-life coverage policies.
- The new Subsidised Financing support model was launched. This is an innovative service provided by a new Bank department in partnership with an external company specialised in the sector. The goal is to:
  - make customer and prospect businesses aware of the opportunities of regional, domestic and EU subsidised financing;
  - provide them with end-to-end support, from application submission to post-disbursement activities;
  - link bank products and/or support for co-financing, advances and guarantees.
- The new Corporate Advisory platform was released for corporate customers.

Foreign market

As regards the SME and Top Corporate customer segments in particular, meetings were organised for customer targets shared with the domestic network for the promotion of operations of the 4 foreign branches. In relation to the "Voucher for internationalisation" project, together with the domestic network, contacts were arranged and dedicated foreign products and services were promoted in relation to the around 150 companies authorised by MISE (Ministry of Economic Development) to carry out "temporary export manager"services for Italian companies beneficiary of grants.

MPS Capital Services

Corporate finance

Project Financing: The main activities were carried out in the infrastructure, renewable energies and utilities sectors. In particular, advising and structuring activities continued on the mandates acquired previously which, owing to their complexity, require long implementation times. In 2015, with role of MLA in the lending pools and Agent Bank, operations were finalised for the construction of a ground-based photovoltaic plant, a wind farm and a thermoelectric plant, as well as the expansion of hospital facilities in Verona. The most significant operation in 2015, in terms of the overall amount financed as well as the number of counterparties involved, was the project for the completion of the Milan metropolitan railway's line 5, in which MPSCS was engaged as MLA.

Real Estate: The two most significant transactions in 2015 were the refinancing of the Banco Popolare Group's enormous assets, located in major Italian cities and held by a closed-end real estate fund, and a transaction that will enable the Unicredit Group's considerable assets, held until this point by a closed-end real estate fund, to be transferred to a real estate investment trust (REIT) established for this purpose.

Structured & Shipping Finance: In 2015, business was focused on the areas of infrastructure, shipping and, especially, utilities, for which two significant transactions were carried out in which MPSCS acted as bank arranger, lender and agent in favour of two water management companies in central Italy.

Syndication: The syndication of an operation was launched for a redevelopment project in the tourism/hotel sector and a mandate acquired for financing targeted at the opening of a robotic equipment manufacturing centre.

Acquisition Financing: Confirming its competitive positioning in acquisition/leveraged financing in the Mid Corporate segment, MPSCS continued origination activities and the structuring of acquisition transactions to support counterparties of top industrial standing. In the main transactions financed in 2015, MPSCS acted as MLA and Facility Agent.

Investment banking

In the bond market, in 2015 MPSCS held the role of Arranger and placement agent of two issues for important client companies which allowed MPSCS to consolidate its position as the leading market operator in "mini/mid bonds". MPSCS also acted as Joint Lead Manager and Joint Bookrunner in the 15-year syndicated issue for the Republic of Italy. In the stock market, MPSCS acted as Global Coordinator and Bookrunner in a placement on the AIM market of the Italian Stock Exchange for a corporate customer.

Subsidised financing

Current operations continued throughout the year relating to services for the main business incentives, based on the obligations assumed upon entering into the agreements with the Ministry of Economic Development and the Ministry of Education, Universities and Research: Sustainable Growth Fund, Technological Innovation Fund, Law 488/92 and Regional Pacts, Research Subsidy Fund, SME Guarantee Fund. The preliminary investigation is under way for new projects, in particular submitted for the Sustainable Growth Fund.

Global Markets

In 2015, the activities of this Division involved substantially maintaining the good competitive position achieved on the secondary market of government bonds and credit instruments of the main Italian issuers. Positive trends in spreads and in the European stock markets paved the way for good secondary market activities, including on structured securities issued in previous years, but this phenomenon was also associated with a significant downsizing of primary market activity volumes, due to the competitive pressure of asset management instruments. Exchange rate volatility and low interest rates favoured an increase in corporate customer hedging derivative volumes compared to 2014. Managed portfolio performance was positive.

MPS Leasing & Factoring

In 2015, the Company activated the "Miglioramento della performance operativa" (improvement of operating performance) project to optimise commercial relationships with the BMPS network as well as operational management, with the establishment of a "sales workflow" process which, for prospect customers, surveys all phases (sales and credit) from the initial customer contact to the definitive start of the relationship.

The following initiatives were carried out for the two business lines.

Leasing

- "Leasing Artigiani" campaign for small/medium investments;
- "Speed" project, to improve performance in remarketing property and vessels following the termination of the leasing contracts;
- "Un Monte di Energia" initiative, designed to acquire vehicle leasing transactions for environmentally friendly vehicles;
- Commercial initiative for BMPS customers with leasing RIDs (direct debits) registered at other banks.

Factoring

- "Agroalimentare" initiative, for wholesale suppliers, offering not-not non-recourse transactions when receivables cannot be transferred;
- Initiative referred to as "Un Monte di Factoring" for Group suppliers, to factor their receivables due from the MPS Group;
- "Crescifactoring" campaign to boost the transfer of receivables by companies through a reversal of commissions with respect to those defined in the contract;
- "Supply Chain Financing" initiative launched on the basis of the agreement entered into with Fincantieri. The purpose of this initiative is to offer specialised credit instruments and traditional banking products to large supply chain leaders, through dedicated agreements, to support their suppliers.

The Corporate Centre

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

- head office units, particularly 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 of the Consorzio Operativo di Gruppo (Group Operational Consortium).

The Corporate Centre also includes 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.

Equity investment management

The Group continued to rationalise its equity investment portfolio.

The following is a list of the Bank's most significant transactions during 2015:

Acquisitions

- A 3.496% interest in the share capital of Alitalia Compagnia Aerea Italiana S.p.A. was acquired through the conversion of loans as part of the restructuring agreement;
- A 10% equity investment in the Siena Consumer 2015 S.r.l., Siena PMI 2015 S.r.l. and Siena Lease 2015 2 S.r.l. securitisation vehicles was acquired. Full control was acquired of the equity investment in the vehicle Siena SME 11 1 S.r.l.;
- The share capital increases of the subsidiaries MPS Leasing & Factoring S.p.A and Montepaschi Luxembourg S.A. were subscribed, while the process of recapitalisation of MPS Capital Services S.p.A. and Monte Paschi Banque SA is currently under way.

Mergers/Absorptions

- The merger of Consum.it S.p.A. into Banca Monte dei Paschi di Siena S.p.A. became effective on 1 June 2015, with accounting and tax effects from 1 January 2015.

Disposals

- Disposal of the equity investment in Anima Holding S.p.A equivalent to 10.32% of share capital;
- Disposal of the equity investment in S.A.T. - Società Autostrada Tirrenica p.a, equivalent to 14.99% of share capital;
- Disposal of the equity investment in Antoniana Veneta Popolare Vita S.p.A., equivalent to 50% of share capital;
- Other disposals of equity investments: Alerion S.p.A. (6.36% of the share capital); Società Cooperativa Bilanciai Campogalliano (5.88% of the share capital); Patto Territoriale Polis del Sud Est Barese S.r.l. a s.c. (6.29% of the share capital); Latteria Sociale Mantova S.c.a. (11.85% of the share capital); Servizi Cimiteriali di Cesano Boscone S.r.l. (3.91% of the share capital); Sviluppo Italia Calabria Business Innovation Centre S.c.p.A. (0.42% of the share capital); Cantine Riunite & Civ Società Cooperativa Agricola (5.35% of the share capital); Terre d'Oltrepò Società Cooperativa Agricola per azioni (6.89% of the share capital); Cooperativa Italiana di Ristorazione Società Cooperativa (3.30% of the share capital); Start S.r.l. (0.90% of the share capital).

On 27 March 2015 the closing of the restructuring of the Sorgenia Group started in the last quarter of 2014 took place. Following the execution of restructuring agreement approved by the Board of Directors of BMPS in its meeting of 25 October 2014, the Bank holds a stake of 16.67% of the share capital of Nuova Sorgenia Holding S.p.A..

In addition, the following equity investments are no longer in the portfolio: Mantegna Finance II S.r.l. (100%); Siena Lease 11 1 S.r.l.; Siena Sme 11 1 S.r.l. Prima Holding 2 S.p.A. (28.34%); Centro per la Promozione e lo Sviluppo del Territorio ed Agenzia Locale per la formazione (2.5%); Mantova Expo S.r.l. (6.62%); Colomba Invest Società di Intermediazione Mobiliare S.p.A. (0.81%) following the completion of their respective liquidation procedures, and Bid It S.p.A. (7.57%) after the completion of the bankruptcy procedure.

Finally, it should also be noted that an "Associazione in Partecipazione" (profit-sharing) agreement was signed with the film production company Lotus Production, in the form of financial support for the creation of feature films pursuant to "tax credit" legislation.

The subsidiary MPS Capital Services S.p.A. sold the entire equity investment in Agricola Merse S.r.l., equivalent to 20% of the share capital. In addition, following the completion of the liquidation procedure, the investment held in Arcea Lazio S.p.a. (5.0%) is no longer part of the subsidiary's portfolio.

Finally, it should also be noted that the subsidiary signed three "Associazione in Partecipazione" (profit-sharing) agreements, to provide financial support for the creation of feature films pursuant to "tax credit" legislation, with the production companies Mari Films S.r.l., IBC Movie S.r.l. and Medusa film S.p.A.

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 for Banca MPS 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 order to facilitate understanding, a glossary of investment types can be found at the end of the report).

In particular:

- positions in securities have a total book value of EUR 63.21 mln, broken down as follows: EUR 62.38 mln (98.69%) to Item 20 "Financial assets held for trading" and EUR 0.83 mln (1.31%) 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 -24.25 mln. The nominal value of the single name CDSs are shown net of the positions hedged.

Securities Positions

As at 31 December 2015, the securities positions on structured credit products amounted to a nominal value of EUR 63.76 mln, for a total book value of EUR 63.21 mln.

Transactions during the year generated a total negative component realised in the income statement of EUR 0.43 mln.

Securities positions

(EUR/mln as at 31 12 2015)

Classification	Instrument Category	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
Banking Book	ABS	0.95	0.83	-	-	-
	CDO	-	-	(1.23)	-	-
	Banking Book Total	**0.95**	**0.83**	**(1.23)**	**-**	**-**
Trading Book	ABS	61.72	61.31	0.78	0.02	-
	CLO	1.09	1.07	-	0.04	-
	SPE	-	-	(0.04)	-	-
	Trading Book Total	**62.81**	**62.38**	**0.74**	**0.06**	**-**
Structured Credit products total - 31 12 2015		**63.76**	**63.21**	**(0.49)**	**0.06**	**-**
Structured Credit products total - 31 12 2014		**102.66**	**100.43**	**2.61**	**(0.75)**	**0.08**

The data are divided into macro categories of structured credit products, and indicate the nominal value, risk exposure and the realised and unrealised profit or loss as at 31 December 2015. 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 year. "Gains and losses recognised in the Income Statements" show the change in book value directly recognised in 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.

Due to the limited significance of the positions in the Banking Book, the analysis reports the details of all positions without breaking them down by supervisory criteria.

Structured Credit products – breakdown by rating

(EUR/mln as at 31 12 2015)

Rating	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
AA+	14.36	14.41	(0.02)	(0.02)	-
AA	28.66	28.40	(0.30)	0.01	-
A+	2.42	2.37	(0.01)	-	-
A	-	-	(0.01)	-	-
BBB	15.37	15.23	(0.05)	0.03	-
BBB-	0.91	0.90	(1.23)	-	-
CCC	0.95	0.83	0.05	-	-
Not Rated	1.09	1.07	1.08	0.04	-
Total	**63.76**	**63.21**	**(0.49)**	**0.06**	**-**

96.8% 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 3.2%.

ABS Exposure

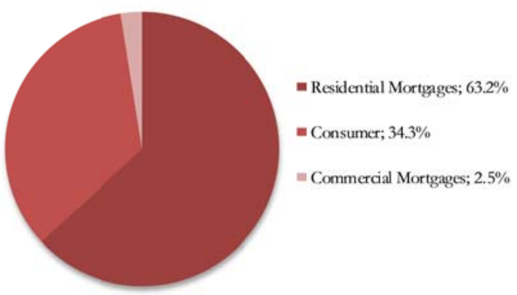
Breakdown by type of product and tranche seniority

(EUR/mln as at 31 12 2015)

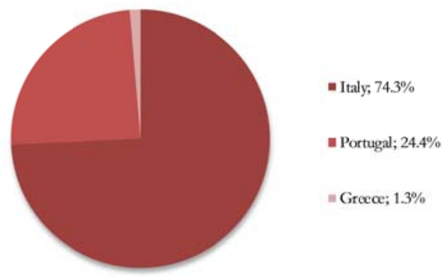
Classification	Seniority	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
CONSUMER	SENIOR	39.60	39.26	(0.18)	0.03	-
RMBS	SENIOR	21.39	21.32	(0.17)	(0.01)	-
COMMERCIAL LOAN	SENIOR	1.68	1.56	-	-	-
CMBS	SENIOR	-	-	1.08	-	-
CMBS	MEZZANINE	-	-	0.05	-	-
Total		**62.67**	**62.14**	**0.78**	**0.02**	**-**

The senior tranches constitute the entirety of the portfolio currently classified as ABS.

Breakdown of underlying assets by segment



Breakdown of underlying assets by geographic area



CLO Exposures

Breakdown by type of product and tranche seniority

(EUR/mln as at 31 12 2015)

Classification	Seniority	Nominal	Risk Exposure	Realised Profit/Loss	Unrealised Profit/Loss	Effect on Net Equity
CLO	MEZZANINE	1.09	1.07	-	**0.04**	-
Total		**1.09**	**1.07**	**-**	**0.04**	**-**

Credit Derivative Positions

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 279.82 mln for a book value of EUR -24.25 mln as at 31 December 2015. These positions generated a positive income statement impact of EUR 27.93 mln.

Credit Derivative Positions

(EUR/mln as at 31 12 2015)

Index	Nominal	Risk Exposure	Profit/Loss
Itraxx Europe	35.00	1.03	1.25
CDX investment grade	40.35	(0.09)	0.01
Itraxx Financial Senior	(45.00)	(0.50)	(0.51)
Itraxx Financial Sub	(10.00)	(0.89)	(0.17)
Synthetic cdo tranche	(9.96)	(9.53)	(0.26)
Default swaps	269.43	(14.27)	28.42
Credit index option	-	-	0.18
Itrax Sovereing WE	-	-	(0.02)
Itraxx Europe Crossover	-	-	(0.97)
Total	**279.82**	**(24.25)**	**27.93**

Prospects and outlook on operations

In Italy, economic activity started to grow again since the beginning of 2015 and the Group now operates in an improved macro-economic scenario. The most recent economic signals, which point to continued growth with a recovery in private consumption, gradual improvement in investments in productive capital and an increase in employment, are in any event put at risk by another downward revision of international growth projections. Specifically, the Eurozone is burdened by risks linked to lasting uncertainty with respect to demand conditions in significant end markets (emerging countries). In addition, worsening geopolitical tensions, especially in the Middle East, could have a negative impact on the climate of confidence and hinder the recovery in consumption (Bank of Italy Economic Bulletin no. 1/2016).

These uncertainties shape the ability to forecast operations and the determination of the Group's development prospects. The credit market, albeit favoured by the improvement in the macro-economic scenario and the measures adopted by the Governing Council of the ECB, still presents a high volume of impaired loans and doubtful loans inherited from the long crisis.

In the initial months of 2015, the Parent Company updated the Group's multi-year projections, extended to 2018, confirming the recovery of consolidated profitability through an increase in revenues and the gradual decline in the cost of credit, and the consolidation of the capital and liquidity position.

The ECB's Supervisory Review and Evaluation Process (SREP) for the year 2015 was completed. In the SREP Decision, the ECB notified Parent Company on 25 November 2015 that it should maintain the minimum capital requirement, in terms of Common Equity Tier 1 Ratio, at 10.20% on a consolidated basis, until 31 December 2016 when it will be raised to 10.75%. The results achieved in 2015 and the update of the Group's long-term projections confirm the expectation that it will continue to meet capital requirements.

In addition to the minimum capital requirements noted above relating to the CET 1 Ratio, with the SREP Decision the ECB confirmed the fulfilment of requirements to continue exercising the supervisory powers attributed to it by art. 16, paragraph 2 of Regulation (EU) no. 1024/2013 of 15 October 2013, with the objective of maintaining capital requirement standards exceeding those set forth by prudential regulations and strengthening the Parent Company's means, processes, mechanisms and strategies, requiring in particular:

(i) Restrictions on the payment of dividends to shareholders and cash flows to holders of AT1 instruments. In this respect, the Parent Company notes that these requirements are substantially analogous to those set forth in the SREP Final Decision of 10 February 2015.

(ii) Active continuation of initiatives intended to handle non-performing exposures (NPE), along with restructuring initiatives, including business combinations. In this regard, as is well known, the Parent Company has been committed for some time to reducing the percentage of non-performing loans, also through specific assignments, and it is also exploring possible business combinations. As regards doubtful loans in particular, at its meeting on 5 February 2016, the Board of Directors decided to initiate a project to enhance the collection platform, which will optimise doubtful loan recovery performance by partnering with a specialised operator. The project envisages, inter alia, a long-term agreement for the management of current and future doubtful loans, and will rely on the know-how of the specialised partner in the management of doubtful loans. In the medium term, increased collections are expected to drive down the amount of doubtful loans and reduce income statement volatility. As part of the same project, and in keeping with capital requirements, the Board of Directors also decided to further detail initiatives meant to accelerate and increase the doubtful loan transfer objectives set forth in the Bank's Business Plan (EUR 5.5 bn by 2018).

(iii) Strengthening of strategies and processes to assess, maintain and distribute internal capital.

(iv) Implementation of initiatives meant to effectively monitor, and guarantee on an ongoing basis, the capital adequacy of the subsidiaries MPS Capital Services and MPS Leasing & Factoring, as well as the implementation of corrective measures to ensure compliance with the regulatory limits established for Large Exposures. With regard to this last aspect, as at 31 December 2015 no regulatory limits were surpassed.

(v) Implementation of a documented liquidity and funding risk strategy by 28 February 2016. In this regard, as highlighted in its periodic reporting, the Parent Company has already seen a significant improvement in its liquidity profile, and it is committed to remaining on that path, as well as providing the required information to the ECB.

With respect to the economic effects for the Group resulting from the adoption of Directive 2014/49 (the Deposit Guarantee Schemes Directive - DGSD), which establishes a single format for deposit guarantees, and Directive 2014/59 (the Bank Recovery and Resolution Directive - BRRD), which establishes a single mechanism for settling bank crises, based on information currently available, ordinary contributions for 2016 and subsequent years can be estimated at around EUR 100 mln.

The resolution of the crisis of the four small and medium sized banks under extraordinary administration which occurred last November, the introduction as of 1 January 2016 of the new European regulation on the bail-in and recent tensions in the financial markets which involved the banking system to a significant extent, contributed to triggering an emotional reaction in customers, which negatively impacted the Group's funding volumes recorded after year-end close. The contraction in customer funding resulted - compared to the values posted at the end of 2015 - in a reduction in Counterbalancing Capacity levels, which in any event are above the contingency level as well as the management operating limit.

As regards the criminal proceedings linked to the "Alexandria transaction", involving, inter alia, former Parent Company representatives as well as former Nomura executives, who were all charged with the offences of false accounting and market manipulation, both Banca Monte dei Paschi di Siena and Nomura have been summoned as legal entities bearing liability pursuant to Italian Legislative Decree 231/01 in relation to the liable offences committed by their former representatives.

At the hearing on 17 November 2015, numerous civil parties joined the proceedings, which requested and obtained authorisation to summon the legal entities that employed the defendants (or at which the defendants were directors at the time of the events) as civilly liable parties. The Bank is closely monitoring the criminal proceedings. Please refer to Part E of the Notes to the consolidated financial statements for additional information.

In January 2016, the second-level bargaining agreement was ratified with the trade unions. In line with company objectives, the measures established in the contract reflect the cost streamlining of the 2015-2018 Business Plan and incorporate the commitments undertaken with respect to the European Commission. In other words, although some adjustments have been made compared to the measures laid out in the previous agreement, in 2016-2018 the suspension of work activities for 5 or 6 days is maintained, depending on remuneration level, with a corresponding reduction in compensation. The agreement also governs the variable remuneration structure by introducing a new Variable Performance-Based Bonus linked to the achievement of the Business Plan's reinforcement targets in the areas of capital, liquidity and profitability, and which is broken down over multiple ranges to reward results and recognise distinctive performance, with a focus on typical welfare disbursement methods. In addition, the agreement consolidates and boosts welfare measures to support the needs of employees while focusing on professional development and training.

Therefore, although the bank is operating within a complex environment, for the reasons outlined above, no elements that could raise doubt on going concern have been identified.

Implementation of sustainability policies

General approach

Sustainability policies express the vision and approach whereby the Group deals with significant topics for the economy, civil society and its stakeholders.

The general principles of these policies are laid out in the Code of Ethics and are also followed in line with collective commitments, first and foremost the United Nations Global Compact Programme, for which an annual ad hoc disclosure is provided in June.

The Code was issued in 2008 and updated in 2013 to incorporate it in a more functional manner within the broader system of internal rules of conduct established by Italian Legislative Decree 231/2001. It was not amended in 2015.

The Board of Directors has Code of Ethics oversight responsibilities and is updated on the overall implementation of sustainability policies, particularly through this disclosure.

The Management Committee, chaired by the CEO and representing the top management, is responsible for setting guidelines as regards sustainability matters in the Parent Company's activities. The Human Resources, Organisation and Communications Division was made responsible for activity coordination in September 2015.

New guidelines were developed in 2015. In 2016, the priority will be "education", i.e., sharing competencies with stakeholders to support local banking activities. To this end, initiatives already in place will be maximised and enriched through significant partnerships to contribute to social objectives and strengthen performance:

- social objectives - facilitating consumer choices, supporting businesses, giving more possibilities to young people, investing in culture, responding to company needs;
- performance objectives - building customer loyalty, service innovation, strengthening local identity and reputation.

The following paragraphs provide a brief, qualitative description of some of the Group's main sustainability policies, the initiatives completed in 2015 and the work under way. Additional details will be provided in other communications to be issued subsequent to the publication of this disclosure.

As regards sustainability policies in the areas of Corporate Governance, Remuneration and Risk Management, please refer to the specific conformity reports which will be published during the year on the Parent Company's website.

People

Management policies

Human resource management policies are meant to support the Group's business objectives and the associated organisational projects, while promoting internal professional development through professional training and development courses and mobility plans rooted in the principles of transparency and participation.

The operational initiatives were therefore supported by:

- professional and managerial development plans which, based on managerial renewal logic, guarantee suitable quality-quantity staff coverage levels, in line with the performance management system approach based on results, sharing and self-development;
- "Mps Academy" for the overall governance of training, with course offerings broken down into the areas of People, Business, Compliance and Safety, to strengthen skills, provide managerial career guidance and support requalification processes;

- engagement and motivation leverage with incentive policies, the company welfare system and internal communications plans.

The achievement of Business Plan objectives, which for operational efficiency reasons also require progressive cutbacks in headcount, is supported by mobility plans (geographical and/or professional) that aim to support the business while also taking advantage of professional development opportunities for employees and taking into due consideration their aspirations and needs.

With this in mind, the following were carried out during the year: the merger of the subsidiary Consum.it into the Parent Company, through the re-assignment of the 254 employees concerned with a view to fully leveraging the professional skills developed; launch of the new Sales Network distribution model along with streamlining activities (with the closure of the first 50 branches of the 350 set forth in the Business Plan), which entailed total mobility of roughly 6 thousand resources; the organisational restructuring of the General Credit Division for a more effective focus of credit portfolio management, as well as the Retail and Network Division for more effective oversight over sales activities.

In addition, these projects were discussed with the trade unions during meetings, pursuant to law and the contract, which concluded with specific agreements, for the joint examination of impacts on the personnel concerned in terms of professional as well as geographical mobility.

Corporate welfare

Corporate welfare has great economic value for employees, and also enhances their well-being.

The Group's second-level bargaining, renewed with the agreement of 24 December 2015, confirms the central role played by welfare, with a detailed offering of initiatives, monetary and otherwise, oriented towards the "traditional" and "new" social requirements of employees, pensioners and their nuclear families (a total of around 75 thousand people):

- health - with a medical expense coverage programme, that may also be used by family members, accident policy and other initiatives;
- pension plans - through company pension plans to which Group companies allocate 2.5% of pay taxable for the purposes of staff severance pay, with full coverage of management expenses;
- work-life balance - through a system of leave and time off for important, verified needs, in particular to support parents, including training courses for employees returning to work.
- education - with study leave for working students and initiatives exclusively for the education of children (see paragraph "training and preparing young people for the world of work");
- income support - through a system of actions: favourable terms and conditions on loans and bank services and products, meal vouchers, compensation for new hires or to help with specific needs (e.g., commuting), initiatives in support of families;
- free time - through CRAL employee social organisations, with the promotion of cultural, sport and recreational activities.

The company welfare model has started undergoing an enhancement process. In that regard, within the scope of relations with the unions, the above-mentioned agreement for the renewal of second-level bargaining introduces new measures with a view to flexibility and incentivising solidarity amongst co-workers, within a framework of overall economic sustainability and alignment with Business Plan objectives.

In particular, with respect to measures meant to improve work-life balance, "MP Solidale" has been formed: an internal fund fuelled by donations from employees of paid leave or portions of their remuneration, to help their co-workers face serious and verified personal and family needs, with priority afforded to childcare requirements.

To favour engagement in welfare policies, this year saw:

- the involvement of top management to set the relevant policies within the framework of company strategies;
- the planning of specific training;
- a dedicated communications plan, with a survey regarding employee experiences of taking advantage of the various welfare initiatives and to gather new points for reflection, a periodic activity of research, updating and debate.

In addition, in 2015 the "Welfare Commission" was established with the trade unions to ensure continuous discussion on this topic.

In keeping with economic sustainability and company welfare policies, the new second-level bargaining also involved the start of discussions to assess the introduction of flexible benefit plans relating to variable remuneration, based on the requirements of capital strengthening, liquidity and profitability set out in the Business Plan.

An approach grounded in social policies and attention for the lower compensation levels also oriented the personnel cost limitation measures achieved with the above-mentioned union agreement, which are functional to achieving the 2015-2018 Business Plan objectives. This agreement establishes a fairer breakdown of interventions, mitigating initiatives for lower compensation levels and introducing an extraordinary contribution for higher levels.

Gender diversity

A specific provision set forth in the articles of association establishes gender balance on the Board of Directors and the Board of Statutory Auditors.

With the reappointment of the Board of Directors in April 2015, the percentage of women directors reached 50% (7 directors out of 14 are women), well above the thresholds laid out by Italian law starting in 2012 (one-fifth at the first reappointment and one-third at the second and third reappointment after the entry into force of the law in 2012), and also well above the average of companies listed on the stock exchange, which comes to roughly 26%. Indeed, the Parent Company is in first place amongst companies on the S&P MIB-40 and second in the Standard Ethics rating agency ranking regarding major listed companies in the Eurozone.

The presence of women on the Board of Directors also reflects a bank which now has a significant female presence at all levels. Indeed, on the Board of Statutory Auditors, the chair as well as 3 of the 4 auditors are women.

Furthermore, with respect to employees, as at 31 December 2015 47.8% are women, 42.7% of roles of responsibility are held by women and women account for 7.1% of executives, in light of the reinforcement of an active equal opportunities policy in the pursuit of overall human resource development goals.

The main measures include:

- work flexibility - flexible working hours, with the possibility to work part-time, even for a limited period of time (at the end of the year, there were 2,288 part-time workers, of which 95.1% women);
- short and long-term leave and relocations at the request of the employee to favour improved management of personal, family and childcare needs (in 2015, 970 requests for transfers were accepted, of which around half from women);
- reintegration support and retraining for staff returning to the workplace after maternity (and paternity) leave - developed by the company's Equal Opportunities Commission. These include training initiatives, structured and 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. More than 700 people, of which around 400 during the year, have been involved since the start and the results of a specific internal survey conducted in the course of the year show a high level of satisfaction.

The topic of equity opportunity is the ongoing focus of much attention, including through participation in the activities of Valore D (a leading association of Italian companies that supports female corporate leadership), of which the Bank has been a supporting member since 2014. More than 50 employees have so far been involved in the initiatives promoted by Valore D.

Caring for the interests of customers and consumers

The management approach involves:

- centralised organisational oversight, meant to guarantee regulatory compliance and ongoing updating of internal procedures with respect to rules on transparency, privacy and the adaptation/adequacy of banking and investment services. In June 2015, with the absorption of the subsidiary Consum.it, this oversight was also extended to consumer credit activities;

- understanding customer/consumer expectations by conducting opinion surveys, both general (customer satisfaction assessment model) and to find out whether specific commercial offerings effectively meet their needs (customer experience measurements and focus groups). In 2015, the annual customer satisfaction surveys involved samples representing all customer categories, and brought to light strengths in service levels, basic product availability, information on offers and the conduct of branch employees. There is still space for additional improvement in the availability/functionality of relationship/offer channels, and especially in the general institutional image and reputational gap. Several focus groups were also formed, including: 1) with selected sample of small businesses to gather operational ideas regarding the specific service model and 2) with a mixed group of retail customers and customers of other banks to try out our new automated branch model. Internal employee perception analyses enhanced the information available to continue ever more effectively on the path of continuous customer service quality improvement.

  Widiba has placed a particular emphasis on listening; indeed, since its establishment, it has focused on sharing activities with the community, with which it engages in continuous dialogue (which is why Widiba received the AIFIN "Cerchio d'Oro dell'Innovazione Finanziaria" award in 2015);

- incentives for achieving economic/financial performance targets which, for the network functions, may make up for any under-performance with regard to compliance, complaints control and customer satisfaction targets;

- a CRM (Customer Relationship Management) model which makes it possible to adjust offers based on the demographic and socio-economic characteristics of customers and communities. The model's strengths are: the centrality of customer financial requirements as a guiding parameter to personalise the offer, the integrated use of various customer interaction channels, continuous updating and expansion of the database, including "sensitive" information used to maintain strong relationships. The model will be strengthened further with the implementation, already begun in 2015, of new data collection/analysis and support instruments for new multi-step and multi-channel sales processes;

- ConsumerLab, the working group established in 2004 and coordinated by the Compliance Area, for discussion and collaboration with consumers' associations, which is meant to prevent "financial distress" for customers and consumers while ensuring a fruitful joint discussion on the evolution of banking topics and their needs. Main initiatives: financial education programmes for young people (BancAscuola, described in more detail later on in this chapter) and in the community (around 50 meetings have been held with customers and residents in Bank branches since 2009); the product laboratory, to gather reactions from the perspective of consumers on the Parent Company's new products;

- a series of guidance and support tools, primarily the "Mps Advice" internal advisory model. With the help of a "relationship manager", customers can make the best financial decisions for them, build a portfolio with the best products from our multi-brand range and satisfy their investment, savings and pension needs, while also maintaining continuous control over the results achieved in keeping with their personal profile and risk appetite. In addition, customers receive reporting that enables them to promptly investigate any variances with respect to their objectives, as well as new market opportunities to appropriately re-balance their portfolios.

  Some examples of other informational support available to the Group's customers are: MyMoney, Widiba's expense management and control application, and Previsionari, the Axa-Mps blog addressing savings and pension planning topics;

- online assistance and contact tools, to directly support customers (Customer Service Desk, with a focus on direct bank services; info@mps.it) as well as branch managers (Network Help Desk); in June 2015, activities relating to the consumer credit business were also centralised within the Group's Contact Centre;

- arrangements for physical and functional access to services by customers with disabilities. For example, 98% of the ATMs can be used by people who are visually impaired/blind, and 72% are accessible to people with motor disabilities.

Criticality management

In 2015, the Group received 11,669 complaints (including complaints relating to Widiba's financial advisory services), up 2.3% compared to the previous year. This trend was impacted primarily by the absorption of consumer credit activities during the year, while certain system criticalities were also confirmed (return of compound interest, claimed application of usurious rates on current accounts and contingent usury and late payment rates in mortgage agreements).

A total of 11,684 complaints were managed, with an average response time of 28 days. In 72.5% of the cases, the complaint was closed within the regulatory term of 30 days, while responses were quite rapid (10 days) for common, less complex problems, which are often dealt with by the network with ad hoc procedures.

In 21.7% of cases, complaints were accepted, for an overall cost of roughly EUR 6.5 mln (in line with 2014).

Additional complaints came: through the Arbitro Bancario Finanziario (299 vs 256 in 2014) and the Ombudsman-Banking Jury (14 vs 20 in 2014), as well as requests in customer complaints forwarded to the Bank by the Bank of Italy (665 vs 460 in 2014) and Consob (9 vs 43 in 2014).

Distribution of OTC derivatives

The Group markets OTC derivative financial instruments to specific customer types. This matter is governed by a specific Consob regulation, adopted by the Group through the establishment of policies and methods for carrying out this activity.

Precise internal rules are applied on the offer/distribution methods to be applied based on the type and experience of the customer concerned. In particular, the guidelines establish that:

- OTC derivatives may be offered only to corporate customers;
- OTC derivatives must be used exclusively for hedging purposes;

- no products are offered that have a leverage effect on hedged positions;
- operations must take place in compliance with the requirement of adequacy, with an advisory service that guarantees consistency between the customer profile and the product features. If the adequacy requirement does not apply, transactions in OTC derivatives are allowed as deemed appropriate (at the customer's initiative) in limited cases, or at the explicit request of customers categorised as Large Experienced Companies (LEC).

In December 2015, internal rules were further reviewed to make them more precautionary in favour of customers, which also involved excluding public institutions from the customers that may take advantage of this type of offer.

Service security

IT fraud prevention

The risk of IT fraud to which customers that use remote banking services are exposed in particular, is managed on a preventive basis using an internal measurement and control model validated by the Bank of Italy.

Critical issues arise almost exclusively due to inadequate settings in customer IT device protection systems. Therefore, customers are informed about the dangers inherent in spamming and phishing and about how to defend themselves.

Robbery prevention

Launched in 2013 with the goal of reducing the risk of robberies, the "Branch Security" project continued in 2015 with the following activities:

- upgrade of branch technology with the installation, in roughly 1600 branches, of more efficient and secure money processing/storage machines (TARM-Teller Assistant Recycling Machine and Roller Cash);
- activation of remote video surveillance in roughly 460 branches, with "live in control room" type controls during working hours;
- the installation of centralised alarm systems, with "in control room 24 h" type monitoring.

Combating corruption

A specific Organisational Model is in place which establishes:

- rules and procedures to prevent the crimes laid out in Italian Legislative Decree 231/2001, including corruption;
- financial resource management and control processes for at-risk activities;
- a Supervisory Body (consisting of a non-executive and independent director and two external professionals) to guarantee the proper functioning and continuous updating of the Model;
- ongoing employee training;
- reporting and penalty systems.

In 2015, a further Model update was launched, involving risk self assessment activities carried out by the various company departments (this activity is expected to be completed in the initial months of 2016).

A whistleblowing procedure was also introduced in December 2015. This procedure is a prompt response by the Parent Company to specific regulatory and supervisory provisions, but especially it is another step forward on the path undertaken some time ago to increase the internal risk culture, by reinforcing oversight over matters of legality, transparency and ethics.

In particular, the new whistleblowing procedure strengthens the system for the management of reports of actual or assumed irregularities committed by employees, executives, Board members and members of the Board of Statutory Auditors, as well as associated third parties (suppliers, consultants, etc.). The submission of a report does not in and of itself constitute the violation of obligations arising from the employment relationship, and the procedure is structured in a manner which guarantees the confidentiality of the report and the protection of the personal information of the reporter and any person subject to the report throughout all phases, to guarantee a specific, independent communication channel.

Local community solidarity

Beyond the traditional social function of credit and other typical banking activities, the Group fulfils corporate citizenship duties through which it contributes to generating social and economic added value in the community. This action is performed in the communities with the support of institutions and other stakeholders of the local socio-economic systems, in accordance with a specific operating model that envisages:

- product range innovation with a view to credit accessibility to support the real economy and employment;
- sponsorships (around EUR 1.6 mln disbursed in 2015), donations, fundraising and sharing of assets (skills, structures, relationship network, art and cultural heritage, etc.), to promote the basic rights of citizens, education, art and culture and the values of sports;
- project partnerships.

Support to the real economy and employment

The main initiatives in 2015 were:

- reshoring - allocating credit of EUR 400 million under favourable conditions for Veneto companies that want to transfer their manufacturing and employment from other countries to their own region and for those which are already established in the area and are planning on engaging in new business projects (start-up) and female entrepreneurship. Additional amounts with the same purposes have already been set aside for businesses in southern Tuscany and Marche;
- support to Made in Italy - financing businesses and production chains with the certified, controlled origin Italian brand provides a guarantee of the quality and security (including social) of the product/service offered to consumers and amplifies positive repercussions on local economies and employment. In this regard, of particular note is the agreement entered into by the Bank in late November 2015 with the Conflavoro SME National Association, which made available 100 million under specific conditions to Marchio Unico Nazionale certified companies.

  An additional operating agreement was defined with Assocalzaturifici;
- regional bonds - 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, the

Bank launched the "MPS Km Zero" initiative in 2014. The objective: to place three-year "Regional Bonds", with fixed-rate coupon payments, which would constitute funding dedicated to financing small businesses operating in said regions. With this initiative almost all of the areas in which the Bank has the greatest presence in Italy have been reached, and a total of roughly EUR 280 million has been made available;

- numerous local agreements with institutions, the industry association and sector systems, and local underwriting syndicates, meant to improve the sustainability of access to credit by small businesses;
- redundancy fund advances for the workers of many companies in difficulty, in collaboration with local institutions and in some cases with the trade unions as well.

Other initiatives regarded, for example, participation in the "Un ponte tra banche e imprese" project promoted by the Florence Chamber of Commerce for the formation of small Florentine businesses and, also in Florence, financial support for roughly 1,500 commercial businesses negatively affected by the opening of work sites for the construction of the city's tram line.

Training and preparing young people for the world of work

The main initiatives in 2015 were:

- the assignment of Higher Education and Research Apprenticeship contracts promoted in collaboration with the University of Siena. The Parent Company, the first in Italy to take this approach, offers young students an excellent instructional opportunity within the work environment and in direct contact with the professional roles for which they are preparing at university;
- collaboration with the Consorzio ELIS Programme - School of Good Business: ten days of training, workshops and tutoring to teach university students about corporate values and culture, also featuring speeches by some of the top Made in Italy entrepreneurs. 40 young people participated in the 2014/15 edition, including 11 children of Bank employees (as an advanced form of corporate welfare), who had the opportunity to receive a study grant financed by the Parent Company. The 2015/16 edition is under way and will wrap up in March 2016;
- collaboration with the Intercultura Onlus Foundation, for secondary school students interested in going abroad for one year. The Parent Company makes available to its employees' children (as an advanced form of corporate welfare) 2 Intercultura study grants for programmes abroad during the 2016-2017 academic year;
- Career Day - organised in collaboration with the University of Siena, this initiative offered students and graduates of that university the possibility of meeting with the numerous businesses that took part; for its part, the Bank made available internal training and human resource recruiting staff, giving participants the opportunity to take part in individual interviews, receive tips about beginning their careers and submit their CVs.

Bank for culture

One of the Parent Company's priorities is to increase synergistic actions to conserve and spread awareness of its art collection, while continuing its intense lending and conservative restoration activities. In this respect, two distinct areas of action have been developed involving various stakeholders, with a strong focus on students. Considering the diverse presence of art within the Bank's collections, guided visits were also provided to the buildings, the archives and the library collection.

The main initiatives in 2015 were:

- "Back into the Light (Ritorno alla luce)" - not just an exhibit, but a programme of art events to display some masterpieces from the Bank's private collection to the public after their careful restoration, accompanied by new studies and research to bring them "back into the light". This programme has been carried out for several years, and in 2015 counted more than 5,000 visitors to 3 different events;
- Creative Culture Festival - the Bank also participated in the second edition of the festival dedicated to children and young people, organised by Italian banks and coordinated by the Italian Banking Association. 500 students took part in 5 different locations throughout Italy.

Solidarity

Keeping a direct link with the origins and motivation behind its foundation, the Parent Company has continued to support non-profit activities committed to social projects in the individual communities. Particular attention is devoted to the care for and management of people impacted by disabilities, taking a widespread, private welfare approach which works alongside and supplements public welfare.

The main initiatives in 2015 were:

- Let's Donation is the solidarity contest promoted by the Parent Company in collaboration with Let's Donation, the leading Italian charity platform, through which EUR 10 thousand was donated to the Lo Trovato Onlus Foundation in Catania which, based on user "likes" (customers, employees, residents), won the initiative. Aside from receiving the donation, the winning non-profit was able to accompany the Bank on its promotional Christmas tour to 9 Italian cities;
- Year-end donation - for the 2015 holidays, the Parent Company decided to renew its community support by dedicating the resources traditionally used for Christmas festivities to those non-profits that are committed on a daily basis to projects supporting people impacted by disabilities as well as initiatives meant to improve the conditions of young people.

Together to rebuild - this is the management model governing the Parent Company's activities in reaction to environmental emergencies. In 2015, more than EUR 37 mln was disbursed under very favourable conditions to support households, businesses and institutions facing the damage caused by extraordinary natural disasters.

Financial inclusion

The Bank responds to the difficulties of a wide range of people and consumers in accessing banking services by taking part in system initiatives as well as carrying out independent activities, generally developed in partnership with institutions and other local stakeholders.

The measures in place include:

- the suspension of mortgage instalments (principal amount) and consumer loans for the customers most impacted by the effects of the economic crisis;

- basic current accounts, available to particularly disadvantaged segments of the public (pensioners, consumers with ISEE income lower than EUR 7,500). Some of these accounts have no fees, while others have very low costs;
- student loans, with the "Giovani studenti - Diamogli futuro" ("Young students - Let's give them a future") loan product for university or master's and specialisation course students between 18 and 40 years old. This loan is supported by the Young People's Credit Fund; as a result, additional personal and/or family guarantees are not required;
- first home mortgages for young people and those with unstable work situations. The "Mutuo giovani coppie e famiglie" ("Young couples and families mortgage") is used to finance "first home" or "primary residence" purchase and renovation expenses; it can also be used to finance consumer households in the assumption of portions of mortgages arising from the split of a previous building mortgage.

  In addition, in late 2015 the "Mutuo fondo prima casa Consap" ("Consap first home fund mortgage") was introduced, guaranteed by the First Home Guarantee Fund (Consap Fund Manager), which may also be used to purchase a "primary residence" and for upgrades meant to boost the home's energy efficiency;
- social and corporate microcredit, with the specialised activities of the investee company Microcredito di Solidarietà Spa and participation in a new specific agreement between the Italian Banking Association and CEI (the Italian Episcopal Conference);
- combating usury, for example through the activities set forth in the convention with the Toscana Foundation for the Prevention of Usury.

Financial education for young people

The Parent Company looks to the world of young people with an approach that is not only business-oriented. After its extensive experience with schools during the ABI-Patti Chiari project, the Bank has begun a comprehensive process of improving financial literacy: since 2011, it has worked with consumers' associations in a project named BancAscuola and since 2014, along with Intesa SanPaolo and Unicredit, it has collaborated in the Young People-Publishers Permanent Monitoring Unit and its Young Factor project:

- BancAscuola has been coordinated by the Compliance Area since 2011. It is designed for students in secondary school (fourth and fifth years) and its format includes: day-long classroom sessions, speeches from consumers' associations, educational videos and Q&As with students (role playing modules will also be developed and additional forms of engagement will also be tested). The Bank actively participates in the classroom with its employees and pensioners throughout the country to share the banking perspective and experience. So far, the project has involved more than 3,000 students from 50 schools in 45 Italian provincial capitals;
- Young Factor has developed to date through the creation of a workbook and 10 video lessons for teachers and students, featuring contributions by professors from the best Italian universities. In June 2015, the Bank's CEO became part of the Young People-Publishers Permanent Monitoring Unit Advisory Board.

Control of the socio-environmental impacts of credit to businesses and industry policies

Assessment procedures for socio-environmental risk associated with significant transactions

The environmental impacts potentially associated with the activities of companies that apply for loans are carefully checked in most cases. In addition, project financing transactions are checked based on a specific internal procedure.

Particularly, the transactions managed by the subsidiary Mps Capital Services, aside from cases governed by the law on environmental impact assessments, are in any event subject to screening which considers: the dangers of activities and industry legislative obligations, the extent of the activity (as an approximation of the extent of potential damages to the environment) and the possession of environmental certifications. The rating assigned to the transaction is one of the elements constituting creditworthiness.

In addition, 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. In these cases, 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.

In 2015, during the authorisation phase, more than 60 transactions were assessed with an overall value of approx. EUR 1.1 bn. In roughly 50% of the cases (equivalent to 80% of the volumes financed), the environmental rating was more than positive.

Raising the awareness of SMEs

The topic of corporate sustainability, as a factor of innovation and high strategic potential for SMEs, is subject to a partnership agreement with the University of Siena.

The agreement includes an initial research phase to verify how companies currently consider sustainability principles within their strategies, and to identify whether that focus can impact business trends and as a result creditworthiness assessments. When this research is completed, expected by April 2016, the parties will work together on training initiatives and in providing support to businesses. The Bank will also verify whether it is appropriate to carry out additional awareness raising initiatives by leveraging credit.

Corporate lending with high environmental value added

- Sustainable agriculture - the Parent Company set up its roots on agriculture. Its objective is to contribute to the development of an important part of the economy while also protecting ecosystems. For several years, the Bank has offered the "Terramica" package, disbursing a total of roughly EUR 100 million to more than 2,500 farms (in this regard, in 2015 the Bank was also recognised by AIFIN - the Italian Association for Financial Innovation).

  In addition:

  - particular attention has been dedicated to the vinicultural industry, which in 2015 was once again subject to various agreements with top quality local production consortia;
  - specialist support is provided with ad hoc financial products (Borri Law) to food companies that participate in the DOP/IGP Protection Consortia, focusing on the production and

storage of aged salamis (in this regard, in 2015 the Bank was also recognised by AIFIN - the Italian Association for Financial Innovation).

- Renewable energy - in 2015, the subsidiary Mps Capital Service received the "Finance Community Award" for its leadership, which it has consolidated over the years, in project finance, particularly in the area of energy services and infrastructure.

  Overall, during the year more than EUR 136 mln was disbursed in the renewable energy sector. The main transactions include:

  - a wind farm with an electricity sub-station in the province of Trapani, with power output of 22 MWe;
  - a ground-based photovoltaic plant in the province of L'Aquila, with power output of 20 MWe;
  - a wood biomass-fuelled thermo-electric plant in the province of Pavia, with power output of 17.5 MWe.

Work in ethically controversial sectors

The credit policy implemented since 2001 excludes the possibility for Group banks to finance or provide banking services for operations for the import, export or transit of armaments governed by Law 185/90, as amended.

Therefore, once again in 2015, as in previous years, no requests of this type were accepted.

Annexes

Reconciliation between the statutory accounts and the reclassified consolidated income statement and balance sheet

Reconciliation between the statutory accounts and the reclassified consolidated income statement as at 31 December 2015

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	31/12/2015	Accounts in the Profit and Loss Statement - Montepaschi Group		31/12/2015	Operating Reclassifications		
Net interest income	2,258.6	Interest income and similar revenues	Item 10	4,087.5	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
		Interest expense and similar charges	Item 20	-1,838.0			
Net fee and commission income	1,809.9	Fee and commission income	Item 40	2,153.8			
		Fee and commission expense	Item 50	-343.9			
Dividends, similar income and gains (losses) on investments	99.9	Dividends and similar income	Item 70	18.6	(-)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale
					(+)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale
Net profit (loss) from trading	1,037.8	Net profit (loss) from trading	Item 80	752.0	(+)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale
		Gains/losses on disposal/repurchase of:	Item 100	225.8			
		a) loans		-54.7			
		b) financial assets available for sale		281.7			
		c) held to maturity investments					
		d) financial liabilities		-1.2			
		Net profit (loss) from financial assets and liabilities designated at fair value	Item 110	50.3			
Net profit (loss) from hedging	14.1	Net profit (loss) from hedging	Item 90	14.1			
Other operating expenses/income	-4.7	Other income/expenses (net) from insurance activities	Item 220	345.1	(-)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale
Income from banking and insurance activities	**5,215.5**			**5,445.4**			
Administrative expenses	-2,412.6	Administrative expenses		-2,873.3			
a) Personnel expenses	-1,632.8	a) Personnel expenses	Item 180a	-1,670.2	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180a - Parziale
b) Other administrative expenses	-779.8	b) Other administrative expenses	Item 180b	-1,203.1	(+)	Payment to SRF, DGS and similar schemes	Voce 180b - Parziale
					(+)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-216.0	Net losses/reversal on impairment on property, plant and equipment	Item 200	-126.9			
		Net adjustments to (recoveries on) intangible assets	Item 210	-218.7	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
					(-)	Impairment on goodwill	
Operating expenses	**-2,628.6**			**-3,218.9**			
Pre Provision Profit	**2,587.0**			**2,226.5**			
Net impairment losses (reversals) on:	-1,993.1	Net impairment losses (reversals) on	Item 130	-1,993.1			
a) loans	-1,991.1	a) loans	Item 130a	-1,991.1			
b) financial assets	-2.1	b) financial assets available for sale	Item 130b	-25.9			
		c) held to maturity investments	Item 130c				
		d) other financial transactions	Item 130d	23.9			
Net income from banking activities	**593.8**			**233.3**			
Net provisions for risks and charges	-64.0	Net provisions for risks and charges	Item 190	-64.0			
Gains (losses) on investments	119.6	Gains (losses) on investments	Item 240	210.4	(-)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale
Restructuring costs	-17.4				(-)	Restructuring charges	Voce 180b - Parziale
Risks and charges related to the SRF, DGS and similar schemes	-195.6					Payment to SRF, DGS and similar schemes	Voce 180a - Parziale
Gains (losses) from disposal of investments	2.9	Gains (losses) from disposal of investments	Item 270	2.9			
Profit (loss) before tax from continuing operations	**439.3**			**382.6**			
Tax expense (recovery) on income from continuing operations	-11.4	Tax expense (recovery) on income from continuing operations	Item 290	7.3	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
Profit (loss) after tax from continuing operations	**427.9**			**389.9**			
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	Item 310				
Net profit (loss) for the period including non-controlling interests	**427.9**			**389.9**			
Net profit (loss) attributable to non-controlling interests	-1.8	Net profit (loss) attributable to non-controlling interests	Item 330	-1.8			
Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown	**426.1**			**388.1**			
PPA (Purchase Price Allocation)	-38.0				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
Impairment on goodwill and intangibles		Impairment on goodwill and intangibles	Item 260		(-)	Impairment on goodwill	
Parent company's net profit (loss) for the period	388.1	Parent company's net profit (loss) for the period		388.1		Total	

Reconciliation between the statutory accounts and the reclassified income statement as at 31 December 2014

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	31/12/2014	Accounts in the Profit and Loss Statement - Montepaschi Group		31/12/2014	Operating Reclassifications		
Net interest income	2,142.0	Interest income and similar revenues	Item 10	3,063.2	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
		Interest expense and similar charges	Item 20	-1,930.4			
Net fee and commission income	1,697.7	Fee and commission income	Item 40	2,087.1			
		Fee and commission expense	Item 50	-389.3			
Dividends, similar income and gains (losses) on investments	120.9	Dividends and similar income	Item 70	36.9	(-)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale
					(+)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale
Net profit (loss) from trading	199.6	Net profit (loss) from trading	Item 80	18.3	(+)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale
		Gains/losses on disposal/repurchase of:	Item 100	139.0			
		a) loans		-39.6			
		b) financial assets available for sale		209.1			
		c) held to maturity investments					
		d) financial liabilities		-10.4			
		Net profit (loss) from financial assets and liabilities designated at fair value	Item 110	1.8			
Net profit (loss) from hedging	-13.2	Net profit (loss) from hedging	Item 90	-13.2			
Other operating expenses/income	3.7	Other income/expenses (net) from insurance activities	Item 220	333.8	(-)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale
Income from banking and insurance activities	**4,150.7**			**4,347.3**			
Administrative expenses	-2,514.4	Administrative expenses		-3,220.4			
a) Personnel expenses	-1,709.9	a) Personnel expenses	Item 180a	-2,052.3	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180a - Parziale
b) Other administrative expenses	-804.5	b) Other administrative expenses	Item 180b	-1,168.1	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180b - Parziale
					(+)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to	-240.7	Net losses/reversal on impairment on property, plant and equipment	Item 200	-138.2			
		Net adjustments to (recoveries on) intangible assets	Item 210	-149.1	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
					(+)	Impairment on goodwill	
Operating expenses	**-2,755.2**			**-3,527.8**			
Pre Provision Profit	**1,395.6**			**819.5**			
Net impairment losses (reversals) on:	-8,025.3	Net impairment losses (reversals) on	Item 130	-8,025.3			
a) loans	-7,821.4	a) loans	Item 130a	-7,821.4			
b) financial assets	-203.8	b) financial assets available for sale	Item 130b	-60.5			
		c) held to maturity investments	Item 130c				
		d) other financial transactions	Item 130d	-143.3			
Net income from banking activities	-6,629.7			-7,205.8			
Net provisions for risks and charges	-119.0	Net provisions for risks and charges	Item 190	-176.6	(+)	Payment to SRF, DGS and similar schemes	
Gains (losses) on investments	89.9	Gains (losses) on investments	Item 240	194.3	(-)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale
Restructuring costs	-375.8				(+)	Restructuring charges	Voce 180b - Parziale
Risks and charges related to the SRF, DGS and similar schemes	-37.6				(-)	Payment to SRF, DGS and similar schemes	
Gains (losses) from disposal of investments	84.7	Gains (losses) from disposal of investments	Item 270	84.7			
Profit (loss) before tax from continuing operations	**-7,007.5**			**-7,765.1**			
Tax expense (recovery) on income from continuing operations	2,330.4	Tax expense (recovery) on income from continuing operations	Item 290	2,362.0	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
Profit (loss) after tax from continuing operations	**-4,677.1**			**-5,403.0**			
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	Item 310				
Net profit (loss) for the period including non-controlling interests	**-4,677.1**			**-5,403.0**			
Net profit (loss) attributable to non-controlling interests	4.4	Net profit (loss) attributable to non-controlling interests	Item 330	4.4			
Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown	**-4,672.7**			**-5,398.7**			
PPA (Purchase Price Allocation)	-38.1				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	
Impairment on goodwill and intangibles	-687.9	Impairment on goodwill and intangibles	Item 260		(-)	Impairment on goodwill	
Parent company's net profit (loss) for the period	-5,398.7	Parent company's net profit (loss) for the period		-5,398.7		Total	

Reconciliation between the statutory accounts and the reclassified balance sheet

Balance-sheet Items - Assets	31/12/2015	31/12/2014	Reclassified balance-sheet items - Assets
	1,189	**1,007**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	1,189	1,007	
	-	-	**Loans and receivables**
	111,366	**119,676**	**a) Loans to customers**
Item 70 – Loans to customers	111,366	119,676	
	8,242	**7,723**	**b) Loans to banks**
Item 60 – Loans to banks	8,242	7,723	
	35,209	**36,339**	**Held to maturity investments**
Item 20 – Financial assets held for trading	18,017	17,563	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	17,191	18,776	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-		
	908	**1,014**	**Investments**
Item 100 – Equity investments	908	1,014	
	-	-	**Reinsurers' technical reserves**
Item 110 – Reinsurers's technical reserves	-	-	
	3,142	**3,229**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	2,742	2,787	
Item 130 – Intangible assets	400	442	
	8,956	**10,930**	**Other assets**
Item 80 – Hedging Derivatives	556	613	
Item 90 – Change in value of macro-hedged financial assets (+/-)	140	179	
Item 140 – Tax assets	5,543	7,473	
Item 150 – Non-current assets held for sale and discontinued operations	29	22	
Item 160 – Other assets	2,688	2,643	
	-	-	
Total Assets	**169,012**	**179,918**	**Total Assets**

Balance-sheet Items - Liabilities	31/12/2015	31/12/2014	Reclassified balance-sheet items - Liabilities
			Deposits
	119,275	**122,870**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	87,806	89,791	
Item 30 – Debt securities issued	29,394	30,455	
Item 50 – Financial liabilities designated at fair value	2,074	2,624	
	17,493	**27,648**	**b) Deposits from banks**
Item 10 – Deposits from banks	17,493	27,648	
	15,922	**15,307**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	15,922	15,307	
	-	-	**Provisions for specific use**
Item 110 – Provision for employee severance pay	246	271	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	49	66	
Item 120 - Provisions for risks and charges - b) other provisions	1,068	1,085	
	5,337	**6,878**	**Other liabilities**
Item 60 – Hedging Derivatives	1,205	2,507	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Item 80 – Tax liabilities	91	187	
Item 90 – Liabilities associated to disposal groups held for sale	-	-	
Item 100 – Other liabilities	4,040	4,184	
	-	**-**	**Insurance reserves**
Item 130 – Insurance Reserves	-	-	
	9,596	**5,769**	**Group portion of shareholders' equity**
Item 140 – Valuation reserves	(22)	(262)	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	-	3	c) Capital instruments
Item 170 – Reserves	222	(1,060)	d) Reserves
Item 180 – Share premium reserve	6	2	e) Share premium reserves
Item 190 – Share Capital	9,002	12,484	f) Share capital
Item 200 – Treasury shares (-)	-	(0)	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	388	(5,399)	h) Profit (loss) for the period
	26	**24**	**Non-controlling interests in shareholders' equity**
Item 210 – Non-controlling interests (+/-)	26	24	
	-	-	
Total liabilities and shareholders' equity	**169,012**	**179,918**	**Total liabilities and shareholders' equity**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

	Assets	31 12 2015	31 12 2014*
10	Cash and cash equivalents	1,188,761	1,006,586
20	Financial assets held for trading	18,017,359	17,563,088
40	Financial assets available for sale	17,191,196	18,776,038
60	Loans to banks	8,242,056	7,722,753
70	Loans to customers	111,366,383	119,676,132
80	Hedging derivatives	556,425	612,957
90	Change in value of macro-hedged financial assets (+/-)	139,582	178,613
100	Equity investments	908,365	1,013,899
120	Property, plant and equipment	2,741,723	2,787,083
130	Intangible assets	400,103	441,693
	of which: goodwill	*7,900*	*7,900*
140	Tax assets	5,542,518	7,473,368
	a) current	*2,229,111*	*1,930,516*
	b) deferred	*3,313,407*	*5,542,852*
	under Law 214/2011	*2,389,477*	*4,404,780*
150	Non-current assets and groups of assets held for sale and discontinued operations	29,267	21,805
160	Other assets	2,688,239	2,643,513
	Tatal assets	**169,011,977**	**179,917,528**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts 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 2015	31 12 2014*
10	Deposits from banks	17,493,110	27,647,671
20	Deposits from customers	87,806,329	89,791,380
30	Debt securities issued	29,394,436	30,455,439
40	Financial liabilities held for trading	15,921,727	15,306,788
50	Financial liabilities designated at fair value	2,073,915	2,623,620
60	Hedging derivatives	1,205,267	2,507,109
80	Tax liabilities	91,456	186,926
	a) current	*28,543*	*120,877*
	b) deferred	*62,913*	*66,049*
100	Other liabilities	4,039,948	4,183,569
110	Provision for employee severance pay	246,170	271,434
120	Provisions for risks and charges:	1,116,913	1,151,049
	a) post-employment benefits	*49,366*	*65,915*
	b) other provisions	*1,067,547*	*1,085,134*
140	Valuation reserves	(21,817)	(262,337)
160	Equity instruments	-	3,002
170	Reserves	222,086	(1,059,574)
180	Share premium	6,325	2,291
190	Share capital	9,001,757	12,484,207
210	Non-controlling interests (+/-)	26,259	23,625
220	Profit (loss) (+/-)	388,096	(5,398,671)
	Total Liabilities and Shareholders' Equity	**169,011,977**	**179,917,528**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts 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 2015	31 12 2014*
10	Interest income and similar revenues	4,087,480	5,063,190
20	Interest expense and similar charges	(1,858,013)	(2,950,352)
30	**Net interest income**	**2,229,467**	**2,112,838**
40	Fee and commission income	2,153,837	2,087,059
50	Fee and commission expense	(343,940)	(389,328)
60	**Net fee and commission income**	**1,809,897**	**1,697,731**
70	Dividends and similar income	18,638	36,944
80	Net profit (loss) from trading	752,048	18,291
90	Net profit (loss) from hedging	14,099	(13,199)
100	Gains/(losses) on disposal/repurchase of:	225,834	159,001
	a) loans	*(54,738)*	*(39,625)*
	b) financial assets available for sale	*281,734*	*209,072*
	d) financial liabilities	*(1,162)*	*(10,446)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	50,276	1,832
120	**Net interest and other banking income**	**5,100,259**	**4,013,438**
130	Net impairment (losses)/reversals on	(1,993,140)	(8,025,266)
	a) loans	*(1,991,083)*	*(7,821,435)*
	b) financial assets available for sale	*(25,922)*	*(60,525)*
	d) other financial transactions	*23,865*	*(143,306)*
140	**Net income from banking activities**	**3,107,119**	**(4,011,828)**
180	Administrative expenses:	(2,975,333)	(3,220,412)
	a) personnel expenses	*(1,670,210)*	*(2,052,344)*
	b) other administrative expenses	*(1,305,123)*	*(1,168,068)*
190	Net provisions for risks and charges	(64,038)	(176,551)
200	Net adjustments to/recoveries on property, plant and equipment	(126,942)	(158,220)
210	Net adjustments to/recoveries on intangible assets	(116,631)	(149,137)
220	Other operating expenses/income	345,121	333,845
230	**Operating expenses**	**(2,937,823)**	**(3,370,475)**
240	Gains (losses) on investments	210,440	194,328
260	Impairment on goodwill	-	(661,792)
270	Gains (losses) on disposal of investments	2,855	84,701
280	**Profit (loss) before tax from continuing operations**	**382,591**	**(7,765,066)**
290	Tax (expense)/recovery on income from continuing operations	7,277	2,362,020
300	**Profit (loss) after tax from continuing operations**	**389,868**	**(5,403,046)**
320	**Profit (loss)**	**389,868**	**(5,403,046)**
330	Profit (loss) attributable to non-controlling interests	1,772	(4,375)
340	**Parent company's net profit (loss)**	**388,096**	**(5,398,671)**
		31 12 2015	**31 12 2014****
	Basic Earnings per Share (Basic EPS)	**0.223**	**(40.113)**
	of continuing operations	0.223	(40.113)
	Diluted Earnings per Share (Diluted EPS)	**0.220**	**(40.113)**
	of continuing operations	0.220	(40.113)

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts 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 as at 31 December 2014 include, in addition to the changes reported above, the grouping of the Parent Company's ordinary shares, carried out on 18 May 2015, at a ratio of 1 new ordinary share to 20 treasury shares pursuant to the resolution issued by the Parent Company's Extraordinary Shareholders Meeting on 16 April 2015.*

Consolidated statement of comprehensive income

	Items	31 12 2015	31 12 2014*
10	**Profit (loss)**	**389,868**	**(5,403,046)**
	Other comprehensive income after tax not recycled to profit and loss	**16,758**	**(31,150)**
40	Actuarial gains (losses) on defined benefit plans	16,681	(31,072)
60	Share of valuation reserves of equity-accounted investments	77	(78)
	Other comprehensive income after tax recycled to profit and loss	**269,308**	**367,865**
80	Exchange differences	5,649	5,553
90	Cash flow hedges	44,263	16,365
100	Financial assets available for sale	202,511	342,519
110	Non current assets held for sale	17,877	(27,021)
120	Share of valuation reserves of equity-accounted investments	(992)	30,449
130	**Total other comprehensive income after tax**	**286,066**	**336,715**
140	**Total comprehensive income (Item 10+130)**	**675,934**	**(5,066,331)**
150	Consolidated comprehensive income attributable to non-controlling interests	1,767	(4,356)
160	**Consolidated comprehensive income attributable to Parent Company**	**674,167**	**(5,061,975)**

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

Consolidated Statement of changes in equity - 2015

	Balance as at 31 12 2014*	Change in opening balances	Balance as at 01 01 2015	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 2015	Total equity as at 31 12 2015	Group equity as at 31 12 2015	Non-controlling interests as at 31 12 2015
Share capital:	12,497,620	-	12,497,620	(6,718,684)	-	-	3,236,234	-	-	-	-	-	14	-	9,015,184	9,001,757	13,427
a) ordinary shares	12,497,620	-	12,497,620	(6,718,684)	-	-	3,236,234	-	-	-	-	-	14	-	9,015,184	9,001,757	13,427
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	2,506	-	2,506	(2,291)	-	(3)	6,326	-		-	-	-	-	-	6,538	6,325	213
Reserves:	(1,046,440)	-	(1,046,440)	1,366,654	-	235	(88,770)	-	-	-	-	-	20	-	231,699	222,086	9,613
a) from profits	(750,871)	-	(750,871)	1,366,654	-	891	-	-	-	-	-	-	-	-	616,674	607,061	9,613
b) other	(295,569)	-	(295,569)	-	-	(656)	(88,770)	-	-	-	-	-	20	-	(384,975)	(384,975)	-
Valuation reserves	(261,099)	-	(261,099)	(45,760)	-	210	-	-	-	-	-	-	-	286,066	(20,583)	(21,817)	1,234
Equity instruments	3,002	-	3,002	(3,002)	-	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	(5,403,046)	-	(5,403,046)	5,403,083	(37)	-	-	-	-	-	-	-	-	389,868	389,868	388,096	1,772
Total equity	5,792,543	-	5,792,543	-	(37)	442	3,153,790	-	-	-	-	-	34	675,934	9,622,706	9,596,447	26,259
Group equity	5,768,918	-	5,768,918	-	-	(449)	3,153,790	-	-	-	-	-	21	674,167	9,596,447	9,596,447	X
Non-controlling interests	23,625	-	23,625	-	(37)	891	-	-	-	-	-	-	13	1,767	26,259	X	26,259

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

As at 31 December 2015 the Group's net equity, including non-controlling interests and profit for the year, amounts to EUR 9,622.7 mln, as compared to EUR 5,792.5 mln as at 31 December 2014, with a total increase of EUR 3,830.2 mln.

The most significant phenomena impacting the net equity, in addition to the EUR 389.9 mln profit for the year, were:

1. In April 2015, the Ordinary Shareholders' Meeting of the Parent Company resolved to cover the 2014 loss for the year and the losses carried forward from previous years, for a total of EUR 7,320.1 mln, as follows:

   - for EUR 601.4 through the use of available reserves;
   - for the remainder of the loss, namely EUR 6,718.7 mln, the Extraordinary Shareholders' Meeting resolved to reduce capital, pursuant to article 2446 of the Italian Civil Code.

After covering the losses, the Parent Company's share capital amounted to EUR 5,765.5 mln.

2. In June 2015, in execution of the resolution of the Parent Company's Extraordinary Shareholders' Meeting of 16 April 2015, the share capital increase was completed, for EUR 2,993.2 mln, resulting in:

   - an increase in the "Share capital" item for the same amount;
   - a decrease in the "Reserves - other" item for EUR 88.8 mln, due to costs incurred for the transaction, net of the relative taxes;
   - an increase in the item "Share premium reserve" for EUR 5.4 mln, relating to the proceeds on the sale of 1,054,573 option rights not exercised during the offering period and which were subsequently sold in the market.

3. In July 2015, in implementation of the resolution adopted by the Board of Directors of the Parent Company on 21 May 2015, an additional capital increase was completed for EUR 243.1 mln, used exclusively for the payment in shares of the interest accrued as at 31 December 2014 on the New Financial Instruments, in favour of the Ministry of Economy and Finance, pursuant to the regulations governing them.

   The "Share capital" item of the Parent Company as at 31 December 2015 amounted to EUR 9,001.8 mln after the three events mentioned above.

4. Valuation reserves registered an overall increase of EUR 240.5 mln, primarily relating to comprehensive income for the year of EUR 286.1 mln, of which: (i) + EUR 202.5 mln in valuation reserves of assets "available for sale"; (ii) + EUR 44.3 mln for the valuation reserves for cash flow hedges; (iii) + EUR 5.6 mln in valuation reserves for foreign exchange differences; (iv) + EUR 16.8 mln in valuation reserves primarily for actuarial losses arising from defined benefit plans; (v) + EUR 17.9 mln in valuation reserves for non-current assets held for sale and lastly (vi) - EUR 1.0 mln for the share of valuation reserves of equity investments carried at equity.

Non-controlling interests increase EUR 2.6 mln, manly due to the comprehensive income for the year.

Consolidated Statement of changes in equity - 2014

	Balance as at 31 12 2013	Changes in opening balances*	Balance as at 01 01 2014	Allocation of profit from prior year		Changes during the year									Total equity as at 31 12 2014	Group equity as at 31 12 2014	Non-controlling interests as at 31 12 2014
							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 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	(903,911)	281,976	(1,091,926)	-	(45,505)	(191,495)	-	-	-	-	-	510	-	(1,046,440)	(1,059,574)	13,134
a) from profits	1,259,932	(903,911)	356,021	(1,091,926)	-	-	(14,966)	-	-	-	-	-	-	-	(750,871)	(764,005)	13,134
b) other	(74,045)	-	(74,045)	-	-	(45,505)	(176,529)	-	-	-	-	-	510	-	(295,569)	(295,569)	-
Valuation reserves	(1,054,690)	411,118	(643,572)	-	-	45,758	-	-	-	-	-	-	-	336,715	(261,099)	(262,337)	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)	340,456	(1,091,824)	1,091,926	(102)	-	-	-	-	-	-	-	-	(5,403,046)	(5,403,046)	(5,398,671)	(4,375)
Total equity	6,180,598	(152,337)	6,028,261	-	(102)	(4,691)	4,835,026	-	-	-	-	-	380	(5,066,331)	5,792,543	5,768,918	23,625
Group equity	6,147,403	(152,337)	5,995,066	-	-	291	4,835,026	-	-	-	-	-	510	(5,061,975)	5,768,918	5,768,918	X
Non-controlling interests	33,195	-	33,195	-	(102)	(4,982)	-	-	-	-	-	-	(130)	(4,356)	23,625	X	23,625

** The column "Changes in opening balances" is reflective of changes as at 31.12.2013 described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

*** The column "Comprehensive income as at 31 December 2014" is reflective of changes for the year 2014 described in the section "Restatement of prior period accounts 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 388.1 mln, amounting to EUR 5,792.5 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 5,273.4 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 1,091.9 mln;
3. The "Changes in reserve" 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";
4. Valuation reserves registered an overall increase of EUR 382.5 mln, due to the information provided in point 3.b and comprehensive income for the year of EUR 336.7 mln, of which: (i) + EUR 342.5 mln in valuation reserves of assets "available for sale"; (ii) + EUR 30.4 mln for the share of valuation reserves of equity investments carried at equity; (iii) - EUR 31.2 mln in valuation reserves primarily for actuarial losses arising from defined benefit plans; (iv) + EUR 16.4 mln for the valuation reserves for cash flow hedges; (v) + EUR 5.6 mln in valuation reserves for foreign exchange differences and lastly (vi) - EUR 27.0 mln in valuation reserves for non-current assets held for sale.
5. Non-controlling interests decreased by EUR 9.6 mln due to the information provided in point 3 a) and the loss for the year of around EUR 4 mln of the company Costruzioni Ecologiche Moderne S.p.A.

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	31 12 2015	31 12 2014*
1. Cash flow from operations	**737,314**	**419,394**
profit (loss) (+/-)	389,868	(5,403,046)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(1,185,020)	(689,163)
net profit (loss) from hedging	(14,099)	13,199
net impairment losses/reversals	1,423,153	8,572,308
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	243,573	307,357
net provisions for risks and charges and other costs/revenues (+/-)	74,839	190,954
tax espense (recovery) on income from continuing operations	(40,948)	(2,428,979)
other adjustments	(154,052)	(143,236)
2. Cash flow from (used in) financial assets	**10,974,172**	**12,062,957**
financial assets held for trading	636,824	3,253,509
financial assets available for sale	1,690,124	2,789,681
loans to banks: on demand	(544,640)	2,768,638
loans to customers	6,925,468	3,221,155
other assets	2,266,396	29,974
3. Cash flow from (used in) financial liabilities	**(14,636,775)**	**(17,420,210)**
deposits from banks: on demand	(10,154,561)	(9,630,996)
depostits from customers	(1,985,051)	7,858,865
debt securities issued	(817,929)	(6,106,128)
financial liabilities held for trading	624,854	(2,840,317)
financial liabilities designated at fair value	(465,695)	(5,412,549)
other liabilities	(1,838,393)	(1,289,085)
Net cash flow from (used in) operating activities	**(2,925,289)**	**(4,937,859)**

B. INVESTMENT ACTIVITIES		
1. Cash flow from	**359,312**	**399,665**
sales of equity investments	228,609	194,597
dividends collected on equity investments	121,612	162,803
sales of property, plant and equipment	8,769	39,269
sales of intangible assets	322	2,996
2. Cash flow used in	**(162,462)**	**(167,419)**
purchase of equity investments	(8)	-
purchase of property, plant and equipment	(83,585)	(73,574)
purchase of intangible assets	(78,869)	(93,845)
Net cash flow from (used in) investment activities	**196,850**	**232,246**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	2,910,716	4,835,025
dividend distribution and other	(101)	(102)
Net cash flow from (used in) funding activities	**2,910,615**	**4,834,923**
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE YEAR	**182,176**	**129,310**

Reconciliation

Accounts	31 12 2015	31 12 2014*
Cash and cash equivalents at beginning of period	1,006,586	877,276
Net increase (decrease) in cash and cash equivalents	182,176	129,310
Cash and cash equivalents at end of period	1,188,761	1,006,586

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

Correction of errors

By resolution no. 19459 of 11 December 2015, Consob, after concluding its investigation, ascertained that the consolidated and separate financial statements for 2014 and the half-year report as at 30 June 2015 were not compliant with the rules governing their preparation, namely with respect to the application of IAS 1, IAS 34 and IAS 39, with specific and exclusive reference to the accounting (as a long-term repo or a CDS derivative) of items referring to the "Alexandria" transaction, which was also closed with a dedicated settlement agreement signed by the Parent Company and Nomura International plc on 23 September 2015.

The Parent Company acknowledged what is set forth by Consob in the Resolution and, precisely:

a) Consob overcame the elements of uncertainty relating to the interpretation of the the accounting treatment of the Alexandria transaction "*only after the new information acquired through the investigation activities carried out by the Public Prosecutor of Milan in 2015, that allowed to appreciate the real intention of the parties [i.e.,: BMPS and Nomura]*", insofar that the interpretation of such new information drove it to consider that the accounting treatment of the "Alexandria" transaction should be recognised as a CDS derivative and not as a long-term repo;
b) "*In dedicated pro-forma consolidated accounting statements, accompanied by comparative data, BMPS has already disclosed a description of the impacts that an accounting treatment as a CDS derivative would have caused on the balance sheet, the income statement and equity in the 2014 consolidated and separate financial statements and the half-year report as at 30 June 2015...*".

In connection with the first aspect, while the Parent Company understands the complexity of the interpretation of International Accounting Standards, especially when referring to structured finance transactions such as the Alexandria transaction, it does not believe, and in this is supported by an accountanting opinion obtained for this purpose, that the technical and accounting prerequisites on which basis Alexandria transaction has been recognised in the separate and consolidated financial statements as at 31 December 2012, post-restatement, have changed, at least until it became aware of Consob's orientation, based exclusively on knowledge and interpretation of the new elements obtained from the Milan Public Prosecutor. In addition, based on its current knowledge, the Parent Company is unable to confirm or refute Consob's new opinionbased on the interpretation of the information obtained from the Public Prosecutor of Milan - relating to the "real intention of the parties" at the time of the execution of the "Alexandria" transaction, on this basis Consob has found that the Alexandria transaction should be accounted for as a CDS derivative.

Moreover, while confirming the validity of the accounting policy choice made in connection with the 2012 restatement and in the subsequent financial years, considering the information available from time to time, and having acknowledged, on one hand, the assessment of the Supervisory Authority based on its interpretation of elements that have recently emerged during the criminal investigations and, on the other hand, the fact that the Alexandria transaction, as noted, has been settled in 2015 (thus the accounting representation as a CDS derivative has no impact on the Parent Company's forward looking statements) and also considering the controvertible nature of an interpretation, such as that regarding the "real intention of the parties" in the execution of the agreement, characterised by non-eliminable elements of subjectivity, the Parent Company intends to comply with the Supervisory Authority's prescription set forth in the Resolution.

Description of applicable international accounting standards and the ascertained violations

Brief description of the transaction and the applied accounting treatment

In 2009 a series of transactions were concluded with Nomura. In particular:

- purchase of BTPs for a nominal amount of EUR 3,050 mln due on 2034. The purchase of BTPs has been carried out through an asset swap transaction consisting of a forward purchase of BTPs and an interest rate swap, whereby BMPS undertook to pay the fixed rate coupon received on the BTPs in exchange of an interest rate set at 3m Euribor increased by a spread, calculated on EUR 3,050 mln;
- BTPs spot sale for a nominal value of EUR 3,050 mln, in exchange of cash for EUR 3,102 mln, i.e. a consideration inclusive of interest accrued on the BTPs up to the execution date (long term repo with maturity in 2034 like the BTP Asset Swap) and commitment of Nomura to repurchase the BTPs due in 2034 for the same nominal amount; for the entire duration of the agreement, BMPS pays Nomura an interest rate set at 3m Euribor increased by spread, calculated on the amount received, while Nomura pays to BMPS the amount of the coupon 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 BMPS for a total maximum amount of EUR 3,050 mln.. BMPS receives interest at 3m Euribor from Nomura on the consideration paid to Nomura against delivery of such securities, in addition to fees calculated on the amount of the credit line granted (EUR 3,050 mln).

The executed agreements set forth that, in the event of default of the Italian Republic, the counterparty could deliver securities from the same issuer but different from those in the repo agreement (so called 'cheapest to deliver' option).

In the accounting reports, BMPS accounted for the Alexandria transaction by considering on a separate basis each contractual components, as this approach is compliant with international accounting standards and with the business purpose of the transaction set forth in the agreements entered into as well as internal deeds relating to evaluations on which basis the Parent Company had decided to conclude the transaction. In detail, the above determined the recognition in the financial statements:

a) BTPs in assets, under investments recognised in the AFS portfolio;
b) repo transactions in liabilities, under deposits from customers;
c) the interest rate swaps as hedging instruments of the BTP .

In the 2009 financial statements, the liability under b) connected with the repo was recognised at the trading value of the BTPs and subsequently measured at amortised cost.

On February 2013, the BMPS Board of Directors, having found anagreement (Mandate Agreement) which clarified the contractual connection between the above-mentioned transactions and the restructuring of an investment carried out in the Alexandria Capital plc vehicle, ascertained that the repo liability was initially recognised in violation of international accounting standards. These liabilities were initially recognised for a value of EUR 308 million lower than their fair value.

Such difference, evidenced in connection with the approval of financial statements as of 31 December 2012, was corrected, in application of IAS 8, by restating the opening equity for the comparative year.

Once the above-mentioned error relating to the value of the liability connected with the repo was corrected, the Parent Company considered to account for the different components of the transaction separately in order to properly represent the underlying business purposes, cash flows and associated risks. In particular, as noted above, this approach was based on an evaluation of the business purpose of the transaction, which was not aimed to assume a pure credit risk with respect to the Italian Republic, but rather an exposure in Government Bonds.

It is worth to point out that the objective complexity of the accounting treatment of transactions of this type, in the absence of specific and precise IAS/IFRS indications on the accounting treatment of such structured finance transactions, was acknowledged from the beginning by the Supervisory Authorities which, indeed, with joint Bank of Italy, Consob and IVASS document no. 6 of 8 March 2013, on one hand has referred to management's evaluation the determination, on a case by case basis, of the methods for properly accounting for these transactions, and on the other hand has requested to ensure an adequate public disclosure with respect to the representation criteria and, in particular, the impacts on the income, financial and cash flow situation, as well as the underlying risks and management strategies of those transactions.

In accordance with these instructions, starting from the financial statements as of 31 December 2012, aside from the information set forth in the accounting statements, the Parent Company also prepared and included in its yearly and interim reports dedicated pro-forma statements in which it presented in detail the income and financial impacts of the Alexandria transaction if the above-mentioned transactions were aggregated and considered as a single transaction, and therefore a derivative.

Description of applicable accounting standards

Taking into account the difficulties regarding the application of the international accounting standards in connection with the adoption of unambiguous accounting cirtieria for long-term structured repo transactions (long-term repo rather than CDS derivative) and the absence of specific prescription set forth by the same standards, in 2013 the Organismo Italiano di Contabilità has submitted this issue to the attention of the IFRS Interpretations Committee (IFRC IC), an entity delegated to issue interpretations or application guidance for international accounting standards.

At the end of procedure for the examination of new issues not covered by existing accounting standards, or for the examination of topics for which have been issued contradictory or not satisfactory interpretations, in March 2014 the IFRS IC stated that the circumstance that the net cash flows of long-term structured repo transactions were similar to those of a credit default swap was not in and of itself sufficient to proceed with accounting as a CDS derivative, and decided that the elements were not met to provide an interpretation on the accounting treatment of the transactions in question, which therefore were to be determined on the basis of existing accounting standards.

More specifically, according to the IFRS IC:

- the proper accounting treatment to be adopted depends on the business purpose of the transaction;
- the regulatory references are indicated in the following paragraphs:
  - IAS 39.IG B.6 of the Guidance on Implementing IAS 39, which, as known, with respect to the definition of derivative financial instruments, defines some indicators required to evaluate the prevalence of economic substance on the form of complex contractual structures;
  - IAS 39.IG C.6 of the Guidance on Implementing IAS 39, according to which, with regard to embedded derivatives and synthetic instruments, it is not generally appropriate to account for two or more financial instruments jointly as a single instrument. Where each instrument constituting the overall transaction is regulated by specific contractual conditions and may be transferred or settled on single basis;
  - IAS 32.AG39 of the IAS 32 Application Guidance, on matter of offsetting a financial assets and a financial liabilities which jointly constitute a synthetic financial instrument. In accordance with this principle, each of the distinct financial instruments (assets and liabilities) which together constitute a synthetic financial instrument, are not offset, if each of them represents a contractual right or obligation with its own clauses and conditions and may be transferred or settled separately;

- the application of IAS 39.IG B.6 requires clear judgemental evaluations by the preparer of the financial statements. Moreover, the verification of the existence of the indicators set forth in the above-mentioned paragraph may help the entity to determine the substance of the transaction; however, the presence or absence of a specific indicator cannot definitively resolve this issue;
- the current interpretations and guidances approved by the IASB allow to proceed with the proper accounting of transactions, on the basis of their business purposes.

In brief, according to the IFRS IC, what is significant to evaluate the correct accounting treatment for structured repo transactions is the accurate representation of the effective substantive business purpose.

The IFRS IC also went into further detail concerning the accounting treatment.

In particular, in the event of an accounting for the transaction as a long-term repo, the IFRS IC stated the analyses to be performed to determine how to account single transactions in the financial statements. With reference to the purchase of securities, the IFRS IC makes reference to standards relating to the recognition and derecognition of financial assets. In particular, with reference to the purchase of securities, it is stated that, "*Entity Alpha [MPS] can only recognise the bond if Entity Beta [Nomura] is able to derecognise*".

Therefore, only in the case of effective transfer of the risks and rewards or control of the underlying securities from the transferor to the transferee the latter may recognise the securities in its balance sheet assets and, as a result, consider the repo liability as a collateralised facility.

Paragraph 14 of IAS 39 contains the general IAS/IFRS rule on the initial recognition of financial assets and liabilities is set forth in, according to which financial assets or liabilities may be accounted in the balance sheet when the entity becomes party to the various contractual clauses of the financial instrument.

This standard should be read jointly with the provisions of paragraph AG50 of IAS 39, which defines the criterion of symmetry accounting in the case of the transfer of financial assets. In accordance with this approach, within a transfer, a financial asset may be recognised only to the extent that the conditions for derecognition of transferred financial asset are met for the transferor

The general rule on the derecognition of financial assets is set forth in paragraph 17 of IAS 39, according to which a financial asset may be derecognised when the contractual rights to the cash flows expire or when the asset is transferred. In this regard, paragraph 18 of IAS 39 specifies that an entity transfers a financial asset if and only if:

- it transfers the rights to receive cash flows or
- although it mantains such rights, it assumes a contractual obligation to pay the cash flows to one or more beneficiaries. In this case, the contractual obligation shall meet certain requirements specified in paragraph 19 of IAS 39 (so called "pass-through arrangement").

In order to ascertain the transfer of a financial asset, the entity must assess the extent to which it keeps the risks and rewards of ownership of the financial asset. In this regard, paragraph 20 of IAS 39 establishes that:

i. if the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
ii. if the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset;
iii. if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset;
iv. whether the entity has retained control over the transferred asset depends on the transferee's ability to sell the asset. If the transferee is capable of selling the asset in its entirety to an

unrelated third party and is able to exercise that right unilaterally and with no need to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control.

New information items sent by the Public Prosecutor's Office at the Court of Milan

According to Consob, the documentation provided by the Milan Public Prosecutor in April, June and July 2015 contains some new relevant elements for the analysis of the accounting treatment of the transaction adopted by the Parent Company.

In particular, the Supervisory Authority states that the interpretation of this new information determine a revision of the pre-existing set of information and entails a re-reading of the documentation analysed previously. Indeed, this is information have been obtained by the Public Prosecutor, exerting the powers they are entrusted with typical instrument of criminal investigations, pursuant to art. 362 of the Code of Criminal Procedure from persons wich to provide informations useful for the investigations and additional documentary elements acquired by the investigators in the context of the investigations involving the Parent Company.

Definitively, according to Consob, the new information requires an overall reconsideration of the conduct of the pro-tempore Parent Company's directors.

In brief, according to the Commission, on the basis of these assessments, it results that:

- the purchase of substitutive BTPs (2033, 2039 and 2040) in lieu the 2034 BTPs was a circumstance agreed between Nomura and BMPS or at least was known to the latter;
- the price attributed to the 2034 BTPs was determined based on the price of the substitutive securities effectively purchased by Nomura;
- the pro-tempore management of BMPS was aware of the fact that Nomura had purchased the substitutive BTPs.

Lack and critical issues regarding to the accounting accuracy of the consolidated and separate financial statements as at 31 December 2014 and the half-year report as at 30 June 2015 ascertained by Consob

According to the Supervisory Authority, the documentation sent by the Public Prosecutor Office of Milan in 2015 is an important new element which, after an overall re-reading of all information items available, lead to a different comprehension of the entire set of information relating to the agreement in question and, in particular, a different evaluation of the existence of the indicators set forth in the reference accounting standards to proceed with the accounting of the different transactions as long-term repo. The fact that Nomura had not purchased the 2034 BTPs, which according to Consob took place with the consent and according to the instructions given by the pro-tempore management of BMPS (i.e., the top management that carried out the transaction) is,indeed, in the opinion of the Supervisory Authority, a significant element to evaluate the transaction accounting treatment and the *substantive business purpose* of the transactions.

In light of the new evidence obtained, in first istance Consob mantains that the conditions set forth by international accounting standards in order to recognise the 2034 BTPs in the BMPS financial statements did not occur. The International accounting standards and, in particular, IAS 39, paragraph 14, establish that an entity shall recognise a financial asset when, and only when, the entity becomes a party to the contractual rights and/or obligations of the instrument. Paragraph AG50 of IAS 39 also provides a rule of "symmetry" between transferor and transferee, so that the transferee recognises the asset to the extent to which the transferor derecognises it.

According to the Supervisory Authority, BMPS was entitled to account the 2034 BTP securities, based on the asset swap agreement, only if the conditions for derecognising such securities were met for Nomura.

Indeed, according to Consob, in this case, on the basis of the examination of the new documentation sent by the Public Prosecutor, the pro-tempore management of BMPS had information on the fact that Nomura had not purchase the 2034 BTPs.

Consob reaches this conclusion, in particular, on the basis of analysis of certain statements made by Nomura employees and several emails between the operating units (front and back office) of BMPS and Nomura.

Therefore, according to Consob, since Nomura never purchased the financial instrument on the market, it could not derecognise it and could not transfer all risks and rewards associated with the security. In light of the overall set of information, therefore, according to the Supervisory Authority results that BMPS did not assume any ownership of the contractual rights inherent in the 2034 BTP securities, it was not exposed to the relative risks and rewards and it could not, as a result, recognise them in its financial statements.

In addition, in the opinion of Consob, the interpretation of new informations sent by the Public Prosecutor Office of Milan results in a different evaluation of the substantive business purpose represented up to now by BMPS. Indeed, as reported, pursuant to the requirements set forth in paragraphs IG B.6, IG C.6 of IAS 39 and AG39 of IAS 32, referred to by the IFRS IC, one of the relevant elements for the purpose of allowing the different transactions to be accounted for as long-term repos is the business purpose of the transaction.

BMPS adopted accounting as a long-term repo believing that this was suitable to provide an adequate representation of the different transactions, since the purpose of the transaction was to assume an exposure in Government Bonds and obtain a positive contribution to net interest income through the assumption of exposure to government securities, with limited absorption of liquidity. Therefore, the main characteristic is the will to purchase Government Bonds to be accounted in the investments portfolio.

According to Consob, the new evidences provided by the Public Prosecutor Office of Milan do not confirm the above-mentioned business purpose, but shows that:

I. the 2034 BTPs have never been purchased by by Nomura;
II. the pro-tempore management of BMPS was aware of such circumstance; and
III. the ways in which the transaction has been settled were approved in advance by the pro-tempore management of BMPS.

In the opinion of the Suverisory Authority, the above entails the lack of truthfulness of the substantive business purpose declared up to now by the Parent Company and the absence of the conditions to be met for the accounting of the transaction as a long-term repo.

Indeed, again in the view of the Supervisory Authority, the new documentary evidence shows a conduct of the pro-tempore management of BMPS and Nomura meant to provide third parties with a representation of the transaction as a structured repo intended to acquire a long position in Government Bonds, while what effectively was negotiated among the parties was an exchange of cash flows replicating the pay off of an Italian Republic credit derivative.

In fact, with this transaction BMPS assumed only an Italian Republic credit risk exposure and not an exposure in Government Bonds.

Considerations relating to the deductions presented by the Parent Company

According to the Supervisory Authority, the critical issues evidenced by itself cannot be overcome by the deductions submitted by the Parent Company with notes of 6 August, 21 September, 2 October and 9 November 2015.

The above since such deductions reveal to be ungrounded on the basis of the elements provided by the Public Prosecutor Office in Milan in April, June and July of last year, particularly the minutes of information obtained by the public prosecutor's office pursuant to art. 362 of the Code of Criminal Procedure (c.p.p) and the exchange of emails acquired in the context of the investigation between BMPS and Nomura employees. As already noted, according to Consob, the documentation transmitted by the Public Prosecutor Office in Milan represents an important new element which entails a re-reading of the overall set of information in relation to the agreement in place and a different evaluation of the existence of the indicators set forth in the reference accounting standards to proceed in order to recognise the different transactions as long-term repos. The fact that the 2034 BTPs were never purchased by Nomura, with the consensus and according to the instructions of the pro-tempore management of BMPS is, in the opinion of the Supervisory Authority, a significant element for the purpose of evaluating the substantive business purpose of the transactions declared by the Parent Company on the basis of pre-existing elements. In particular, on the basis of Consob's interpretation of new evidence, the substantive business purpose declared by the Parent Company was missing since the conduct of the pro-tempore management of BMPS and Nomura was preordinated to give to third parties with a representation of the transaction as a long-term repo aimed at acquiring a position on Government Bonds, while the real intention of the parties was exclusively the exchange of cash flows replicating an Italian Republic credit derivative.

The Supervisory Authority concludes by affirming that:

- as the business purpose is the first aspect to be considered and comes well before any other accounting considerations;
- in the presence of similar cash flows, the discriminating feature between accounting as a long-term repo and as a CDS derivative is the real intention to acquire the rights of the financial instrument and the consequent exposure to its risks and rewards;
- as the analysis carried out it believes that the intention of the Parent Company represented on the basis of the pre-existing elements cannot be deemed appropriate to the nature of the agreement effectively in place among the parties,

the correct representation of the long-term repo transaction between BMPS and Nomura is the accounting as a CDS derivative, i.e. the accounting of a credit derivative pursuant to the definition provided by IAS 39, paragraph 9.

* * *

With respect to the assessment of the non-compliance findings carried out by CONSOB, it must be pointed out that the accounting presentation of the transaction as a long term repo was supported in most times by the opinions of several authoritative consultants and shared with the external auditors both at the moment of the 2012 restatement and in the following financial statements. Moreover, all documentation available to the management of the Prent Company has been made available to the Supervisory Authorities and Judicial Authorities through a continuous exchange of information, which lasted from 2012 to today.

It is also important to highlight that, starting from the 2012 financial statements, the Parent Company has always described the treatment used for the long-term structured repo transactions as a "significant accounting policy choice", in compliance with the requirements in the Joint Bank of Italy, Consob and IVASS Document no. 6 of 8 March 2013, showing the impact, deriving from the accounting of such transactions as synthetic derivatives (Credit Default Swaps) on the income and financial statements through pro-forma financial information.

Starting from the 2014 financial statements, due to the ECB's SREP Decision dated 10 February 2015, the Alexandria transaction was considered in CET 1 for the full amount of the negative AFS reserve related to Government Bonds involved in the transaction, in derogation to the more favourable general rule, pursuant to which the AFS reserve relative to Government Bonds, until the endorsement of IFRS 9, is not relevant for determining own funds.

This prudential treatment made the impacts on CET 1 substantially equivalent to those of a CDS.

At the end, please note that the Alexandria transaction was settled in 23 September 2015. Therefore, its recognition as a CDS has no effect on the Parent Company's forward looking statement.

Finally, the Parent Company notes that the elements gathered during the investigations of the Public Prosecutor at the Court of Milan and disclosed during 2015 have allowed to enrich the set of information available about the Alexandria transaction. These elements have been collected by the Public Prosecutor's office exerting the powers they are entrusted with typical instrument of criminal investigations and refer primarily, as far as concerns, to the counterparty's custody securities and the statement of some of its employees. These elements were not known (nor could they have been) by the Parent Company's management who succeeded to the one that entered into the transaction. Consob's interpretation of this new information framework, which the Parent Company has to acknowledge, allows to trace, according to the Supervisory Authority, a different intention of the pro-tempore management of BMPS and shows, again in the view of the Commission, a different business purpose to that declared by the Parent Company based on the contracts entered into and other internal documents; as a result, according to the Supervisory Authority, the transaction should be accounted as a CDS. The Parent Company, convinced to have during these years:

- with total transparency towards all Supervisory Authorities who have examined the transaction for various reasons, to which all information available to the Parent Company was made available;
- with the utmost professional diligence, as demonstrated by the numerous opinions of conformity issued by well respected experts in international accounting standards and the reports issued by the audit firm;
- definitely, in compliance with international accounting standards, on the basis of the available information and according to the standards required to the correct preparation of accounting and financial disclosures, acknowledges the interpretation of these new elements and Consob's conclusions. In particular, the Parent Company acknowledges that the assessment of non-compliance to the international accounting standards is based, precisely, on the interpretation of a discretionary element (the real intention of the pro-tempore management of BMPS and Nomura), deducted in the context of the investigations conducted by the Public Prosecutor Office in Milan and that the Supervisory Authority considers as prevailing with respect of the intentions that emerge from the contracts entered into and the other documents based on which the income, financial position and cash flow statements of the Parent Company were prepared since 31 December 2012.

In the light of the above since:

- the Parent Company does not have sufficient and unambiguous elements to refute or confirm the reconstruction and interpretation of the intention of the pro-tempore management of BMPS and Nomura, carried out by Consob on the basis of the findings from the investigations of the Milan Public Prosecutor;
- the separate and consolidated financial statements as at 31 December 2014 and the half-year report as at 30 June 2015 do not appear to be reprehensible - as in fact they were not censored by the Supervisory Authority - on the basis of the objective elements known and available at the time;
- the Alexandria transaction was settled on 23 September 2015 and, therefore, the accounting as a CDS has no effect on the Parent Company's forward looking statement;

- on the basis of the foregoing considerations, the Parent Company does not consider consistent nor useful for the pursuit of its own interests or the interests of its stakeholders in general to challenge the Resolution issued by Consob as, inter alia, it refers to a transaction that has been settled,

BMPS reflects the transaction in the 2015 financial statements and in its subsequent reports as a CDS in accordance with the requirements of IAS 8.

Moreover, in a view to guarantee an adequate public disclosure with respect to its accounting criteria, particularly the impacts on the income, financial and cash flow situation, in the same statement, aside from providing the information contained in the accounting statements, the Parent Company has included dedicated pro-forma statements to its financial statements in order to highlight, similar to what it has done in previous statement of account, the income and financial position impacts of the Alexandria transaction arising from f its accounting treatment as a long-term repo.

* * *

In compliance with the provisions of IAS 1 and IAS 8, the financial position as at 1 January 2014 and as at 31 December 2014, the 2014 income statement and the statement of comprehensive income are provided below. These statements correspond to those already published in the 2014 financial statements, with the exception of tax impacts which, unlike the pro-forma statements, take into account, amongst other items, the specific treatment established for the correction of errors, inferred from Italian Revenue Agency Circular 31/2013. Indeed, in pro-forma statements, given their different purpose, the tax treatment is determined as if the Parent Company had always represented the transaction as a CDS derivative for tax purposes as well. On the basis of the above-mentioned circular, the subsequent correction of the tax base in connection with restated financial statements could be subject to certain time limits which prevent attributing fiscal relevance to income items allocated, due to the restatement, to 2010. This issue will be submitted to the attention of the Italian Revenue Agency to obtain a definitive opinion in this regard.

Overall, compared to the pro-forma statements already published, a negative tax effect of more than EUR 110 mln was determined as at 1 January 2014, correlated with the potential non-deductibility of income items from the year 2010.

As regards the statements presented, it is also specified that they include:

- in the first column (“1 1 2014” and “31 12 2014”): balance sheet as at 1 January 2014 and as at 31 December 2014, income statement and statement of comprehensive income for the year 2014;
- in the second column (“IAS 8 Adjustments”): the adjustments made to the financial statements following the reclassification of the transaction as a synthetic derivative;
- in the third and last column (“1 1 2014 adjusted” and “31 12 2014 adjusted”): balance sheet as at 1 January 2014 and as at 31 December 2014, income statement and statement of comprehensive income for the year 2014, adjusted.

In the 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 Bank would have incurred a loss equal to the difference between the amounts to be returned to the repo counterparty and the value of the defaulted securities that would have been delivered to the Bank by the counterparty. Against this risk, the Bank earned a variable premium consisting of 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 the restatement, the transactions were thus measured in a similar way to Credit Default Swaps, using the same market parameters.

In particular, accounting treatment as a synthetic derivative determines the following adjustments and reclassifications:

- balance sheet:
    - recognition of the CDS at Fair Value under "Financial assets held for trading" (if the fair value is positive) or "Financial liabilities held for trading" (if the fair value is negative) 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" (for IRSs designated as hedging instruments as at the date of these financial statements);
    - 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 on long term repos classified as "Deposits from banks" and "Deposits from customers", both posted by using the effective interest rate method;
    - elimination from "Interest income and similar revenues" and "Interest expense and similar charges" of amounts accrued on interest rate swaps designated as hedging instruments;
    - 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, designated as hedging instruments;
    - recognition under "Net profit (loss) from trading" of: cash flows (coupons and floating spreads) paid on government bonds and long term repos and fair value changes in IRSs designated as hedging instruments and CDSs;
    - ensuing tax effects;
- statement of comprehensive income:
    - recognition of changes in "Financial assets available for sale" following adjustment to valuation reserves.

In summary, the adjustment of the accounting recognition of the Alexandria transaction had the following impacts:

- Equity as at 1 January 2014: EUR -152.3 mln, which includes the positive effect of the reduction in the negative AFS reserve for EUR 411 mln;
- 2014 income statement: EUR -55.8 mln;
- Equity as at 31 December 2014: EUR -196.1 mln, which includes the positive effect of the reduction in the negative AFS reserve for EUR 423 mln.

BALANCE SHEET

	Assets	01 01 2014	Impact IAS 8	01 01 2014 Restated
10	Cash and cash equivalents	877,276	-	877,276
20	Financial assets held for trading	19,238,566	-	19,238,566
40	Financial assets available for sale	23,680,249	(3,240,841)	20,439,408
60	Loans to banks	10,485,195	-	10,485,195
70	Loans to customers	130,597,727	-	130,597,727
80	Hedging derivatives	397,933	-	397,933
90	Change in value of macro-hedged financial assets (+/-)	159,889	-	159,889
100	Equity investments	970,378	-	970,378
120	Property, plant and equipment	2,883,820	-	2,883,820
130	Intangible assets	1,162,056	-	1,162,056
	of which: goodwill	*669,692*	-	*669,692*
140	Tax assets	5,515,357	(108,717)	5,406,640
	a) current	*1,347,311*	*49,954*	*1,397,265*
	b) deferred	*4,168,046*	*(158,671)*	*4,009,375*
	under Law 214/2011	*3,113,519*	-	*3,113,519*
150	Non-current assets and groups of assets held for sale and discontinued operations	80,108	-	80,108
160	Other assets	2,412,251	-	2,412,251
	Total Assets	**198,460,805**	**(3,349,558)**	**195,111,247**

	Liabilities and Shareholders'Equity	01 01 2014	Impact IAS 8	01 01 2014 Restated
10	Deposits from banks	37,278,667	-	37,278,667
20	Deposits from customers	85,286,115	(3,366,637)	81,919,478
30	Debt securities issued	36,561,566	-	36,561,566
40	Financial liabilities held for trading	16,409,678	896,530	17,306,208
50	Financial liabilities designated at fair value	7,988,199	-	7,988,199
60	Hedging derivatives	3,421,635	(750,530)	2,671,105
80	Tax liabilities	185,521	23,416	208,937
	a) current	*26,562*	-	*26,562*
	b) deferred	*158,959*	*23,416*	*182,375*
90	Liabilities associated with non-current assets held for sale and discontinued operations	17,821	-	17,821
100	Other liabilitis	3,742,304	-	3,742,304
110	Provisions for employee severance pay	261,390	-	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)	411,118	(644,792)
160	Equity instruments	3,002	-	3,002
170	Reserves	1,174,651	(903,911)	270,740
180	Share premium	-	-	-
190	Share capital	7,484,508	-	7,484,508
200	Treasury shares (-)	(24,532)	-	(24,532)
210	Non-controlling interests (+/-)	33,195	-	33,195
220	Profit (loss) (+/-)	(1,434,317)	340,456	(1,093,861)
	Total liabilities and Shareholders' Equity	**198,460,805**	**(3,349,558)**	**195,111,247**

	Assets	31 12 2014	Impact IAS 8	31 12 2014 Restated
10	Cash and cash equivalents	1,006,586	-	1,006,586
20	Financial assets held for trading	16,928,788	634,300	17,563,088
40	Financial assets available for sale	22,847,582	(4,071,544)	18,776,038
60	Loans to banks	7,722,753	-	7,722,753
70	Loans to customers	119,676,132	-	119,676,132
80	Hedging derivatives	612,957	-	612,957
90	Change in value of macro-hedged financial assets (+/-)	178,613	-	178,613
100	Equity investments	1,013,899	-	1,013,899
120	Property, plant and equipment	2,787,083	-	2,787,083
130	Intangible assets	441,693	-	441,693
	of which: goodwill	*7,900*	-	*7,900*
140	Tax assets	7,562,419	(89,051)	7,473,368
	a) current	*1,875,789*	*54,727*	*1,930,516*
	b) deferred	*5,686,630*	*(143,778)*	*5,542,852*
	under Law 214/2011	*4,404,780*	-	*4,404,780*
150	Non-current assets and groups of assets held for sale and discontinued operations	21,805	-	21,805
160	Other assets	2,643,513	-	2,643,513
	Total Assets	**183,443,823**	**(3,526,295)**	**179,917,528**

	Liabilities and Shareholders'Equity	31 12 2014	Impact IAS 8	31 12 2014 Restated
10	Deposits from banks	27,647,671	-	27,647,671
20	Deposits from customers	93,144,980	(3,353,600)	89,791,380
30	Debt securities issued	30,455,439	-	30,455,439
40	Financial liabilities held for trading	13,701,789	1,604,999	15,306,788
50	Financial liabilities designated at fair value	2,623,620	-	2,623,620
60	Hedging derivatives	4,112,108	(1,604,999)	2,507,109
80	Tax liabilities	163,510	23,416	186,926
	a) current	*97,461*	*23,416*	*120,877*
	b) deferred	*66,049*	-	*66,049*
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100	Other liabilitis	4,183,569	-	4,183,569
110	Provisions for employee severance pay	271,434	-	271,434
120	Provisions for risks and charges	1,151,049	-	1,151,049
	a) post-employment benefits	*65,915*	-	*65,915*
	b) other provisions	*1,085,134*	-	*1,085,134*
140	Valuation reserves	(685,460)	423,123	(262,337)
160	Equity instruments carried at equity	3,002	-	3,002
170	Reserves	(496,119)	(563,455)	(1,059,574)
180	Share premium	2,291	-	2,291
190	Share capital	12,484,207	-	12,484,207
200	Treasury shares (-)	-	-	-
210	Non-controlling interests (+/-)	23,625	-	23,625
220	Profit (loss) (+/-)	(5,342,892)	(55,779)	(5,398,671)
	Total liabilities and Shareholders' Equity	**183,443,823**	**(3,526,295)**	**179,917,528**

INCOME STATEMENT

Items		31 12 2014	Impact IAS 8	31 12 2014 Restated
10	Interest income and similar revenues	5,213,287	(150,097)	5,063,190
20	Interest expense and similar charges	(3,079,016)	128,664	(2,950,352)
30	**Net interest income**	**2,134,271**	**(21,433)**	**2,112,838**
40	Fee and commission income	2,087,059	-	2,087,059
50	Fee and commission expense	(389,328)	-	(389,328)
60	**Net fee and commission income**	**1,697,731**	**-**	**1,697,731**
70	Dividends and similar income	36,944	-	36,944
80	Net profit (loss) from trading	80,738	(62,447)	18,291
90	Net profit (loss) from hedging	(15,759)	2,560	(13,199)
100	Gains/losses on disposal/repurchase of	159,001	-	159,001
	a) loans	*(39,625)*	-	*(39,625)*
	b) financial assets available for sale	*209,072*	-	*209,072*
	d) financial liabilities	*(10,446)*	-	*(10,446)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	1,832	-	1,832
120	**Net interest and other banking income**	**4,094,758**	**(81,320)**	**4,013,438**
130	Net impairment losses (reversals) on	(8,025,266)	-	(8,025,266)
	a) loans	*(7,821,435)*	-	*(7,821,435)*
	b) financial assets available for sale	*(60,525)*	-	*(60,525)*
	d) other financial transactions	*(143,306)*	-	*(143,306)*
140	**Net income from banking activities**	**(3,930,508)**	**(81,320)**	**(4,011,828)**
180	Administrative expenses:	(3,220,412)	-	(3,220,412)
	a) personnel expenses	*(2,052,344)*	-	*(2,052,344)*
	b) other administrative expenses	*(1,168,068)*	-	*(1,168,068)*
190	Net provisions for risks and charges	(176,551)	-	(176,551)
200	Net adjustments to (recoveries on) property, plant and equipment	(158,220)	-	(158,220)
210	Net adjustments to (recoveries on) intangigle assets	(149,137)	-	(149,137)
220	Other operating expenses/income	333,845	-	333,845
230	**Operating expenses**	**(3,370,475)**	**-**	**(3,370,475)**
240	Gains (losses) on investments	194,328	-	194,328
260	Impairment on goodwill	(661,792)	-	(661,792)
270	Gains (losses) on disposal of investments	84,701	-	84,701
280	**Profit (loss) before tax from continuing operation**	**(7,683,746)**	**(81,320)**	**(7,765,066)**
290	Tax expense (recovery) on income from continuing operations	2,336,479	25,541	2,362,020
300	**Profit (loss) after tax from continuing operations**	**(5,347,267)**	**(55,779)**	**(5,403,046)**
310	Profit (loss) after tax from groups af assets held for sale and discontinued operations	-	-	-
320	**Profit (loss)**	**(5,347,267)**	**(55,779)**	**(5,403,046)**
330	Profit (loss) for the period attibutable to non-contr	(4,375)	-	(4,375)
340	**Parent company's net profit (loss)**	**(5,342,892)**	**(55,779)**	**(5,398,671)**

	31 12 2014*	Impact IAS 8	31 12 2014 Restated
Basic Earnings per Share (Basic EPS)	**(39.698)**	**(0.415)**	**(40.113)**
of continuing operations	(39.698)	(0.415)	(40.113)
Diluted Earnings per Share (Diluted EPS)	**(39.698)**	**(0.415)**	**(40.113)**
of continuing operations	(39.698)	(0.415)	(40.113)

* Basic and diluted earnings per share as at 31 December 2014 include, in addition to the changes reported above, the reverse split of the Parent Company's ordinary shares, carried out on 18 May 2015, at a ratio of 1 new ordinary share for every 20 treasury shares; pursuant to the resolution issued by the Parent Company's Extraordinary Shareholders Meeting on 16 April 2015.

STATEMENT OF COMPREHENSIVE INCOME

	Items	31 12 2015	Impact IAS 8	31 12 2014 Restated
10	**Profit (loss)**	**(5,347,267)**	**(55,779)**	**(5,403,046)**
	Other comprehensive income after tax not recycled to profit and loss	**(31,150)**	**-**	**(31,150)**
40	Actuarial gains (losses) on defined benefit plans	(31,072)	-	(31,072)
60	Share of valuation reserves of equity-accounted investments	(78)	-	(78)
	Other comprehensive income after tax recycled to profit and loss	**355,859**	**12,006**	**367,865**
80	Exchange differences	5,553	-	5,553
90	Cash flow hedges	16,365	-	16,365
100	Financial assets available for sale	330,513	12,006	342,519
110	Non current assets held for sale	(27,021)	-	(27,021)
120	Share of valuation reserves of equity-accounted investments	30,449	-	30,449
130	**Total other comprehensive income after tax**	**324,709**	**12,006**	**336,715**
140	**Total comprehensive income (Item 10+130)**	**(5,022,558)**	**(43,773)**	**(5,066,331)**
150	Consolidated comprehensive income attributable to non-controlling interests	(4,356)	-	(4,356)
160	**Consolidated comprehensive income attributable to Parent Company**	**(5,018,202)**	**(43,773)**	**(5,061,975)**

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 2015.

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 2015 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 fourth addendum of 15 December 2015.

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 comprehensive income also indicates prior year's amounts. If the items cannot be compared, the items in relation to the prior 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 balance-sheet, profit and loss account and statement of comprehensive income do not indicate the items which do not show any amounts for the year of reference of the financial statements or prior 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, in the statement of comprehensive income and the respective section of the notes, whereas expenses are indicated in brackets.

The statement of comprehensive income, beginning with profit (loss) for the year, shows the income items recognised as contra-entries of valuation reserves, net of the related tax effect, in compliance with international accounting standards. Consolidated comprehensive income is shown by separating income items that will not be transferred to the income statement in the future and those that may be subsequently classified to profit and loss when specific conditions are met. The statement also distinguishes between income of the parent company and that of non-controlling interests.

The statement of changes in equity shows the breakdown and changes in net equity accounts during the year and the previous year, broken down between share capital (ordinary and other shares), capital reserves, profit reserves and reserves from the valuation of assets or liabilities, equity instruments and profit and loss. Treasury shares in the portfolio are deducted from equity.

The cash flow statement has been prepared according to the indirect method, based on which cash flows from operations are represented by the income for the year adjusted to take into account the effects of non-monetary transactions. Cash flows are broken down amongst those deriving from operations, those deriving from investment activities and those generated by funding activities. In the statement, cash flows generated during the year have no sign, while those absorbed are shown between brackets.

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.

Lastly, it should be noted that, in application of the fourth addendum of Bank of Italy circular no. 262, noted above, in the tables of the Notes the "credit quality" disclosure was brought into line with the new definitions of impaired financial assets, following the acknowledgement of the new definitions of non-performing exposures (NPE) and forborne exposures introduced by the implementing technical standards relating to the harmonised, consolidated supervisory statistical reporting defined by the European Banking Authority, approved by the European Commission on 9 January 2015 (hereinafter ITS).

Impaired financial assets are broken down into the following categories: default, unlikely to pay and overdue and/or past due non-performing exposures; this set of categories corresponds to the non-performing exposures aggregate pursuant to ITS. The category of exposures subject to concessions (forborne exposures) was also introduced, which applies across the board to the three aforementioned categories into which impaired financial assets are subdivided, as well as to performing financial assets.

The notions of substandard and restructured exposures are repealed. The following fall under the scope of the new categories of impaired financial assets: cash assets (loans and debt securities) and "off-balance sheet" assets (guarantees issued, irrevocable and revocable commitments to disburse funds), other than financial instruments allocated to the accounting portfolio "financial assets held for trading" and derivative contracts.

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	WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1	A.0	100.000	
A.5	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Castelnuovo Berardenga (SI)	Castelnuovo Berardenga (SI)	1	A.0	100.000	
A.6	G.IMM ASTOR S.r.l.	Lecce	Lecce	1	A.0	52.000	
A.7	AIACE REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.8	ENEA REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.9	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	Siena	1	A.0	99.790	
					A.1	0.060	
					A.2	0.030	
					A.4	0.030	
						99.910	
A.10	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Siena	Siena	1	A.0	98.914	98.715
					A.1	0.120	0.142
					A.2	0.049	0.057
					A.3	0.012	0.014
					A.9	0.905	1.072
						100.000	100.000
A.11	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	Mantua	1	A.0	100.000	
A.12	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE S.p.a.	Rome	Rome	4	A.0	40.197	
A.13	BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	Bruxelles	1	A.0	99.900	
					A.1	0.100	
						100.000	
A.14	MPS PREFERRED CAPITAL I LLC	New York	Delaware	1	A.0	100.000	
A.15	MPS PREFERRED CAPITAL II LLC	New York	Delaware	1	A.0	100.000	
A.16	MPS CAPITAL TRUST I	New York	Delaware	4		-	
A.17	MPS CAPITAL TRUST II	New York	Delaware	4		-	
A.18	MONTE PASCHI BANQUE S.A.	Paris	Paris	1	A.0	100.000	
18.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Paris	Paris		A.18	100.000	
18.2	IMMOBILIERE VICTOR HUGO S.C.I.	Paris	Paris		A.18	100.000	
A.19	MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	Luxembourg	1	A.0	99.200	
					A.18	0.800	
						100.00	
A.20	ANTONVENETA CAPITAL L.L.C. I	New York	Delaware	1	A.0	100.000	
A.21	ANTONVENETA CAPITAL L.L.C. II	New York	Delaware	1	A.0	100.000	
A.22	ANTONVENETA CAPITAL TRUST I	New York	Delaware	1	A.0	100.000	
A.23	ANTONVENETA CAPITAL TRUST II	New York	Delaware	1	A.0	100.000	
A.24	MPS COVERED BOND S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.25	MPS COVERED BOND 2 S.r.l.	Conegliano	Conegliano	1	A.0	90.000	
A.26	CIRENE FINANCE S.r.l.	Conegliano	Conegliano	1	A.0	60.000	
A.27	CONSUM.IT SECURITISATION S.r.l.	Conegliano	Conegliano	1	A.0	100.000	
A.28	SIENA MORTGAGES 07-5 S.p.a.	Conegliano	Conegliano	4	A.0	7.000	
A.29	SIENA MORTGAGES 09-6 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.30	SIENA MORTGAGES 10-7 S.r.l.	Conegliano	Conegliano	4	A.0	7.000	
A.31	SIENA CONSUMER S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.32	SIENA CONSUMER 2015 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.33	SIENA PMI 2015 S.r.l.	Milan	Milan	4	A.0	10.000	
A.34	SIENA LEASE 2015 2 S.r.l.	Conegliano	Conegliano	4	A.0	10.000	
A.35	CASAFORTE S.r.l.	Rome	Rome	4	A.0	-	
A.36	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 Bank'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. Intragroup assets, liabilities, income and expenses are eliminated.

Acquisitions of companies are accounted for based on the "acquisition method" set forth in IFRS 3, as amended by Regulation 495/2009, based on which identifiable assets acquired and identifiable liabilities assumed (including contingent), must be recognised at their respective fair values at the acquisition date. In addition, for each business combination, any non-controlling interests in the acquired company may be recognised at fair value or in proportion with the share of non-controlling interests in identifiable net assets of the company acquired. Any excess of the consideration transferred (represented by the fair value of the assets transferred, liabilities assumed and equity instruments issued) and any recognition at fair value of the non-controlling interests with respect to the fair value of assets and liabilities acquired is recognised as goodwill; if the price is lower, the difference is allocated to the income statement.

The "acquisition method" is applied starting from the acquisition date, or beginning when control over the company acquired is effectively obtained. Therefore, 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.

§ * § * § * §

In the course of fiscal year 2015, the following changes were made to the scope of consolidation:

- the following structured entities are now included in the scope of consolidation: Siena Consumer 2015 S.r.l., Siena PMI 2015 S.r.l. and Siena Lease 2015 2 S.r.l.

- the following companies were removed from the scope of consolidation:

    a) the company Consum.it S.p.A., following the merger by incorporation into the Parent Company, with no impact on the consolidated balance sheet and income statement;
    b) structured entities: Siena SME 11-1 S.r.l., Siena Lease 11-1 S.r.l. and Mantegna Finance II S.r.l. due to the striking off of the companies from the Register of Companies after the approval of their final liquidation financial statements.

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 215,746.4 mln as at 31 December 2015 (EUR 214,858.4 mln as at 31 December 2014) 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, which is responsible, pursuant to the regulation instituting the Single Supervisory Mechanism, for ensuring the uniform application of Eurozone regulatory provisions. 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.

With the SREP Decision received by the Parent Company on 25 November 2015, the ECB confirmed the fulfilment of requirements to continue exercising the supervisory powers attributed to it by art. 16, paragraph 2 of Regulation (EU) no. 1024/2013 of 15 October 2013, with the objective of maintaining capital requirement standards exceeding those set forth by prudential regulations and strengthening the Parent Company's means, processes, mechanisms and strategies, requiring in particular:

a) the maintenance of the minimum capital requirement on a consolidated basis, in terms of the Common Equity Tier 1 Ratio, at 10.20% and at 10.75% starting from 31 December 2016;
b) restrictions on the payment of dividends and distributions on shares and on AT1 instruments.

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 BMPS 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. The reserve must be replenished if it is reduced for whatever reason.

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).

The disclosure on assets pledged as collateral for liabilities and commitments is provided in the "Other information" section of Part B of these notes to the consolidated financial statements, which should therefore be referred to.

Group Assets relating to securitisation transactions

At the reporting date, the item loans to customers includes EUR 6,731.8 mln (EUR 3,590.4 mln as at 31 December 2014) relating to loans that have not been derecognised, which were sold with the securitisations Siena Mortgages 10-7, Siena Consumer S.r.l., Siena Consumer 2015 S.r.l. and Siena PMI 2015 S.r.l. As an offsetting entry for the cash flows arising from these sales, the Parent Company has 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 2,694.9 mln (EUR 964.7 mln as at 31 December 2014). Against this liability, the creditors' entitlement to repayment is limited to cash flows 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 3,028.8 mln as at 31 December 2015 (EUR 2,195.3 mln as at 31 December 2014).

5. Other information

The financial statements processed for line-by-line consolidation of the subsidiaries include the financial statements as at 31 December 2015, as approved by the Boards of Directors of the respective companies.

Section 4 - Events after the Reporting Period

In January, the second-level bargaining agreement was ratified with the trade unions. In line with company objectives, the measures established in the contract reflect the cost streamlining of the 2015-2018 Business Plan and incorporate the commitments undertaken with respect to the European Commission. In other words, although some adjustments have been made compared to the measures laid out in the previous agreement, in 2016-2018 the suspension of work activities for 5 or 6 days is maintained, depending on remuneration level, with a corresponding reduction in compensation.

The agreement also governs the variable remuneration structure by introducing a new Variable Performance-Based Bonus linked to the achievement of the Business Plan's reinforcement targets in the areas of capital, liquidity and profitability, and which is broken down over multiple ranges to reward results and recognise distinctive performance, with a focus on typical welfare disbursement methods.

In addition, the agreement consolidates and boosts welfare measures to support the needs of employees while focusing on professional development and training.

Section 5 - Other Matters

This Annual Report was prepared based on a going concern assumption.

With regard to the indications contained in Document no. 2 of 6 February 2009 and Documenti no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and ISVAP, 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 and financial scenario affords no doubt as to the company's ability to continue operating as a going concern.

With reference to prudential requirements, please note that the ECB informed the Parent Company that its target ratios on a consolidated basis for Total Capital and CET 1 have been set at 10.9% and 10.2%, respectively. Starting from 31 December 2016, the CET1 target ratio will be raised to 10.75%. 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 Parent Company may not distribute dividends to shareholders or pay cash flows to holders of AT1 instruments. At the end of 2015, the CET 1 was 12.01%, considerably higher than the limits imposed.

The share capital increase successfully completed in the first half of 2015 for a total of EUR 3 bn also contributed to this. Due to this capital increase and to the authorisations received by the Bank of Italy and the Ministry of Economy and Finance, the Parent Company redeemed a nominal value of EUR 1,071 mln of New Financial Instruments for EUR 1,116 mln, which includes the effects from the terms and conditions of the prospectus following the sale of shares by Fondazione Monte dei Paschi di Siena.

As regards asset quality, as at 31 December 2015, gross non-performing loans amounted to EUR 46.9 bn (net value of EUR 24.2 bn), up 3.4% compared to December 2014, but around EUR 0.6 bn lower than in September 2015, following the slowdown in gross flows, improved debt collection performance and the disposal of approximately EUR 1 bn in doubtful loans in December 2015. Excluding that assignment, the quarterly change in the gross stock of non-performing loans amounts to roughly EUR 400 mln (approx. EUR 1.2 bn in the third quarter of 2015), the lowest value of the last 8 quarters. The stock of net non-performing loans was down by approx. EUR 200 mln with respect to September 2015. Coverage of non-performing loans came to 48.5%, one of the best levels in the Italian banking industry.

As regards doubtful loans in particular, the Board of Directors decided to initiate a project to enhance the collection platform, which will optimise doubtful loan recovery performance by partnering with a specialised operator. The project envisages, inter alia, a long-term agreement for the management of current and future doubtful loans, and will rely on the know-how of the specialised partner in the management of this loan type. In the medium term, increased collections are expected to drive down the amount of doubtful loans and reduce income statement volatility.

As part of the same project, and in keeping with capital requirements, the Board of Directors also decided to further detail initiatives meant to accelerate and increase the doubtful loan transfer objectives set forth in the Parent Company's Business Plan (EUR 5.5 bn by 2018).

List of key IAS/IFRS international accounting principles and related SIC/IFRIC interpretations for mandatory application as of the 2015 financial statements

Reported below are the key amendments to the accounting standards and interpretations which are mandatorily effective as of financial year 2015. It is noted that these amendments did not have any significant impact on the preparation of the present financial statements.

The year 2015 sees the first-time application of a collection of amendments made to IFRS as part of the project "**Improvements to international accounting standards, 2011-2013 cycle**", published by the IASB on 12 December 2013 and relating to four areas, briefly outlined below:

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 1361/2014 on 18 December 2014.

In addition, the year 2015 sees the first-time application of the interpretation **IFRIC 21 - "Levies"**, published by the IASB in May 2013. This interpretation applies to all levies except those outflows that are within the scope of other standards and fines or other penalties that are imposed for breaches of the legislation.

The interpretation, endorsed by the European Commission on 13 June 2014 by means of Regulation no. 634/2014, deals with the accounting for a liability to pay a levy that is accountend in accordance with IAS 37 and those as well as the accounting for a liability to pay a levy where the timing and amount fo the levy is certain.

In particular, IFRIC 21 clarifies that:

- an entity recognises a liability for a levy when the activity that triggers payment, as identified by relevant legislation, occurs;
- a levy liability con only be accrued progressively if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation;
- for a levy that is trigged upon reaching a minimum threshold, no liability is recognised before such minimum threshold is reached.

This interpretation was applied in the 2015 financial statements to the recognition of ordinary and extraordinary contributions to the National Resolution Fund, established by Legislative Decree 180/2015, which introduced into national law the framework for the recovery and resolution of banks and investment companies set forth in Directive 2014/59/EU (Banking Resolution and Recovery Directive - "BRRD"). The Bank of Italy also provided its opinion on this matter in its publication of 19 January 2016, whereby it confirmed that obligations to contribute to the National Resolution Fund fall under the concept of "levies" pursuant to IFRIC 21.

IFRIC 21 was also applied to the recognition of ordinary "ex ante" contributions to the Italian Interbank Deposit Protection Fund (FITD); these contributions were introduced in 2015 by the FITD itself through several amendments to the Articles of Association, thereby anticipating the "ex ante" contribution mechanism laid out in Directive 2014/49/EU (Deposit Guarantee Schemes - "DGS"), which it has not been transposed yet in Italy.

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 2015.

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. Early application is permitted.

On 12 December 2013 the IASB issued a set of amendments to the IFRSs as part of the project "**Improvements to international accounting standards, 2010-2012 cycle**", relating to the topics briefly summarised below:

a) **IFRS 2 "Share-based payments".** The definitions of "vesting condition" and "market condition" were amended and definitions of "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 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.

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.

The amendments were endorsed by the European Commission with Regulation 2015/2173 on 24 November 2015.

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.

The European Commission endorsed the amendment with Regulation 2015/2231 on 2 December 2015. The new standards apply as of 1 January 2016, but early adoption is permitted.

On 12 August 2014, the IASB issued the document "**Equity Method in Separate Financial Statements - Amendments to IAS 27**", which 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 document was endorsed by the European Commission with Regulation no. 2015/2441 on 18 December 2015 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

On 25 September 2014, the IASB issued the document "**Annual Improvements to IFRSs: 2012-2014 Cycle"** regarding the topics briefly summarised below:

a) **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.
b) **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.
c) **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.

d) **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.

The document was endorsed by the European Commission with Regulation no. 2015/2343 on 15 December 2015 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

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 document was endorsed by the European Commission with Regulation no. 2015/2406 on 18 December 2015 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

The group has not exercised the option of early application for these principles.

IAS/IFRS international accounting standards and related SIC/IFRIC interpretations issued by the IASB and still awaiting approval from the European Commission

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, which was supposed to apply as of 1 January 2016, has not been endorsed by the European Commission. The European Commission justified its decision based on the fact that the current IFRS 14 governs a marginal case in the European landscape, as it is a transitional standard that offers an accounting opinion to companies that adopt IFRS for the first time. For this reason, the European Commission will in the future consider the endorsement of a standard that refers to all rate regulated activities.

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.

The application of this standard, initially expected for years starting on or after 1 January 2017, was postponed to 1 January 2018 at the proposal of the IASB in April 2015. As this is a "convergence" standard with US GAAP, the IASB decided to favour the market by aligning the adoption of the European standard with the US one. In the meantime, clarifications useful for the application of the standard will be published.

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, impairment and hedge accounting of the IASB project to replace IAS 39, which began in 2008. Following that publication, IFRS 9 is to be deemed complete; the aspect of macro hedging has not yet been addressed, as the IASB has decided to undertake an autonomous project on this matter.

As regards the classification and measurement of financial assets, the new accounting standard includes three portfolio categories: amortised cost, fair value through profit and loss (FVTPL) and fair value with changes through other comprehensive income (FVOCI). The HTM and AFS IAS 39 categories were repealed. As regards debt securities, the standard sets forth a single method for determining classification in one of the three categories; this method is based on the combination of two drivers, represented by the procedure for managing financial instruments adopted by the entity (business model) and the contractual characteristics of the cash flows of the instruments themselves. Equity instruments are classified in the FVTPL category; the only exception is the possibility to irrevocably classify equity instruments not held for trading in the FVOCI category. In this case, only dividends are recognised in the income statement, while the valuations and results deriving from the sale are allocated to equity; no impairment is envisaged.

In terms of the 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 or increases an accounting mismatch. In the latter 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 P&L ("recycled") when the liability is settled or extinguished.

As regards phase 2 "Impairment", IFRS 9 sets forth a prospective model which requires the recognition of expected losses on the financial instrument beginning from initial recognition in the financial statements. Unlike the IAS 39 model, it is no longer necessary that a trigger event takes place for the recognition of losses on loans (incurred 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. For impairment purposes, IFRS 9 requires the classification of financial instruments in three buckets whit an increasing order of deterioration of credit quality; the first category includes financial instruments whose credit quality has not significantly deteriorated with respect to their initial recognition in the financial statements. Expected losses should be recognised on the basis of 12 month time horizon on exposures included in the first category, lifetime expected losses should be recognised on the financial instruments on the exposures included in the other two categories.

A single impairment model is set forth for all debt financial instruments not measured at FVTPL: financial assets measured at amortised cost, financial assets 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 to explain the basis for their expected credit loss calculations and how they assess changes in credit risk.

As regards hedge accounting (excluding macro hedges, for which IAS 39 remains in force), the new standard should allow entities to better reflect their risk management activities in the financial statements.

The standard allows to apply separately IFRS 9 the requirements governing the treatment of own credit quality on financial liabilities under the fair value option.

Endorsement of the new standard is pending, and is to be applied for annual periods beginning on or after 1 January 2018.

In 2015, the Group started a project with the support of a leading consultancy firm to implement the new IFRS 9, which involves the Group's various functions and is guided as a whole by the CFO Division. The project is broken down into three areas corresponding to the three steps of the standard ("classification and measurement", "impairment" and "hedge accounting"): the "classification and measurement" area is under the responsibility of the Reporting department, while Risk Management is responsible for "impairment" and "hedge accounting". The impact assessment phase is still ongoing, in order to determine a reasonably reliable estimate of the expected impacts of initial application of the standard; given the complexity of the topics analysed and the considerable system-wide uncertainties with respect to interpretation, this phase has not yet been completed.

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.
In December 2015, the IASB decided to defer indefinitely the entry into force of the document, which was initially planned for 1 January 2016. This is because the IASB intends to plan a more extensive review of the standards involved in order to simplify the accounting of those transactions and other accounting aspects of associates and joint ventures.

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.

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 2015.

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 statements.

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 net 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 financial assets available for sale and financial assets at fair value through profit or loss.

They also incorporate trade receivables, repurchase agreements, receivables arising from financial leasing 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, unlikely to pay and non-performing past due; together, non-performing exposures) 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. In particular, classification is carried out by the various units independently, except for loans more than 90 days past due, which are measured using automated procedures.

With regard to the general concept of the restructuring of loans, three different categories have been identified:

- “forborne exposures” (as defined in Circular 272 of the Bank of Italy);
- renegotiation for commercial reasons/practice;
- debt settlement via borrower substitution or debt-for-equity swap.

According to Bank of Italy regulations, a “forborne exposure” is a debt agreement for which measures of tolerance have been applied (otherwise identifiable as “forbearance measures”). The measures of tolerance consist of concessions - in terms of the amendment and/or refinancing of the pre-existing debt agreement - to the borrower who has or is on the verge of having difficulty in meeting its financial commitments (in other words, the borrower is in financial difficulty).

Forborne exposures are broken down into:

- non-performing exposures with forbearance measures, pursuant to the ITS. These exposures represent a sub-category of, depending on the case, doubtful loans, unlikely to pay or non-performing past due; therefore, they do not make up their own category of non-performing exposures;
- forborne performing exposures, pursuant to the ITS.

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 (renegotiations due to borrower difficulties and re-negotiations for commercial reasons/practice), 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.

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 loans, unlikely to pay and non-performing past due exposures are valued analytically (when the exposures exceed a given threshold value) or by applying the LGD parameter in the remaining cases. Performing exposures are subject to statistical valuation.

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. When the original interest rate cannot be directly identified, or identifying it would be excessively burdensome, the best approximation is applied.

For all fixed-rate positions, the interest rate thus determined remains constant, even in subsequent years, while for floating-rate positions the interest rate is updated with respect to the reference variable component, and the originally established spread is kept constant.

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 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.

In the Notes, impairment losses on non-performing exposures are classified as specific in the cited income statement item, even when the calculation method is statistical in nature.

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 prior 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.

In addition, 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).

Lastly, receivables are fully derecognised when they are deemed irrecoverable or they are written off. Derecognitions are allocated directly to income statement item 130 a) “Net impairment losses (reversals)” and are recognised as a reduction of the principal amount of the receivables. Recoveries of partial or entire amounts previously derecognised are posted to the same item.

5 Financial assets designated at fair value

The Group does not use this portfolio.

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 Parent Company with regard to hedging transactions. The hedging policies adopted by the Parent Company are explained, also including the "natural hedges" provided for by the Fair Value Option, used as an alternative to hedge accounting in the accounting management of liability hedges.

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 recognised, along with the change in the fair value of the hedging instrument, in income statement item "90 - Net profit (loss) from hedging". 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 prospectively effective at inception.

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.

d) erecognition 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.

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.

b) classification criteria

Fixed assets include land, operating properties, investment properties, systems, furnishings and fixtures, equipment of any type and works of art.

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 prior 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.

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 (tangible, intangible and financial) assets held for sale and discontinued operations, with the relative associated liabilities, 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, with the relative liabilities, are valued at the lower of the book value and the fair value net of selling costs.

The valuation reserves relating to non-current assets held for sale, recorded as a contra-entry to changes in value relevant for that purpose, are recognised in the statement of comprehensive income.

Income and costs relating to groups of assets and liabilities held for sale, net of the tax effect, are recognised in profit and loss item 310 "Profit (loss) after tax from assets held for sale and discontinued operations". Profit and loss associated with individual assets held for sale are recognised in the most appropriate income statement item.

In the case of 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 prior 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 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 write-downs 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.

On 27 June 2015, Law Decree no. 83/2015 (converted by Law no. 132 of 6 August 2015) was published in the Official Gazette (no. 147), which amended, inter alia, the tax deductibility regime with regard to the IRES and IRAP to which losses and write-downs on loans to customers of credit and financial institutions and insurance companies are subject and the ability to convert DTAs relating to goodwill and other intangible assets into tax credits.

In this regard, the new tax measure set forth, in brief, that:

1. beginning in 2016, write-downs and losses on loans are fully deductible in the year in which they are recognised in the income statement (and no longer over 5 years); for 2015, on a transitional basis, they are 75% deductible,
2. DTAs relating to write-downs and losses on loans accounted for in previous years and deductible in 18 or 5 years in accordance with the previous regulation (as well as the 25% not deductible in 2015), constitute a single indistinct prior stock deductible in 10 years beginning in 2016.
3. any DTAs relating to goodwill and other intangible assets recognised in the financial statements as of 2015 will no longer be convertible into tax credits.

As a result of these new provisions, convertible DTAs can no longer increase beginning from 2015 (with the exception of those originating from the 25% of write-downs and losses on loans recognised in the 2015 income statement). In particular, for the future the prerequisite for the recognition of "convertible" DTAs relating to goodwill and other intangible assets as well as write-downs and losses on loans will cease to apply, with the latter becoming negative income components fully deductible (with the exception noted above of the portion not deductible in 2015).

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 indefinitely (art. 84, paragraph 1, of the Income Tax Act - TUIR); as a result, verifying the existence of future taxable profit against which to use such losses in not subject to any time limits.

Deferred tax assets and liabilities are calculated using the tax rates expected at the date of payment of temporary differences, 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 asset or liability to which it relates.

Lastly, please note that Law no. 208 of 28 December 2015 (the 2016 Stability Law) established that:

- as of 1 January 2017, effective for tax periods subsequent to that under way as at 31 December 2016, the IRES rate will be reduced to 24%.
- For the credit and financial institutions pursuant to Legislative Decree no. 87 of 27.1.1992, an additional IRES tax of 3.5% applies as of tax periods subsequent to that under way as at 31 December 2016, to be calculated on individual taxable income for companies participating in tax consolidation.

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. The charges which might result from already notified tax assessments or litigation pending with the tax authorities are instead recognised in "Net provisions for risks and charges".

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 Parent Company 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 year is recognised in the Bank's P&L, 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 provision 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 year.

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 2015, 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 change 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 incomestatement.

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 from 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 incomestatement.

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. 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

According to IAS 39, this category includes financial liabilities which have been recognised at fair value through profit or loss; this option is allowed when:

1. the designation at 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.

The Parent Company has exercised this option in case 1, classifying under this item financial liabilities that are subject to "natural hedging" through derivative instruments. In item 17 "Other information", a specific section is included to provide insight into the hedging management methods through the adoption 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 from 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 Company 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 Company'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.

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).

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 expected future payment or collection cash flows (without considering future losses on loans), 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, financial assets available for sale, 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 documents 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

Secutitiesed loans completed later than the date of first-time adoption of international accounting standards (FTA), where receivables were sold to vehicle companies (even with formal transfer of legal ownership of the receivables) – and in which control over the cash flows deriving therefrom and most risks and rewards are maintained, do not involve the elimination 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 used the Fair Value Option accounting technique alongside fair value hedging and cash flow hedging methods.

The Fair Value Option was adopted to represent operational hedges on fixed-rate or structured bonds (Accounting Mismatch). In that case the Parent Company, the only issuer within the Group, stipulates operational microhedging derivative contracts with MPS Capital Services S.p.A., which in turn manages by assets the Group's overall exposure to the market.

The scope of application of the fair value option currently regards primarily fixed-rate securities and structured securities subject to hedges on interest-rate risk and the risk deriving from embedded derivative components.

Adopting the Fair Value Option necessitates the liabilities being measured at fair value while also taking into account changes in own creditworthiness of the issuer, the distorting effects of which are eliminated from own funds, from the perspective of prudential supervision, in compliance with prudential regulations in force.

IAS 39 allows the option of designating a financial instrument under the fair value option to be exercised irrevocably only 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.

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.

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 prior period accounts 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).

The “Alexandria” transaction was closed on 23 September 2015, with the finalisation of a settlement agreement with Nomura International PLC.

As described in detail in the “Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)” section of these notes to the consolidated financial statements, which should be referred to for additional details, by resolution no. 19459 of 11 December 2015, Consob, after completing its investigation, found that the consolidated and separate financial statements for 2014 and the half-year report as at 30 June 2015 were not compliant, with exclusive reference to the accounting (as a long-term repo or a CDS derivative) of items referring to the “Alexandria” transaction.

Therefore, the Parent Company amended the accounting method for that transaction in the 2015 financial statements by representing it as a synthetic derivative (CDS): in this presentation, 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). This accounting method was applied retrospectively as required under IAS 8.

The settlement of the “Alexandria” transaction enabled the Parent Company to close the transaction with a discount, with respect to the transaction pricing shared with the counterparty, of EUR 440 mln, net of the recognition of the funding benefit of EUR 188 mln to the counterparty. The economic impact reported in the 2015 financial statements after the change in the accounting treatment requested by Consob (accounting as a CDS derivative) is positive, by EUR 252 mln, gross of the tax effect.

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 documents 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. Production 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 e) 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 Liabilities in 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.

The impairment test is performed on an analytical basis with respect to financial assets that show specific evidence of impairment and on a collective basis with respect to financial assets for which such objective evidence does not exist. 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.

Whenever loans to customers and banks are classified as doubtful, unlikely to pay or non-performing past due exposures, they are subject to an analytical valuation process, with the determination of expected losses by uniform categories and analytical attribution to each position. 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. In this regard, in order to determine the cash flows deemed recoverable, within the assessment process adopted by the Parent Company, if there are no analytical schedules, statistical schedules are used.

The amount of the loss is indicated in the income statement under Item 130 a) “Net impairment losses/reversals on loans”.

Receivables classified as performing and certain non-performing loans (with exposures below a given threshold value) are statistically assessed. 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, statistical 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 an 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 financial assets available for sale 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.

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. 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 13 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 2015 (4)	Fair value at 31 12 2015 (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	1,010	1,010	71	-	71	-
Debt Securities	Trading	Loans to banks	42,119	38,503	(1,599)	1,318	6	1,323
Debt Securities	Trading	Loans to customers	137,273	136,355	6,644	3,846	314	2,688
Debt Securities	Available for sale	Loans to banks	677,381	536,690	16,766	32,256	427	32,561
Debt Securities	Available for sale	Loans to customers	201,983	181,962	(2,619)	8,709	2,795	6,189
	Total		**1,059,766**	**894,520**	**19,263**	**46,129**	**3,613**	**42,761**

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.

This table, which refers exclusively to financial instruments reclassified in the second half of 2008 based on the above-mentioned amendment, reports, in addition to the book values and fair values of reclassified financial instruments as at 31 December 2015, financial results (columns 6 and 7) in terms of "value relevance" and "other" (realised profit/loss and interest), which the same financial instruments would have produced for the Group in 2015 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 2015.

The hypothetical net capital gains (column 6) of EUR 19.3 mln differ from those actually recorded for 2015 (see column 8) amounting to EUR 3.6 mln, for an overall amount of EUR 15.7 mln in greater valuations (of which EUR 4.8 mln posted to profit and loss and EUR 10.9 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 2015 was EUR 6.7 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 2015							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 deivatives			
Debt securities	324,047	-	341,997	X	-	975,647	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	112	-	62,665	X	X	X	X	Share/Equity	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	1,640	-	113,725	X	X	X	X	Funds/PE	Market price*	Market price*
Loans/Deposits	5,284,782	-	-	X	X	X	X	Repo Trade	Discontinued Cash Esternal Pricing/other	Interest rate curve Periodic repricing
Deposits	X	X	X	X	744,505	-	X	from banks		
					8,839,838	-		from customers		
Financial Derivatives	5,223,833	-	-	556,425	3,300,878	X	1,205,267	IR/Asset/Currency Swaps	Discounted Cash Flow	Interest rate curve, CDS Curve, Basi(yield), Inflation Curve, Foreign exchange rates and correlation
								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,
								Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
								Equity Singlename	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity
								Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity
								Equity Multiname	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity
								Plain Rate	Option Pricing Model	Interest rate curve, inflation curves,bond prices,foreign exchange rates, Rate volatility, rate correlations
								Spot-Forward	Market price*	Market price*, Swap Point
Credit derivatives	79,363	-	-	-	72,044	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	10,913,777	-	518,387	556,425	X	X	X			
Total liabilities	X	X	X	X	12,957,265	975,647	1,205,267			

*prices for identical financial instruments listed in non-active markets (IFRS 13 par. 82 lett. b)

A.4.1.b Fair value level 3: measurement techniques and inputs used

Items	Fair value as at 31 12 2015		Type	Valuation technique(s)	Unobservable inputs	Range (weighted average)
	Financial assets held for trading	Financial liabilities held for trading				
Debt securities	136	-	Defaulted Securities	Last available value net of impairment	Recovery Rate	5%
Equity instruments	250,879	X	Shares	Discounted Cash Flow	Liquidity base/Equity Risk Premium/Beta	20%/>7%/>0.4
			Shares	Cost/Net Equity	Company's balance sheet values	0 - 12.5 eur/mln
Financial derivatives	X	85	Equity Exotic	Option Pricing Model	Risk Model - Smile dynamics	No dynamic/stochastic evolution
Units of UCITS	9,280		Side Pocket	External Pricing	NAV	0-5.5 eur/mln
Total assets	260,295	X				
Total liabilities	X	85				

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.

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 its 2013 share capital was carried out. This document not only details the valuation techniques adopted to reach the end result, but identified in the market beta of the equity risk premium and in the cash flow base to be used for cash flow discounting, the parameters on which to make entity specific assumptions. The valuation of that equity investment is also confirmed in recent market transactions involving certain banks required to dispose of shareholdings exceeding the threshold of 3% of the share capital of the Bank of Italy. During valuation, the intervals of the possible values that can be assigned to these parameters cause the following changes in value: roughly EUR -20 mln for every 100 bps increase in the equity risk premium, around EUR -40 mln for every 10 percentage point increase in the market beta and roughly EUR -25 mln for every 10 percentage point increase in the cash flow base.

Equity securities valued at cost/net equity include all investments designated at fair value that could not be measured according to a market-based model. These positions amount to approx. EUR 57 mln. The EUR 0-12.5 mln range specified in the table refers to the unit value of each share included in the item.

The category of "Financial derivatives" includes derivatives whose market value depends on unobservable inputs, particularly the volatility smile. Remeasuring these positions using models which treat the input differently, from "no volatility" (Libor MM ATM) to "stochastic volatility" (Libor MM Stochastic Vol), results in a change in market value of roughly EUR 0.5 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 9.2 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 aforementioned 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, aforementioned 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 different 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.

Qualitative 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 2015				31 12 2014*			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	7,103,582	10,913,777	-	18,017,359	5,890,827	11,671,778	483	17,563,088
2. Financial assets designated at fair value	-	-	-	-	-	-	-	-
3. Financial assets available for sale	16,412,514	518,387	260,295	17,191,196	17,736,833	677,308	361,897	18,776,038
4. Hedging derivative	-	556,425	-	556,425	-	612,957	-	612,957
5. Property, plant and equipment	-	-	-	-	-	-	-	-
6.Intangible assets	-	-	-	-	-	-	-	-
Total	**23,516,096**	**11,988,589**	**260,295**	**35,764,980**	**23,627,660**	**12,962,043**	**362,380**	**36,952,083**
1. Financial liabilities held for trading	2,964,377	12,957,265	85	15,921,727	3,525,270	11,777,866	3,652	15,306,788
2. Financial liabilities designated at fair value	1,098,268	975,647	-	2,073,915	798,367	1,825,253	-	2,623,620
3. Hedging derivative	-	1,205,267	-	1,205,267	-	2,507,109	-	2,507,109
Total	**4,062,645**	**15,138,179**	**85**	**19,200,909**	**4,323,637**	**16,110,228**	**3,652**	**20,437,517**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts 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 require significant adjustment based on non-observable data, or that require 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, some financial assets and liabilities registered a deterioration from fair value level 1 to fair value level 2; the variation in the fair value level was generally due to the deterioration in the liquidity conditions in the market for said securities. With respect to financial assets, for the Parent Company this phenomenon involved an equity security totalling EUR 0.3 mln and EUR 3.6 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 a bond issued by the Parent Company, for approx. EUR 46 mln.

With respect to financial assets and liabilities that improved from fair value level 2 to level 1, as regards assets, this trend involved a stripping BTP of the Parent Company for a total of roughly EUR 192.7 mln and EUR 6.4 mln in bonds owned by the subsidiary MPS Capital Services S.p.A.; with respect to financial liabilities, on the other hand, the change in level is to be mainly attributed to a bond issued by the Parent Company in the amount of EUR 380.1 mln. The change in the fair value level during the year is essentially linked to the improvement in the securities' 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 counterparties. 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 December 2015 the CVA had a balance of approx. EUR 115.4 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 December 2015, it amounts to a total of EUR 9.2 mln.

A.4.5.2 Annual changes of financial assets designated at fair value on a recurring basis (level 3)

31 12 2015

	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	**483**	**-**	**361,897**	**-**	**-**	**-**
2. Increases	**-**	**-**	**35,644**	**-**	**-**	**-**
2.1 Purchase	-	-	9,540	-	-	-
2.2 Profit posted to:	-	-	22,105	-	-	-
2.2.1 Profit and Loss	-	-	34	-	-	-
- of which capital gains	-	-	34	-	-	-
2.2.2 Equity	X	X	22,071	-	-	-
2.3 Transfers from other levels	-	-	1,744	-	-	-
2.4 Other increases	-	-	2,255	-	-	-
3. Decreases	**483**	**-**	**137,246**	**-**	**-**	**-**
3.1 Sales	26	-	107,535	-	-	-
3.2 Redemptions	-	-	-	-	-	-
3.3 Losses posted to:	457	-	4,182	-	-	-
3.3.1 Profit and Loss	457	-	1,910	-	-	-
- of which capital losses	-	-	1,650	-	-	-
3.3.2 Equity	X	X	2,272	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	25,529	-	-	-
4. Closing balance	**-**	**-**	**260,295**	**-**	**-**	**-**

The amount shown in the column "Financial assets available for sale" under item "2.3 Transfers from other levels" totalling EUR 1.7 mln consists of: equity investments whose fair value, at the reporting date, has been determined using valuation techniques that are not market oriented, but are based on other non-market values (cost, equity, etc.), according to what is set forth in the internal policy on the matter.

The amount shown in the same column alongside item "3.5 Other decreases", amounting to EUR 25.5 mln, is primarily associated with the classification amongst non-current assets held for sale and discontinued operations of the investees "Visa Europe Limited."(EUR 21.1 mln) and Assofood S.p.A. (EUR 1.1 mln). In particular, the book value of "Visa Europe Limited." was revalued, as a contra-entry to the AFS reserve, taking into account the transaction price.

A.4.5.3 Annual changes of financial liabilities designated at fair value on a recurring basis (level 3)

31 12 2015

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**3,652**	**-**	**-**
2. Increases	**156**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	156	-	-
2.2.1 Profit and Loss	156	-	-
- of which capital losses	-	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from othe levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**3,723**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits posted to:	3,723	-	-
3.3.1 Profit and Loss	3,723	-	-
- of which capital gains	34	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**85**	**-**	**-**

A.4.5.4 Assets and liabilities not designated 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 2015				
	Book value	Level 1	Level 2	Level 3	Total Fair value
1. Financial assets held to maturity	-	-	-	-	-
2. Loans to banks	8,242,056	144,672	7,952,761	2,257	8,099,690
3. Loans to customers	111,366,383	48,953	1,829,586	113,338,828	115,217,367
4. Property, plant and equipment held for investment	431,366	-	-	496,573	496,573
5. Non-current assets and groups of assets held for sale	29,267	-	21,057	1,129	22,186
Total	**120,069,072**	**193,625**	**9,803,404**	**113,838,787**	**123,835,816**
1. Deposits from banks	17,493,110	-	17,502,641	-	17,502,641
2. Deposits from customers	87,806,329	-	87,810,731	-	87,810,731
3. Debt securities issued	29,394,436	15,786,961	13,056,510	-	28,843,471
4. Liabilities associated to disposal groups held for sale	-	-	-	-	-
Total	**134,693,875**	**15,786,961**	**118,369,882**	**-**	**134,156,843**

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	89,791,380	-	89,796,389	-	89,796,389
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	**147,894,490**	**17,588,687**	**129,010,427**	**1,349,908**	**147,949,022**

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

For non-performing exposures classified in fair value hierarchy level 3, it is assumed that the book value represents a reasonable approximation of fair value. This assumption is based on the circumstance that the fair value calculation is significantly influenced by recovery expectations, as subjectively assessed by the manager; the discounting rate applied is that set forth in the contract, as the low liquidity and competition of the non-performing loans market does not make it possible to survey observable market premiums.

Likewise, the fair value of non-performing receivables, also mostly classified in level 3, is based on models that use predominantly non-observable inputs (e.g., internal risk parameters).

Therefore, and also due to the absence of a secondary market, the fair value recognised in the financial statements for disclosure purposes only could vary significantly from sale prices.

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 balance sheet

ASSETS

LIABILITIES

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31 12 2015	Total 31 12 2014
a) Cash	990,473	915,725
b) Demand deposits with central banks	198,288	90,861
Total	**1,188,761**	**1,006,586**

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 2015				Total 31 12 2014*			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A.Balance sheet assets								
1. Debt securities	6,935,194	324,047	-	7,259,241	5,681,567	369,022	-	6,050,589
1.1 Structured securities	290	127,733	-	128,023	389	141,035	-	141,424
1.2 Other debt securities	6,934,904	196,314	-	7,131,218	5,681,178	227,987	-	5,909,165
2. Equity instruments	50,435	112	-	50,547	57,778	24	-	57,802
3.Units of UCITS	2,116	1,640	-	3,756	1,343	3,788	26	5,157
4. Loans	-	5,284,782	-	5,284,782	-	3,722,187	-	3,722,187
4.1 Repurchase agreements	-	5,284,782	-	5,284,782	-	3,689,284	-	3,689,284
4.2 Others	-	-	-	-	-	32,903	-	32,903
Total (A)	**6,987,745**	**5,610,581**	**-**	**12,598,326**	**5,740,688**	**4,095,021**	**26**	**9,835,735**
B. Derivatives								
1. Financial derivatives:	115,837	5,223,833	-	5,339,670	150,139	6,416,227	457	6,566,823
1.1 held for trading	115,837	5,189,866	-	5,305,703	150,139	6,375,877	457	6,526,473
1.2 fair value option	-	33,967	-	33,967	-	40,350	-	40,350
1.3 Others	-	-	-	-	-	-	-	-
2. Credit derivatives:	-	79,363	-	79,363	-	1,160,530	-	1,160,530
2.1 held for trading	-	79,363	-	79,363	-	526,230	-	526,230
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 Others	-	-	-	-	-	634,300	-	634,300
Total (B)	**115,837**	**5,303,196**	**-**	**5,419,033**	**150,139**	**7,576,757**	**457**	**7,727,353**
Total (A+B)	**7,103,582**	**10,913,777**	**-**	**18,017,359**	**5,890,827**	**11,671,778**	**483**	**17,563,088**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts 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 consolidated financial statements, which should therefore be referred to.

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.

Derivatives connected with fair value option instruments are also classified as derivative instruments: these cover the risks of funding designated at fair value arising from possible interest rate fluctuations and from any embedded options in fixed-rate and structured bonds issued by the Parent Company (natural and systematic hedging). The positive fair value of these derivatives is shown in the table in line "B.1-1.2 - Fair value option".

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 (loss) from financial assets and liabilities designated at fair value", in compliance with representations used for funding instruments that adopted the fair value option.

The amount of EUR 196.3 mln (228.0 as at 31 December 2014), reported on line "1.2 Other debt securities", in the level 2 column, includes senior and mezzanine exposures assumed by the Group with reference to third-party securitisation transactions, equal to EUR 65.8 mln (EUR 40.7 mln as at 31 December 2014) and EUR 1.1 mln (EUR 2.6 mln as at 31 December 2014), respectively. At the reporting date, there are no junior exposures (EUR 0.8 mln as at 31 December 2014).

The amount of EUR 634.3 mln, reported on line "2.3 Credit derivatives - Other" relating to the balance as at 31 December 2014, is entirely associated with the representation of the "Alexandria" transaction credit default swap as a synthetic derivative, as described in more detail in the section "*Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)*" which is referenced to for further details.

2.1.a Breakdown of debt securities: structured securities

Structured debt securities	Total 31 12 2015	Total 31 12 2014
Index Linked	12,911	24,466
Convertible	103	-
Equity Linked	12,553	17,112
Step - up, Step down	-	389
Reverse Floater	-	82
Commodity	32,447	32,260
Fund Linked	66,938	65,245
Other	3,071	1,870
Total	**128,023**	**141,424**

2.2 Financial assets held for trading: breakdown by borrower/issuer

Items/Amounts	Total 31 12 2015	Total 31 12 2014*
A. Balance sheet assets		
1. Debt securities	7,259,241	6,050,589
a) Governments and Central banks	6,640,065	5,142,478
b) Other public entities	74	4
c) Banks	461,678	660,293
d) Other issuers	157,424	247,814
2. Equity instruments	50,547	57,802
a) Banks	312	1,885
b) Other issuers:	50,235	55,917
- insurance companies	36	6,966
- financial companies	496	515
- non-financial companies	49,703	46,168
- other	-	2,268
3. Units of UCITS	3,756	5,157
4. Loans	5,284,782	3,722,187
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	658,180	256,820
d) Other entities	4,626,602	3,465,367
Total (A)	**12,598,326**	**9,835,735**
B. Derivatives		
a) Banks	2,863,433	3,876,032
b) Customers	2,555,600	3,851,321
Total (B)	**5,419,033**	**7,727,353**
Total (A+B)	**18,017,359**	**17,563,088**

** With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts 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 473.9 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 2015	Total 31 12 2014
Equity	14	-
Bonds	160	67
Balanced	-	-
Hedge Funds	-	2,234
Others	3,582	2,856
Total	**3,756**	**5,157**

The table adds details to line "A.3. Units of UCITS" of table 2.2 above.

Section 3 - Financial assets designated at fair value - Item 30

The tables for this section were not completed since the Parent Company has no financial assets designated at fair value to report for either the current or previous year.

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown

Items/Amounts	31 12 2015				31 12 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	16,393,702	341,997	136	16,735,835	17,720,980	503,570	103,211	18,327,761
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	16,393,702	341,997	136	16,735,835	17,720,980	503,570	103,211	18,327,761
2. Equity instruments	17,984	62,665	250,879	331,528	15,493	53,970	255,553	325,016
2..1 Designated at fair value	17,984	62,662	246,953	327,599	15,493	46,116	253,146	314,755
2.2. Carried at cost	-	3	3,926	3,929	-	7,854	2,407	10,261
3. Units of UCITS	828	113,725	9,280	123,833	360	119,768	3,133	123,261
4. Loans	-	-	-	-	-	-	-	-
Total	**16,412,514**	**518,387**	**260,295**	**17,191,196**	**17,736,833**	**677,308**	**361,897**	**18,776,038**

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

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, line 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.

At the reporting date, the aggregate does not include the Group's senior, mezzanine and junior exposures with reference to third party securitisation transactions.

4.2 Financial assets available for sale: breakdown by borrower/issuer

Items/Amounts	Total 31 12 2015	Total 31 12 2014*
1. Debt securities	**16,735,835**	**18,327,761**
a) Governments and Central banks	16,454,932	18,028,835
b) Other public entities	42,819	10,587
c) Banks	156,290	124,393
d) Other issuers	81,794	163,946
2. Equity instruments	**331,528**	**325,016**
a) Banks	215,020	215,211
b) Other issuers:	116,508	109,805
- insurance companies	368	761
- financial companies	22,428	23,326
- non-financial companies	93,712	85,717
- other	-	1
3. Units of UCITS	**123,833**	**123,261**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**17,191,196**	**18,776,038**

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

4.2.a Units of UCITS: breakdown by main categories

Categories/Amounts	Total 31 12 2015	Total 31 12 2014
Equity	-	-
Bonds	-	-
Balanced	-	-
Hedge Funds	10,563	4,853
Private Equity	107,107	116,855
Real estate	5,335	1,553
Other	828	-
Total	**123,833**	**123,261**

4.2.b Equity securities issued by entities classified as doubtful or unlikely to pay

Categories/Amounts	Total 31 12 2015	Total 31 12 2014
Equity securities issued by parties with doubtful status		
Gross exposure	20,704	20,704
Cumulative writedowns	19,077	19,077
Writedowns for the period	-	1,727
Net exposure	1,627	1,627
Equity securities issued by parties with unlikely to pay status		
Gross exposure	174,884	118,113
Cumulative writedowns	115,911	98,707
Writedowns for the period	21,788	18,739
Net exposure	58,973	19,406
Total net exposure	**60,600**	**21,033**

The main cumulative write-downs relating to equity securities issued by entities classified as unlikely to pay regard:

- Sorgenia S.p.A. (EUR 36.1 mln)
- Risanamento S.p.A. (EUR 11.6 mln)
- CISFI S.p.A (EUR 10.9 mln)
- Marina di Stabia S.p.A. (EUR 6.9 mln)
- S.T.B. S.p.A. (EUR 5.8 mln).

The main write-downs recognised during the year regard:

- RCR S.p.A. (EUR 5.3 mln)
- La Gardenia Beauty S.p.A. (EUR 4.0 mln)
- Comital Gestione Industrie S.p.A (EUR 3.6 mln)
- Panini S.p.A. (EUR 2.8 mln)
- Aedes S.p.A. (EUR 1.3 mln)
- TASCNH S.p.A (EUR 1.3 mln).

4.3 Financial assets available for sale: micro-hedged assets

Items/Amounts	Total 31 12 2015	Total 31 12 2014*
1. Financial assets subject to micro-hedging of fair value	**5,334,041**	**8,078,494**
a) interest rate risk	5,334,041	8,078,494
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	**5,334,041**	**8,078,494**

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

Section 5 - Financial assets held to maturity - Item 50

The tables for this section were not completed since the Parent Company 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 2015				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
A. Loans to central banks	**3,047,791**	**-**	**3,047,791**	**-**	**3,047,791**
1. Time deposits	19,000	X	X	X	X
2. Compulsory reserve	3,028,789	X	X	X	X
3. Reverse repurchase agreements	-	X	X	X	X
4. Others	2	X	X	X	X
B. Loans to banks	**5,194,265**	**144,672**	**4,904,970**	**2,257**	**5,051,899**
1. Loans	4,284,496	-	4,282,935	1,577	4,284,512
1.1 Current accounts and demand deposits	1,740,816	X	X	X	X
1.2 Time deposits	95,177	X	X	X	X
1.3 Other loans:	2,448,503	X	X	X	X
- Reverse repurchase agreements	319,261	X	X	X	X
- Finance leases	-	X	X	X	X
- Others	2,129,242	X	X	X	X
2. Debt securities	909,769	144,672	622,035	680	767,387
2.1 Securities	-	X	X	X	X
2.2 Other debt securities	909,769	X	X	X	X
Total	**8,242,056**	**144,672**	**7,952,761**	**2,257**	**8,099,690**

The item includes non-performing loans for an amount of EUR 1.8 mln (EUR 24.9 mln as at 31 December 2014).

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, at year end, amounted to EUR 3,028.8 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 Parent Company'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.

At the reporting date, the aggregate does not include the Group's senior, mezzanine and junior exposures with reference to third party securitisation transactions.

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. Other	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
- Other	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**

6.2 Loans to banks subject to micro-hedging

Type of transaction/Amounts	Total 31 12 2015	Total 31 12 2014
1. Loans subject to micro-hedging of fair value	**837,535**	**1,044,676**
a) interest rate risk	498,118	729,819
b) exchange risk	339,417	314,857
c) credit risk	-	-
d) multiple risks	-	-
2. Loans subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) others	-	-
Total	**837,535**	**1,044,676**

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 2015							
	Book value				Fair value			
	Performing	Non-performing		Total	Level 1	Level 2	Level 3	Total
		Purchased	Others					
Loans	**86,169,509**	**4,487**	**24,148,296**	**110,322,292**	**-**	**801,632**	**113,337,780**	**114,139,412**
1. Current accounts	7,650,372	440	3,936,483	11,587,295	X	X	X	X
2. Reverse repurchase agreements	4,685,976	-	-	4,685,976	X	X	X	X
3. Mortgages	52,453,411	3,958	14,977,905	67,435,274	X	X	X	X
4. Credit cards, personal loans and fifth-of-salary backed loans	1,680,994	-	187,403	1,868,397	X	X	X	X
5. Finance lease	3,162,585	-	1,112,518	4,275,103	X	X	X	X
6. Factoring	707,292	-	145,575	852,867	X	X	X	X
7. Other transactions	15,828,879	89	3,788,412	19,617,380	X	X	X	X
of which: leased assets under construction	*157,230*	-	*36,364*	*193,594*	X	X	X	X
Debt securities	**1,043,043**	**-**	**1,048**	**1,044,091**	**48,953**	**1,027,954**	**1,048**	**1,077,955**
8. Structured securities	-	-	-	-	X	X	X	X
9. Other debt securities	1,043,043	-	1,048	1,044,091	X	X	X	X
Total	**87,212,552**	**4,487**	**24,149,344**	**111,366,383**	**48,953**	**1,829,586**	**113,338,828**	**115,217,367**

'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.

The securities portfolio also includes bonds not listed in active markets issued mainly by regional public bodies, e.g. municipal bonds (it.: buoni ordinari comunali, BOC).

According to the Bank of Italy's definitions, the "Non-performing" column, broken down into "Purchased" and "Others", includes doubtful, unlikely to pay and loans more than 90 days past due, recognised 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").

At the reporting date, the aggregate does not include the Group's senior, mezzanine and junior exposures with reference to third party securitisation transactions.

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**

With respect to the “Nomura/Alexandria” transaction, please note that, as at 31 December 2014, line “2. Reverse repurchase agreements” included the repo facility for an amount of EUR 1,967.5 mln and line “7. Other loans” included EUR 2,210.6 mln in cash collateral pledged in favour of the same counterparty in relation to the transaction, closed on 23 September 2015 based on a settlement agreement (see press release of 23 September 2015).

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Amount	31 12 2015			
	Performing	Non-performing		Total
		Purchased	Others	
1. Debt securities:	**1,043,043**	**-**	**1,048**	**1,044,091**
a) Governments	144,857	-	-	144,857
b) Other public entities	254,645	-	-	254,645
c) Other issuers	643,541	-	1,048	644,589
- non-financial companies	-	-	1,048	1,048
- financial companies	188,382	-	-	188,382
- insurance companies	455,159	-	-	455,159
- others	-	-	-	-
2. Loans to:	**86,169,509**	**4,487**	**24,148,296**	**110,322,292**
a) Governments	731,585	-	230	731,815
b) Other public entities	2,306,703	-	2,965	2,309,668
c) Other entities	83,131,221	4,487	24,145,101	107,280,809
- non-financial companies	45,399,545	2,911	20,423,337	65,825,793
- financial companies	7,714,546	-	528,203	8,242,749
- insurance companies	19,158	-	1	19,159
- others	29,997,972	1,576	3,193,560	33,193,108
Total	**87,212,552**	**4,487**	**24,149,344**	**111,366,383**

Type of transaction/Amount	31 12 2014			
	Performing	Non-performing		Total
		Purchased	Others	
1. Debt securities:	**1,041,822**	**-**	**634**	**1,042,456**
a) Governments	152,769	-	-	152,769
b) Other public entities	195,932	-	-	195,932
c) Other issuers	693,121	-	634	693,755
- non-financial companies	12,242	-	-	12,242
- financial companies	214,953	-	-	214,953
- insurance companies	465,926	-	-	465,926
- others	-	-	634	634
2. Loans to:	**95,491,272**	**5,108**	**23,137,296**	**118,633,676**
a) Governments	817,971	-	16	817,987
b) Other public entities	2,420,596	-	24,653	2,445,249
c) Other entities	92,252,705	5,108	23,112,627	115,370,440
- non-financial companies	48,173,138	3,483	19,431,463	67,608,084
- financial companies	10,355,460	-	280,855	10,636,315
- insurance companies	26	-	6	32
- others	33,724,081	1,625	3,400,303	37,126,009
Total	**96,533,094**	**5,108**	**23,137,930**	**119,676,132**

7.3 Loans to customers: micro-hedged assets

Type of transaction/Amount	Total 31 12 2015	Total 31 12 2014
1. Loans subject to micro-hedging of fair value	**402,885**	**467,945**
a) interest rate risk	402,885	467,945
b) exchange risk	-	-
c) credit risk	-	-
d) multiple risks	-	-
2. Loans subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**402,885**	**467,945**

7.4 Finance leases

7.4.a Reconciliation of future minimum payments receivable and finance leases

31 12 2015

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	235,081	781,419	1,016,500	183,263	964,682	*19,639*
From 1 to 5 years	-	1,523,676	1,523,676	518,151	2,041,827	*89,517*
Over 5 years	-	2,095,082	2,095,082	460,575	2,555,657	*593,314*
Indefinite useful life	735,810	-	735,810	-	-	-
Total	**970,891**	**4,400,177**	**5,371,068**	**1,161,989**	**5,562,166**	**702,470**
Value adjustments	(739,033)	(356,932)	(1,095,965)	-	(356,932)	-
Loans and advances in the balance sheet			**4,275,103**			

Section 8 - Hedging derivatives - Item 80

8.1 Hedging derivatives: breakdown by type of contract and underlying asset

	Fair value 31 12 2015				NV
	Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**556,425**	**-**	**556,425**	**16,608,084**
1) Fair value	-	551,684	-	551,684	16,549,521
2) Cash flows	-	4,741	-	4,741	58,563
3) Foreign investments	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flows	-	-	-	-	-
Total	**-**	**556,425**	**-**	**556,425**	**16,608,084**

Legend

NV = Notional or Nominal Value

The table displays the positive book value (fair value) of hedging derivatives for hedges carried out through hedge accounting, used to manage hedges of all financial assets and financial liabilities other than 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".

	Fair value 31 12 2014				NV
	Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**612,957**	**-**	**612,957**	**14,515,489**
1) Fair value	-	612,957	-	612,957	14,515,489
2) Cash flows	-	-	-	-	-
3) Foreign investments	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flows	-	-	-	-	-
Total	**-**	**612,957**	**-**	**612,957**	**14,515,489**

Legend

NV = Notional or Nominal Value

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging

Transaction/Type of hedge	Fair Value						Cash Flows		Foreign Investments	Total 31 12 2015
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	Risk Rate	Risk Exchange	Risk Credit	Risk Price	Multiple Risks					
1. Financial assets available for sale	30,547	-	-	-	-	X	-	X	X	30,547
2. Loans and receivables	-	-	-	-	-	X	-	X	X	-
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	**30,547**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,547**
1. Financial liabilities	508,977	-	-	-	12,160	X	4,741	X	X	525,878
2. Portfolio	X	X	X	X	X	-	X	-	X	-
Total liabilities	**508,977**	**-**	**-**	**-**	**12,160**	**-**	**4,741**	**-**	**-**	**525,878**
1. Expected transactions	X	X	X	X	X	X	-	X	X	-
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-	-
Total	**539,524**	**-**	**-**	**-**	**12,160**	**-**	**4,741**	**-**	**-**	**556,425**

The table shows the positive 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 variable-rate 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.

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 2015	Total 31 12 2014
1. Positive changes	**139,582**	**178,613**
1.1 of specific portfolios:	139,582	178,613
a) loans and receivables	139,582	178,613
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	**139,582**	**178,613**

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 macro-hedge, any gain or loss on the hedged item attributable to the risk hedged may not directly adjust the value of said item (unlike in micro-hedging), 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 2015	Total 31 12 2014
1. Loans and receivables	1,418,025	1,658,424
2. Assets available for sale	-	-
3. Portfolio	-	-
Total	**1,418,025**	**1,658,424**

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.

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	Share holding %	
A. Companies under joint control						
Immobiliare Novoli S.p.a.	Florence	Florence	7	Banca Monte dei Paschi di Sier	50.000	-
Integra S.p.a.	Calenzano (FI)	Calenzano (FI)	7	Banca Monte dei Paschi di Sier	50.000	-
Marinella S.p.a.	Marinella di Sarzana (SP)	Marinella di Sarzana (SP)	7	Banca Monte dei Paschi di Sier	25.000	-
B. Companies under significant influence						
Aereoporto di Siena S.p.a. (in liquidazione)	Siena	Siena	8	Banca Monte dei Paschi di Sier	21.380	-
Axa Mps Assicurazioni Danni S.p.a.	Rome	Rome	8	Banca Monte dei Paschi di Sier	50.000	-
Axa Mps Assicurazioni Vita S.p.a.	Rome	Rome	8	Banca Monte dei Paschi di Sier	50.000	-
Casalboccone Roma S.p.a. (in liquidazione)	Siena	Siena	8	Banca Monte dei Paschi di Sier	21.750	33.675
EDI.B. S.p.a. (in liquidazione)*	Gubbio (PG)	Gubbio (PG)	8	Banca Monte dei Paschi di Sier	18.052	-
Fabrica Immobiliare SGR S.p.a. **	Rome	Rome	8	Banca Monte dei Paschi di Sier	49.990	
Fenice Holding S.p.a.	Calenzano (FI)	Calenzano (FI)	8	Banca Monte dei Paschi di Sier	4.156	-
				MPS Capital Services S.p.a.	16.383	-
Fidi Toscana S.p.a.	Florence	Florence	8	Banca Monte dei Paschi di Sier	27.460	-
Firenze Parcheggi S.p.a.	Florence	Florence	8	Banca Monte dei Paschi di Sier	16.807	-
Fondo Etrusco Distribuzione	Rome	Rome	8	Banca Monte dei Paschi di Sier	48.000	-
Fondo Minibond PMI Italia	Conegliano (TV)	Conegliano (TV)	8	Banca Monte dei Paschi di Sier	71.630	-
Fondo Socrate	Rome	Rome	8	Banca Monte dei Paschi di Sier	23.140	-
Industria e Innovazione S.p.a.	Milan	Milan	8	Banca Monte dei Paschi di Sier	7.107	-
Intermonte SIM S.p.a.	Milan	Milan	8	Banca Monte dei Paschi di Sier	17.410	-
Interporto Toscano A.Vespucci S.p.a.	Collesalvetti (LI)	Collesalvetti (LI)	8	Banca Monte dei Paschi di Sier	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 Sier	20.000	-
Microcredito di Solidarietà S.p.a.	Siena	Siena	8	Banca Monte dei Paschi di Sier	40.000	-
Nuova Sorgenia Holding S.p.a.***	Milan	Milan	8	Banca Monte dei Paschi di Sier	16.670	-
NewColle S.r.l.	Colle V.Elsa (SI)	Colle V.Elsa (SI)	8	Banca Monte dei Paschi di Sier	49.002	-
Realizzazioni e Bonifiche Arezzo S.p.a. (in liquidazione)	Arezzo	Arezzo	8	Banca Monte dei Paschi di Sier	19.584	-
Sansedoni Siena S.p.a.	Siena	Siena	8	Banca Monte dei Paschi di Sier	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 Sier	19.969	-
Trixia S.r.l.	Milan	Milan	8	Banca Monte dei Paschi di Sier	15.000	
Terme di Chianciano S.p.a.	Chianciano T. (SI)	Chianciano T. (SI)	8	Banca Monte dei Paschi di Sier	19.704	-
				MPS Capital Services S.p.a.	28.072	-
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	-

Type of relationship:
7 joint control
8 significant influence

** The investee EDIB. S.p.A (in liquidation) was struck off the Register of Companies in January 2016 following the completion of the liquidation procedure.*

*** As at 31 December 2015, the investment in Fabrica Immobiliare SGR S.p.A. was classified under non-current assets held for sale and discontinued operations.*

**** The portion pertaining to the Group in application of the equity method amounts to 22.24%, given the set of risks and benefits connected with the exposure to Sorgenia S.p.A.*

For further details on changes, see comments to table “10.5 - 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 2015	31 12 2014		
A. Companies under joint control				
Marinella S.p.a.		9,288		
Immobiliare Novoli S.p.a.	8,179	4,593		
B. Companies under significant influence				
Alerion Cleanpower S.p.a.	-	7,758	-	-
Anima Holding S.p.a.	-	95,631	-	-
Antoniana Veneta Popolare Vita S.p.a.	-	7,396	-	-
Axa Mps Assicurazioni Danni S.p.a.	56,802	47,575	-	3,705
Axa Mps Assicurazioni Vita S.p.a.	658,114	652,022	-	108,110
Fabrica Immobiliare SGR S.p.a.	-	4,568	-	1,652
Fidi Toscana S.p.a.	45,634	45,666	-	-
Firenze Parcheggi S.p.a.	4,556	-	-	-
Fondo Etrusco	62,886	63,658	-	4,560
Fondo Minibond PMI Italia	40,341	40,000	-	-
Fondo Socrate	11,873	12,035	13,305	385
Intermonte SIM S.p.a.	16,674	16,464	-	3,200
Total	**905,059**	**1,006,654**	**13,305**	**121,612**

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														
Immobiliare Novoli S.p.a.	-	4	169,685	142,366	10,965	9,330	(3,277)	-	(3,214)	(3,788)	-	(3,788)	-	(3,788)
B. Companies under significant influence														
Axa Mps Assicurazioni Danni S.p.a.	X	476,217	67,485	361,645	73,083	180,165	X	X	38,556	24,134	-	24,134	1,730	25,864
Axa Mps Assicurazioni Vita S.p.a.	X	16,491,824	1,128,307	15,526,561	902,700	2,488,653	X	X	351,697	308,829	-	308,829	2,558	311,387
Fidi Toscana S.p.a.	X	244,467	86,503	-	164,785	16,510	X	X	2,647	1,787	-	1,787	(2,561)	(774)
Fondo Etrusco	X	1,520	218,377	76,279	1,108	11,226	X	X	7,892	7,892	-	7,892	-	7,892
Fondo Minibond PMI Italia	X	58,511	765	-	206	2,143	X	X	440	440	-	440	-	440
Fondo Socrate	X	11,405	136,342	20,790	2,319	4,571	X	X	962	962	-	962	-	962
Intermonte SIM S.p.a.	X	315,637	32,248	236,361	17,060	45,743	X	X	21,892	15,169	-	15,169	-	15,169

10.3a – Reconciliation of accounting information with book value

	IMMOBILIARE NOVOLI S.P.A.	AXA MPS ASSICURAZIONI DANNI S.P.A	AXA MPS ASSICURAZIONI VITA S.P.A.	FIDI TOSCANA S.P.A.	FONDO ETRUSCO DISTRIBUZIONE	FONDO MINIBOND PMI ITALIA	FONDO SOCRATE	INTERMONTE SIM S.P.A.
Shareholding	50.00%	50.00%	50.00%	27.46%	48.00%	71.63%	23.14%	17.41%
Cash and cash equivalents	-	X	X	X	X	X	X	X
Financial assets	4	476,217	16,491,824	244,467	1,520	58,511	11,405	315,637
Non-financial assets	169,685	67,485	1,128,307	86,503	218,377	765	136,342	32,248
Fianlcial liabilities	142,366	361,645	15,526,561	-	76,279	-	20,790	236,361
Non-financiale liabilities	10,965	73,083	902,700	164,785	1,108	206	2,319	17,060
Shareholders'equity (100%)	16,358	108,973	1,190,870	166,185	142,510	59,070	124,638	94,464
Group shareholding	8,179	54,487	595,435	45,634	68,405	42,312	28,841	16,446
Cancellation of unrealised intragoup profit/loss	-	-	56,885	-	-	-	-	-
Goodwill	-	2,316	46,796	-	-	-	-	-
Value adjustments	-	-	-	-	-	-	-	-
Other increases/decreases	-	(1)	(41,002)	-	(5,519)	(1,971)	(16,968)	228
Book value of Associate company as at 31 12 2015	8,179	56,802	658,114	45,634	62,886	40,341	11,873	16,674
Book value as at 31 12 2014	4,593	47,575	652,022	45,666	63,658	40,000	12,035	16,464
Profit (loss) for the year	(3,788)	24,134	308,990	1,787	7,892	440	962	15,169
Other comprehensive income after tax	-	1,730	2,558	(2,561)	-	-	-	-
Comprehensive income attributable to the Group	(1,894)	12,932	155,774	(213)	3,788	315	223	2,641
Dividends	-	(3,705)	(108,110)	-	(4,560)	-	(385)	(3,200)
Value/adjustments and writebacks	-	-	-	-	-	-	-	-
Other changes	5,480	-	(41,572)	181	-	26	-	769
Book value of Associate company as at 31 12 2015	8,179	56,802	658,114	45,634	62,886	40,341	11,873	16,674

For the investment in Firenze Parcheggi S.p.a.. the reconcilaition between the accounting information and the book value of the equity investments is not provided sice, at the date of the financial statements, a signigicant relationship had been determined with initial recognition at cost under item "Equity investments"

10.3b - Significant equity investments: information on business

Company name	Type of business
Companies under significant influence	
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.
Fidi Toscana S.p.a.	A Tuscan financial company which aims to facilitate access to credit for small and medium businesses
Fondo Etrusco Distribuzione	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
Firenze Parcheggi S.p.A	Company that manages and coordinates the parking in Florence

The associated companies Axa MPS Assicurazione Danni S.p.A and Axa Mps Assicurazioni Vita S.p.A. are strategic for the Group.

10.4 Non-significant equity investments: accounting information

	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	926	77,367	50,553	2,941	(12,179)	-	(12,179)	-	(12,179)
B. Companies under significant influence	2,379	612,357	650,449	76,841	(45,621)	(1,735)	(47,356)	-	(47,356)

10.5 Equity investments: annual changes

	Total 31 12 2015	Total 31 12 2014
A. Opening balance	**1,013,899**	**970,378**
B. Increases	**150,353**	**299,501**
B.1 Purchases	-	2,194
B.2 Write-backs	-	23,711
B.3 Revaluations	-	-
B.4 Other increases	150,353	273,596
C. Decreases	**255,887**	**255,980**
C.1 Sales	110,800	71,230
C.2 Write-downs	10,137	47,087
C.4 Other decreases	134,950	137,663
D. Closing balance	**908,365**	**1,013,899**
E. Total revaluation	-	-
F. Total write-downs	**111,200**	**172,172**

Below are the main changes in the course of the year.

Among increases:

- in line B.4 "Other increases": EUR 102.6 mln in profits from associates and the reclassification among entities under significant influence, for a total of EUR 4.5 mln, of the Firenze Parcheggi S.p.a. equity investment, previously classified under assets available for sale.

Among decreases:

- in line C.1 "Sales": the disposal of the shareholdings in the associated companies Alerion Cleanpower S.p.a., Anima Holding S.p.a., Antoniana Veneta Popolare Vita S.p.a. and Prima Holding 2 S.p.a. (in liquidation);
- in line C.3 "Other decreases": dividends from associated companies for EUR 121.6 mln and the reclassification of the associated company Fabrica Immobiliare SGR S.p.A. to "Non-current assets held for sale and discontinued operations", for EUR 5.6 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.

As regards the equity investments in the associates Axa MPS Danni and Axa MPS Vita, an analysis on key impairment indicators has not identified elements indicating that impairment tests should be performed.

Reported below is the main embedded goodwill:

Embedded goodwill	31 12 2015	31 12 2014
Axa Mps Assicurazioni Vita S.p.A.	46,796	46,796
Axa Mps Assicurazioni Danni S.p.A.	2,316	2,316
Anima Holding S.p.A.	-	25,621
Others	712	790
Total	**49,824**	**75,523**

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 aggrement is in place providing for participation in the management of the investee's business throught the presence in 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 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 2015; if these are not available, the valuation is carried out on the basis of the interim report at 30 September 2015.

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 2015	31 12 2014
1. Assets owned	**2,286,047**	**2,347,154**
a) land	817,623	822,625
b) buildings	1,182,146	1,218,460
c) furniture and furnishings	158,242	162,643
d) electronic systems	72,206	87,661
e) other	55,830	55,765
2. Assets leased	24,310	-
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	24,310	-
e) other	-	-
Total	**2,310,357**	**2,347,154**

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 income statement for the year; disclosure of these impairment losses is provided in the notes to tables "12.5 Property, plant and equipment used in the business: annual changes".

Item 1 "Assets owned –c) furnishings" includes artworks whose value amounts to EUR 121 mln.

12.2 Property, plant and equipment held for investment: breakdown of assets valued at cost

Asset/Amount	31 12 2015				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
1. Assets owned	**431,366**	**-**	**-**	**496,573**	**496,573**
a) land	185,629	-	-	203,747	203,747
b) buildings	245,737	-	-	292,826	292,826
2. Assets leased	**-**	-	-	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total	**431,366**	**-**	**-**	**496,573**	**496,573**

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 income statements for the year; disclosure of these impairment losses is provided in the notes to table"12.6 Property, plant and equipment held for investment: annual changes".

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**

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: annual changes

	Land	Buildings	Furniture and furnishings	Electronic systems	Others	Total 31 12 2015
A. Gross opening balance	**835,619**	**1,413,437**	**503,701**	**651,651**	**430,265**	**3,834,673**
A.1 Total net decrease	12,993	194,976	341,058	563,992	374,500	1,487,519
A.2 Net opening balance	**822,626**	**1,218,461**	**162,643**	**87,659**	**55,765**	**2,347,154**
B. Increases	**2,908**	**13,165**	**11,705**	**51,386**	**14,395**	**93,559**
B.1 Purchases	-	502	11,702	51,368	14,180	77,752
B.2 Capitalized expenditure on improv	-	1,001	-	-	-	1,001
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	3	-	21	24
B.6 Transfers from properties held for investment	2,904	3,812	-	-	-	6,716
B.7 Other increases	4	7,850	-	18	194	8,066
C. Decreases	**7,910**	**49,478**	**16,106**	**42,531**	**14,331**	**130,356**
C.1 Sales	1,261	1,459	5,049	63	18	7,850
C.2 Depreciation	-	43,037	11,033	42,133	14,313	110,516
C.3 Impariment losses booked to:	4,267	839	-	-	-	5,106
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	4,267	839	-	-	-	5,106
C.4 Decreases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	143	-	143
C.6 Transfer to:	1,189	2,346	-	-	-	3,535
a) tangible asset held for investment	1,153	2,266	-	-	-	3,419
b) assets held for sale	36	80	-	-	-	116
C.7 Other decreases	1,193	1,797	24	192	-	3,206
D. Net closing balance	**817,624**	**1,182,148**	**158,242**	**96,514**	**55,829**	**2,310,357**
D.1 Total net decreases	17,261	238,681	351,733	596,840	389,774	1,594,289
D.2 Gross closing balance	**834,885**	**1,420,829**	**509,975**	**693,354**	**445,603**	**3,904,646**
E. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

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.

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 5.1 mln being recognised in the balance sheet as at 31 December 2015. In addition, EUR 51.3 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 2015		
	Lands	Builiding	Total
A. Opening balance	**188,368**	**251,561**	**439,929**
B Increases	**2,211**	**9,145**	**11,356**
B.1 Purchases	-	-	-
B.2 Capitalized expenditure on improvements	-	4,831	4,831
B.3 Increases in fair value	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfers from property used in the business	1,153	2,266	3,419
B.7 Other increases	1,058	2,048	3,106
C. Decreases	**4,950**	**14,969**	**19,919**
C.1 Sales	440	479	919
C.2 Depreciation	-	9,443	9,443
C.3 Decreases in fair value	-	-	-
C.4 Impairment losses	1,208	669	1,877
C.5 Negative exchange differences	-	-	-
C.6 Transfers to other asset potfolios	3,298	4,378	7,676
a) properties used in the business	2,904	3,811	6,715
b) non-current assets held for sale	394	567	961
C.7 Other decreases	4	-	4
D. Closing balance	**185,629**	**245,737**	**431,366**
E. Designated at fair value	**203,747**	**292,826**	**496,573**

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 1.9 mln being recognised in the balance sheet as at 31 December 2015. In addition, EUR 65.0 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%

The percentages used for carrying out the depreciations with reference to the main categories of property, plant and equipment are presented in the table. Owing to their indefinite useful life, lands and artworks are not depreciated.

Section 13 - Intangible assets - Item 130

13.1 Intangible assets: breakdown by type

Asset / Amount	31 12 2015			31 12 2014		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**X**	**7,900**	**7,900**	**X**	**7,900**	**7,900**
A.1.1 group	X	7,900	7,900	X	7,900	7,900
A.1.2 minorities	X	-	-	X	-	-
A.2 Other intangible assets	**392,203**	**-**	**392,203**	**433,793**	**-**	**433,793**
A.2.1 Assets carried ad cost	392,203	-	392,203	433,793	-	433,793
a) internally generated intangible assets	72,587	-	72,587	82,092	-	82,092
b) other assets	319,616	-	319,616	351,701	-	351,701
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**392,203**	**7,900**	**400,103**	**433,793**	**7,900**	**441,693**

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.

In preparing of the 2015 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 did not result in any impairment losses.

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 69.5 mln, from the fair value measurement of on-demand funding (current accounts and savings deposits),
  - core overdrafts totalling EUR 18 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 4.3 mln, arising from the fair value measurement of AUM and AUC,
- purchase of software from third parties for an amount of EUR 227.8 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 72.6 mln, the software total recognised in the consolidated financial statement amounts to EUR 300.4 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 main capitalised assets to check for impairment. This analysis did not result in the identification of significant impairment losses.

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 balance sheet 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 2014, 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 presented in the financial statement and therefore with 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, "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.

In particular, the three CGUs have the following scope of business:

1. "**CGU - Consumer**" is composed of:
   - retail customers from BMPS branches;
   - typically private customers of BMPS as well as other private clients from other Group entities.
2. "**CGU - Corporate**", composed of typically corporate clients of BMPS 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 company established to relaunch the presence of MPS in direct channels, which has also been assigned the Financial Advisory Network.

The Group's remaining goodwill tested for impairment amounts to EUR 8 mln and is entirely allocated to the Financial Advisory and Digital Banking CGU. These figures reflect the write-downs of more than EUR 6.5 bn carried out in the previous years.

In fact, it is noted that, since the Consumer and Corporate CGUs have no allocated goodwill, they were not tested for impairment.

3) Determination of the recoverable value of the CGU

The Group's goodwill as at 31 December 2015 was tested for impairment by identifying the recoverable amount of the Financial Advisory and Digital Banking CGU as the value in use.

The recoverable amount of the CGU 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 2015 preliminary data, 2016 budget data and the newest projections contained in the 2016-2018 RAF, which update the financial targets for 2016 and 2017 set out in the 2013-2017 Restructuring Plan and Business Plan, which the Bank currently remains formally committed to achieving towards both the competent Authorities and the Stakeholders.

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 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").

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 comparable risk characteristics. This rate was estimated to be 11.3% 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 1.7% 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), equivalent to 1.21 (adjusted beta of the Banca MPS ordinary share, source: Bloomberg).

R_m - R_f = risk premium required by the market which, in line with assessment practices, is set at 5.81%.

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 by discounting future distributable cash flows.

   Cash flows of the Widiba CGU have been determined on the basis of the CGU's estimated net profit inferred from the analysis of the projections mentioned previously:

   - a target supervisory ratio of 8%, taking into account the characteristics of Widiba's business;
   - the CGU's cost of capital equal to 11.30%, determined using the method described above;
   - a long-term growth rate of 1.5%.

The main parameters - reflective of the most recent market conditions - used to determine the recoverable amount of the Financial Advisory and Digital Banking CGU as at 31 December 2015 are shown below.

	Measurement criteria		
	k_e	g	capital ratio
Financial Advisory and Digital Banking CGU	11.3%	1.5%	8%

4) Impairment test results

The results in Euro/mln of the impairment test performed on the Financial Advisory and Digital Banking CGU on the basis of the multiple scenario analysis are presented below.

	Book value	**Recoverable value**	**Delta**
Financial Advisory and Digital Banking	79	188	109

In conclusion, the impairment test on goodwill did not bring to light impairment losses for the Financial Advisory and Digital Banking CGU, as the recoverable value is higher than the book value by EUR 109 mln.

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 2015
A Opening balance	**6,605,132**	**401,442**	**-**	**1,627,947**	**-**	**8,634,521**
A.1 Total net decreases	6,597,232	319,350	-	1,276,246	-	8,192,828
A.2 Net opening balance	7,900	82,092	-	351,701	-	441,693
B. Increases	**-**	**15,534**	**-**	**63,407**	**-**	**78,941**
B.1 Purchases	-	15,534	-	63,335	-	78,869
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	-	-	-	36	-	36
B.6 Other increases	-	-	-	36	-	36
C. Decreases	**-**	**25,039**	**-**	**95,492**	**-**	**120,531**
C.1 Sales	-	-	-	322	-	322
- Disposals and one-off transactions	-	-	-	-	-	-
C.2 Write-downs	-	25,039	-	91,592	-	116,631
- Depreciation	-	24,988	-	91,434	-	116,422
- Write-downs	-	51	-	158	-	209
+ net equity	-	-	-	-	-	-
+ profit and loss	-	51	-	158	-	209
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	-	-	-	3,578	-	3,578
D. Net closing balance	**7,900**	**72,587**	**-**	**319,616**	**-**	**400,103**
D.1 Total net value adjustments	6,597,232	344,388	-	1,365,795	-	8,307,415
E. Gross closing balance	**6,605,132**	**416,975**	**-**	**1,685,411**	**-**	**8,707,518**
F. Carried at cost	-	-	-	-	-	-

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%	4 years
Core deposits - deposit	6.70%	8 years
Core overdraft	9.10%	4 years
Assets under management	11.10%	2 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 2015 there were no:

- revalued intangible fixed assets;
- intangible fixed assets acquired through government concessions (IAS 38, par. 4);
- 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 2015	31 12 2014*
Receivables (including securitisations)	68,351	-	-	-	68,351	79,012
Receivables (L. 214/2011)	1,148,344	-	150,326	-	1,298,670	3,080,971
Other financial instruments	1,735	-	9,713	-	11,448	11,486
Goodwill deduction pursuant to previous law provisions (L. 214/2011)	790,625	3,405	207,705	741	1,002,476	1,205,613
Tangible assets	71,054	-	8,476	-	79,530	80,685
Intangible assets	1,738	-	257	-	1,995	645
Intangible assets (Law 214/2011)	64,681	-	12,852	-	77,533	105,838
Personnel expenses	13,585	19,211	8,134	-	40,930	39,260
ACE surplus	24,757	-	-	-	24,757	77,079
Tax losses	281,497	31,299	11	-	312,807	394,227
Tax losses (Law 214/2011)	10,794	-	-	-	10,794	12,358
Financial instruments - valuation reserves	-	173,431	-	33,948	207,379	330,225
Others	313,464	72,082	14,829	965	401,340	428,800
Deferred tax assets (gross)	**2,790,625**	**299,428**	**412,303**	**35,654**	**3,538,010**	**5,846,199**
Offsetting with deferred tax liabilities	(67,697)	(125,650)	(5,102)	(26,154)	(224,603)	(303,347)
Deferred tax assets (net)	**2,722,928**	**173,778**	**407,201**	**9,500**	**3,313,407**	**5,542,852**

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

Deferred tax assets were recognised after verifying the existence of foreseeable future income (probability test). For additional information, please refer to paragraph 14.7 "Other information" below.

The line "Financial instruments - valuation reserves" includes tax assets relating to the valuation of cash flow hedge derivatives, financial instruments classified in portfolios of financial assets available for sale and those originally in the portfolio of financial assets available for sale 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 and those on accessory costs of the share capital increase deductible over five years.

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 2015	Total 31 12 2014
Capital gains to be divided into installments	-	842	-	-	842	1,262
Tangible and intangible assets	209	-	185	-	394	1,094
Financial instruments	67,527	43,086	8,801	6,145	125,559	194,632
Personnel expenses	735	-	2	-	737	549
Financial instruments - valuation reserves	-	116,950	-	24,429	141,379	155,926
Others	7,481	8,677	759	1,688	18,605	15,933
Deferred tax liabilities (gross)	**75,952**	**169,555**	**9,747**	**32,262**	**287,516**	**369,396**
Offsetting with deferred tax assets	(67,697)	(125,650)	(5,102)	(26,154)	(224,603)	(303,347)
Deferred tax liabilities (net)	**8,255**	**43,905**	**4,645**	**6,108**	**62,913**	**66,049**

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" and those originally in the portfolio of financial assets available for sale and reclassified in 2008 in the "loans to customers" and "loans to banks" portfolios, as well as tax liabilities relating to cash flow hedge derivatives.

14.3 Deferred tax assets: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2015	Total 31 12 2014*
1. Opening balance	**5,388,893**	**3,642,585**
2. Increases	**306,061**	**2,772,615**
2.1 Deferred tax assets arising during the year	270,941	2,644,011
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) write-backs	-	-
d) other	270,941	2,644,011
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	35,120	128,604
3. Decreases	**2,492,026**	**1,026,307**
3.1 Deferred tax assets derecognised during the year	227,216	186,402
a) reversals	198,912	186,402
b) write-downs of non-recoverable items	-	-
c) changes in accounting principles	-	-
d) other	28,304	-
3.2 Reduction in tax rates	573	-
3.3 Other decreases	2,264,237	839,905
a) conversion into tax credits pursuant to Law no. 214/2011	2,167,130	767,411
b) others	97,107	72,494
4. Total	**3,202,928**	**5,388,893**

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

Major components 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 (25%) and carried over to the subsequent years, and taxes relating to provisions to the reserve for risks and charges made during the year.

"Deferred tax assets derecognised during the year", in line 3.1. letter a) include the uses of excess ACE accrued in previous years and uses of funds allocated and taxed in previous years.

With regard to the decrease pursuant to line 3.3 a), please refer to the comments to the subsequent table "14.3.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to profit and loss)".

14.3.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to profit and loss)

Items/Amounts	Total	
	31 12 2015	31 12 2014
1. Opening balance	**4,400,292**	**3,108,389**
2. Increases	**174,932**	**2,113,677**
3. Decreases	**2,189,897**	**821,774**
3.1 Reversals	-	28,390
3.2 Conversion into tax credits	2,167,130	767,411
a) arising from loss for the period	2,154,772	753,597
b) arising from tax losses	12,358	13,814
3.3 Other decreases	22,767	25,973
4. Closing balance	**2,385,327**	**4,400,292**

As a result of the loss recorded in the separate statutory financial statements for 2014, in 2015, the Parent Company and the subsidiaries MPS Capital Services, MPS Leasing & Factoring and Widiba transformed into tax credits a portion of the deferred taxes assets relating to goodwill, other intangible assets and loan writedowns, pursuant to art. 2, par. 55 of Law Decree no. 225 of 29 December 2010 (converted with amendments by Law no. 10 of 26 February 2011).

This conversion has been in effect for each of the companies cited above as of the date of approval of the respective 2014 separate financial statements by the Shareholders' Meeting in April 2015. For the Parent Company, the conversion involved the amount highlighted in this table on line 3.2 a) as well as deferred tax assets with offsetting entry to equity, as represented in table 14.5.1. below.

In 2015, MPS Capital Services, MPS Leasing & Factoring and Consorzio Operativo of the MPS Group have also converted tax losses into tax credits in the total amount reported on line 3.2 b). This conversion, carried out pursuant to art. 2, par. 56-bis of Law Decree no. 225 of 29 December 2010, became effective with the submission of the respective income tax returns for 2014.

Line "2. Increases" shows increases recorded in 2015 in DTAs pursuant to Law 214/2011, relating to write-downs and losses on receivables not deductible in the year (25%) and carried over to subsequent years.

14.4 Deferred tax liabilities: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2015	Total 31 12 2014
Opening balance	**199,834**	**185,059**
2. Increases	**15,606**	**68,288**
2.1 Deferred tax liabilities arising during the year	6,168	61,641
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	6,168	61,641
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	9,438	6,647
3. Decreases	**129,741**	**53,511**
3.1 Deferred taxes derecognised during the year	11,285	32,421
a) reversals	11,285	32,421
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	118,456	21,090
4. Closing balance	**85,699**	**199,836**

14.5 Deferred tax assets: annual changes (with offsetting entry to equity)

	Total 31 12 2015	Total 31 12 2014*
1. Opening balance	**457,306**	**458,755**
2. Increases	**49,864**	**207,855**
2.1 Deferred tax assets arising during the year	46,285	201,326
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	46,285	201,326
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3,579	6,529
3. Decreases	**172,088**	**209,304**
3.1 Deferred tax assets derecognised during the year	168,399	208,633
a) reversal	168,399	208,633
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	3,689	671
4. Closing balance	**335,082**	**457,306**

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

Amongst the increases reported on line "2.1 c) other", is taxes recognised by the Parent Company on the costs of the capital increase carried out during the year.

Line 3.1 a) "Deferred tax assets derecognised during the year" mainly refers to positive fair value changes posted to the reserve for Italian Government securities classified in the portfolio of 'financial assets available for sale', as well as cash flow hedge hedging derivatives.

14.5.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to equity)

Items/Amounts	IRES	IRAP	Totale 31 12 2015	Totale 31 12 2014
1. Opening balance	**3,620**	**868**	**4,488**	**5,013**
2. Increases	-	-	-	-
3. Decreases	**215**	**127**	**342**	**525**
3.1 Reversals	-	-	-	-
3.2 Conversion into tax credit	215	127	342	525
a) arising from loss for the period	215	127	342	525
b) arising from tax losses	-	-	-	-
3.3 Other decreases	-	-	-	-
4. Closing balance	**3,405**	**741**	**4,146**	**4,488**

The table shows deferred tax assets that may be converted into tax credits pursuant to Law 214/2011, recognised with an offsetting entry to equity. These refer to goodwill posted by the Parent Company to equity on business combinations "under common control".

14.6 Deferred tax liabilities: annual changes (with offsetting entry to equity)

	Total 31 12 2015	Total 31 12 2014
1. Opening balance	**169,562**	**65,865**
2. Increases	**100,830**	**158,193**
2.1 Deferred tax liabilities arising during the year	51,660	158,193
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c)other	51,660	158,193
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	49,170	-
3. Decreases	**68,575**	**54,498**
3.1 Deferred tax liabilities derecognised during the year	68,575	54,498
a) reversal	68,154	54,077
b) due to changes in accounting principles	-	-
c) other	421	421
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**201,817**	**169,560**

Changes mainly relate to taxes recognised on changes in equity reserves relating to Italian government securities classified in the portfolio of "financial assets available for sale" in addition to cash flow hedge derivatives.

14.7 Other information

Probability test

Deferred tax assets were recognised after verifying the existence, for the individual Group companies, of foreseeable future income sufficient to absorb them (probability test).

For Group companies participating in domestic tax consolidation, pursuant to art. 117 et seq. of the Income Tax Act (TUIR), the test for the purpose of IRES deferred tax assets was carried out with reference to consolidated taxable income.

In this test, the different rules set forth in the Italian tax laws which impact the assessment in question were taken into account, in particular:

- art. 2, paragraphs 55-59, of Law Decree no. 225 of 29/12/2010 (converted, with amendments, by Law no. 10 of 26/02/2011) which establishes the obligation for financial intermediaries to convert into tax credits DTAs (IRES and IRAP) relating to goodwill, other intangible assets and impairment losses on receivables, in the case of a loss in the statutory financial statements and/or a tax loss;
- art. 84, paragraph 1 of the TUIR, which allows for the possibility of carrying forward IRES tax losses with no time limits;
- art. 1, paragraph 4 of Law Decree no. 201 of 06/12/2011 (converted, with amendments, by law no. 214 of 22/12/2011), which allows for unused excess ACE to be carried forward with no time limits, as well as, alternatively, conversion into a tax credit to be used to offset IRAP due in 5 annual instalments.

Practically speaking, the probability test was carried out by following the steps listed below.

DTAs relating to goodwill, other intangible assets and impairment losses on receivables ("qualified" DTAs), were excluded from the total amount of DTAs for which the existence of sufficient future taxable income needs to be identified.

This is because the above-mentioned art. 2, paragraphs 55-59 of Law Decree 225/2010 made the recovery of that type of DTA certain, with respect to both IRES and IRAP, regardless of the presence of future taxable income.

Indeed, the rule sets forth that, if taxable income for the year in which the recovery of qualified DTAs is expected is not sufficient to absorb them, the resulting tax loss would be convertible into a tax credit that may be, alternatively (i) used to offset, with no amount limits, the various taxes ordinarily due from the Parent Company, (ii) requested in the form of a refund or (iii) transferred to third parties. In addition, qualified DTAs may be converted into tax credit in advance of their natural maturity, in the event of a loss for the year in the statutory financial statements or voluntary liquidation, as well as subjection to bankruptcy proceedings.

In other words, for qualified DTAs the probability test must be deemed automatically satisfied; this is also confirmed by the joint Bank of Italy, Consob and ISVAP document no. 5 of 15/05/2012.

For DTAs other than qualified DTAs, the year in which the relative recovery is expected has been identified (or estimated when uncertain).

Taxable income in future years has been estimated based on the forecast income statements included in the MPS Group business plan; taxable income was estimated:

- ✓ at domestic tax consolidation level, for the IRES probability test for Group companies participating in the system set forth in arts. 117 et seq. of the TUIR
- ✓ at individual level for IRAP (as well as for the purposes of IRES for companies not participating in domestic tax consolidation).

The data thus processed have shown that taxable income in future years will be sufficient to absorb the unqualified DTAs recognised in the financial statements as at 31 December 2015, including prior losses and ACE deductions carried forward from previous years.

In paragraphs 61 to 66, the 2016 Stability Law (Law no. 208 of 28 December 2015) reduced the IRES rate from 27.5% to 24% and simultaneously introduced an additional IRES tax of 3.5% for credit and financial institutions; both measures are effective as of 2017.

As a result, Group companies other than credit and financial institutions adjusted the balance of IRES DTAs maturing subsequent to 2016 from 27.5% to 24%.

Group companies included in the category of credit and financial institutions, subject to the additional IRES tax of 3.5%, including those participating in domestic tax consolidation, checked for the presence of sufficient taxable income on an individual basis; this is due to the fact that the cited additional tax is paid on an individual basis. The companies that had a negative probability test for the purposes of the additional IRES tax adjusted the IRES DTAs maturing subsequent to 2016, similar to companies other than credit and financial institutions.

Current tax assets

Items/Amounts	Total 31 12 2015	Total 31 12 2014*
Prepayments of corporate income tax (IRES and IRAP)	20,373	79,654
Other tax credits and withholdings	2,234,339	1,907,744
Gross current tax assets	**2,254,712**	**1,987,398**
Offsetting with current tax liabilities	(25,601)	(56,882)
Net current tax assets	**2,229,111**	**1,930,516**

**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.*

"Other tax credits and withholdings" mostly consist of tax credits arising from DTA transformation (Law no. 214/2011), for the remaining amount still to be used, credits for income taxes requested in the form of a refund and IRES/IRAP credits from previous tax returns and which may be used for offsetting.

Current tax liabilities

Items/Amounts	31 12 2015			31 12 2014*		
	Booked to net equity	Booked to profit & loss	Total	Booked to net equity	Booked to profit & loss	Total
Corporate income tax (IRES IRAP) payables	(21,245)	46,852	25,607	-	65,509	65,509
Other current income tax payables	5	28,532	28,537	1	112,249	112,250
Gross current tax payables	**(21,240)**	**75,384**	**54,144**	**1**	**177,758**	**177,759**
Offsetting with current tax asset	-	25,601	25,601	-	56,882	56,882
Net current tax payables	**(21,240)**	**49,783**	**28,543**	**1**	**120,876**	**120,877**

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

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 2015	31 12 2014
A. Individual assets		
A.1 Financial assets	22,186	16,581
A.2 Equity investments	5,592	5,000
A.3 Tangible assets	1,489	224
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**29,267**	**21,805**
of which valued at cost	7,081	5,224
of which designated at fair value (level 1)	-	-
of which designated at fair value (level 2)	21,057	-
of which designated at fair value (level 3)	1,129	16,581
B. Asset groups (discontinued operations)	-	-
C. Liabilities associated with individual assets held for sale and discontinued operations	-	-
D. Liabilities included in groups of assets held for sale and discontinued operations	-	-

Assets held for sale as at 31 December 2015 refer to:

- the investees Visa Europe Limited. (EUR 21.1 mln), Fabrica Immobiliare SGR S.p.A. (EUR 5.6 mln) and Assofood S.p.A. (EUR 1.1 mln);
- and some properties (EUR 1.5 mln) owned by the Parent Company.

15.2 Other information

No information to be disclosed for 2015 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 2015 pursuant to paragraph 37 i) of IAS 28.

Section 16 - Other assets - Item 160

16.1 Other assets: breakdown

	Total 31 12 2015	Total 31 12 2014
Tax credits from the Revenue and other tax levying authorities	461,452	253,691
Third party cheques held at the cashier's for collection	208,669	205,555
Cheques drawn on the Company held at the cashier's for collection	527	1,052
Gold, silver and precious metals	6,267	41,075
Property inventory	43,901	45,745
Items in transit between branches	3,921	9,416
Items in processing	1,005,739	1,142,720
Receivables associated with the provision of goods and services	19,056	48,338
Improvements and incremental costs on third party assets other than those included under tangible assets	43,850	50,142
Prepaid expenses and accrued income not attributable to other line items	400,432	339,182
Biological assets	3,433	3,394
Other	490,992	503,203
Total	**2,688,239**	**2,643,513**

The lines “Items in processing” and “Other” include transactions which were cleared in early 2016.

LIABILITIES

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: breakdown

Items/accounts	Total 31 12 2015	Total 31 12 2014
1. Deposits from central banks	**8,889,057**	**19,237,185**
2. Deposits from banks	**8,604,053**	**8,410,486**
2.1 Current accounts and demand deposits	737,248	1,211,262
2.2 Time deposits	57,129	58,386
2.3 Loans	6,901,681	4,913,424
2.3.1 Repurchase agreements	5,163,541	3,174,441
2.3.2 Other	1,738,140	1,738,983
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	907,995	2,227,414
Total	**17,493,110**	**27,647,671**
Fair value - level 1	-	-
Fair value - level 2	*17,502,641*	*27,669,943*
Fair value - level 3	-	-
Total fair value	**17,502,641**	**27,669,943**

The line "Deposits from central banks" includes EUR 8,800 mln for refinancing operations, guaranteed by securities pledged by the Parent Company 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 subordinated liabilities for an amount of EUR 402.4 mln (EUR 402.6 mln in 2014).

The amounts qualifying as capital are set out in Part F, Section 2 "Regulatory capital and ratios".

1.3 Details of Item 10 "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.

1.4 Deposits from banks subject to micro-hedging

Type of transaction/Amount	Total 31 12 2015	Total 31 12 2014
1. Liabilities subject to micro-hedging of fair value	**3,627,327**	**1,758,488**
a) interest rate risk	3,627,327	1,758,488
b) exchange risk	-	-
c) multiple risk	-	-
2. Liabilities subject to micro-hedging cash-flow	**-**	**-**
a) interest rate risk	-	-
b) exchange risk	-	-
c) multiple risk	-	-
Total	**3,627,327**	**1,758,488**

The amount shown in item 1 letter a) of EUR 3,627.3 mln refers to fair value hedging of interest rate risk, carried out on certain refinancing transactions.

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 2015	Total 31 12 2014*
1. Current accounts and demand deposits	54,574,784	53,372,526
2. Time deposits	14,342,854	10,800,072
3. Loans	17,986,519	24,781,328
3.1 Repurchase agreements	10,574,970	17,804,741
3.2 Other	7,411,549	6,976,587
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	902,172	837,454
Total	**87,806,329**	**89,791,380**
Fair value - level 1	-	-
Fair value - level 2	*87,810,731*	*89,796,389*
Fair value - level 3	-	-
Total fair value	**87,810,731**	**89,796,389**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting 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 repurchase agreements or securities lending transactions.

Note that at the reporting date, the item included EUR 44.0 mln in interest accrued during 2015 on the New Financial Instruments, to be paid on 1 July 2016.

2.2 Details of Item 20 "Deposits from customers": subordinated liabilities

This table was not completed 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 customers": 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 2015	Total 31 12 2014
1. Liabilities subject to micro-hedging of fair value:	25,122	26,118
a) interest rate risk	25,122	26,118
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	**25,122**	**26,118**

This table contains a breakdown of Table 2.1 and shows the carrying amount of a borrowing 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 2015				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
A. Listed securities					
1. Bonds	29,172,233	15,786,961	12,792,521	-	28,579,482
1.1 Structured	-	-	-	-	-
1.2 Other	29,172,233	15,786,961	12,792,521	-	28,579,482
2. Other securities	222,203	-	263,989	-	263,989
2.1 Structured	-	-	-	-	-
2.2 Other	222,203	-	263,989	-	263,989
Total	**29,394,436**	**15,786,961**	**13,056,510**	**-**	**28,843,471**

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 2015 State-guaranteed bonds were in place, issued and concurrently repurchased for a nominal amount of EUR 4,000 mln (EUR 10,500 mln as at 31 December 2014), part of which were then pledged as collateral for financing transactions.

The significant decrease in line 2 “Other securities” is due to the following events:

- full repayment on 15 June 2015 of the nominal residual amount of EUR 1,071.0 mln in New Financial Instruments issued by the Parent Company and subscribed by the Ministry of Economy and Finance (MEF) on 28 February 2013, upon payment of approximately EUR 1,116.0 mln, pursuant to the provisions of the Term-Sheet of the NFIs upon issue;
- in July 2015, in implementation of the resolution adopted by the Board of Directors of the Parent Company on 21 May 2015, reclassification from debt securities in issue to capital of the amount of EUR 243.1 mln, as a result of the capital increase completed exclusively for the payment in shares of the interest accrued as at 31 December 2014 on the New Financial Instruments, in favour of the Ministry of Economy and Finance, pursuant to the regulations governing them.

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**

3.2 Details of Item 30 "Debt securities in issue": subordinated securities

The item includes subordinated securities for an amount of EUR 4,957.2 mln (EUR 6,360.7 mln in 2014).

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 2015	Total 31 12 2014
1. Securities subject to micro-hedging of fair value:	**12,345,261**	**12,872,410**
a) interest rate risk	12,230,042	12,824,192
b) exchange risk	-	-
c) multiple risks	115,219	48,218
2. Securities subject to micro-hedging of cash flows:	**1,184,819**	**1,222,597**
a) interest rate risk	1,101,539	1,145,442
b) exchange risk	83,280	77,155
c) other	-	-
Total	**13,530,080**	**14,095,007**

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	Total 31 12 2015					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities						
1. Deposits from banks	2,067,449	1,637,105	744,505	-	2,381,610	2,381,609
2. Deposits from customers	9,970,636	1,326,630	8,839,838	-	10,166,468	10,166,468
3. Debt securities issued	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	X
3.1.2 Other	-	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	X
3.2.2 Other	-	-	-	-	-	X
Total A	**12,038,085**	**2,963,735**	**9,584,343**	**-**	**12,548,078**	**12,548,077**
B. Derivatives						
1. Financial derivatives		642	3,300,878	85	3,301,605	
1.1 Trading	X	642	3,300,878	85	3,301,605	X
1.2 Fair value option (FVO)	X	-	-	-	-	X
1.3 Other	X	-	-	-	-	X
2. Credit derivatives		-	72,044	-	72,044	
2.1 Trading	X	-	72,044	-	72,044	X
2.2 Fair value option (FVO)	X	-	-	-	-	X
2.3 Other	X	-	-	-	-	X
Total B	**X**	**642**	**3,372,922**	**85**	**3,373,649**	**X**
Total (A+B)	**12,038,085**	**2,964,377**	**12,957,265**	**85**	**15,921,727**	**X**

Legend
FV = Fair value
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 743.3 mln (EUR 1,334.7 mln as at 31 December 2014) and EUR 8,839.9 mln (EUR 3,883.6 mln as at 31 December 2014) respectively; uncovered short positions of the subsidiary MPS Capital Services - Banca per le imprese S.p.A account for EUR 1,638.3 mln (EUR 1,638.9 mln as at 31 December 2014) posted to deposits from banks and EUR 1,326.6 mln (EUR 1,882.3 mln as at 31 December 2014) 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 bonds 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 9.2 mln (EUR 10.9 mln as at 31 December 2014).

Type of transaction/ Group item	Total 31 12 2014**					
	NV	FV				FV*
		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
2. Deposits from customers	5,432,324	1,879,940	3,885,978	-	5,765,918	5,765,917
3. Debt securities issued	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	X
3.1.2 Other	-	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	X
3.2.2 Other	-	-	-	-	-	X
Total A	**8,155,094**	**3,514,776**	**5,224,731**	**-**	**8,739,507**	**8,739,506**
B. Derivatives						
1. Financial derivatives		10,494	6,063,654	3,652	6,077,800	
1.1 Trading	X	10,494	4,458,390	3,652	4,472,536	X
1.2 Fair value option (FVO)	X	-	265	-	265	X
1.3 Other	X	-	1,604,999	-	1,604,999	X
2. Credit derivatives		-	489,481	-	489,481	
2.1 Trading	X	-	489,481	-	489,481	X
2.2 Fair value option (FVO)	X	-	-	-	-	X
2.3 Other	X	-	-	-	-	X
Total B	**X**	**10,494**	**6,553,135**	**3,652**	**6,567,281**	**X**
Total (A+B)	**8,155,094**	**3,525,270**	**11,777,866**	**3,652**	**15,306,788**	**X**

Legend
FV = Fair value
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*

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

The amount of EUR 1,605.0 mln, reported on line "1.3 Credit derivatives - Other" relating to the balance as at 31 December 2014, is entirely associated with the representation of the "Alexandria" transaction interest rate swaps as derivative instruments for trading, as described in more detail in the section "*Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)*" which is referenced to for further details.

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.

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 2015					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X
1.2 Other	-	-	-	-	-	X
2. Deposits from customers	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	X
2.2 Other	-	-	-	-	-	X
3. Debt securities issued	2,101,431	1,098,268	975,647	-	2,073,915	2,250,065
3.1 Structured	188,640	-	173,170	-	173,170	X
3.2 Other	1,912,791	1,098,268	802,477	-	1,900,745	X
Total	**2,101,431**	**1,098,268**	**975,647**	**-**	**2,073,915**	**2,250,065**

Legend
FV = Fair value
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.

Positive and negative spreads or margins in relation to derivative contracts settled or accrued until the balance sheet date are recorded in the profit and loss statement under interest income and expense, while valuation profits and losses are posted under Item 110, "Net profit (loss) from financial assets and liabilities designated at fair value", in compliance with reporting used for funding instruments for which the fair value option was used.

Type of transaction / Amount	Total 31 12 2014					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X
1.2 Other	-	-	-	-	-	X
2. Deposits from customers	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	X
2.2 Other	-	-	-	-	-	X
3. Debt securities issued	2,537,775	798,367	1,825,253	-	2,623,620	2,737,137
3.1 Structured	287,046	-	295,161	-	295,161	X
3.2 Other	2,250,729	798,367	1,530,092	-	2,328,459	X
Total	**2,537,775**	**798,367**	**1,825,253**	**-**	**2,623,620**	**2,737,137**

Legend
FV = Fair value
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*

5.1.a 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 2,073.9 mln, as compared to EUR 2,623.6 mln in the previous year.

5.1.b Financial liabilities designated at fair value: structured debt securities

Item/Amount	Total 31 12 2015	Total 31 12 2014
Inflation Linked	163,213	274,526
Reverse Convertible	9,957	9,777
Step - up, Step down	-	10,858
Total	**173,170**	**295,161**

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.

5.2 - Details of item 50 "Financial liabilities designated at fair value": subordinated liabilities

The item includes subordinated securities for an amount of EUR 174.8 mln (EUR 252.7 mln in 2014).

The amounts qualifying as Own funds are set out in Part F, Section 2 "Regulatory capital and ratios".

Section 6 - Hedging derivatives - Item 60

6.1 Hedging derivatives: breakdown by type of contract and underlying asset

	31 12 2015					31 12 2014*				
	Fair value				NV	Fair value				NV
	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**1,205,267**	**-**	**1,205,267**	**8,024,493**	**-**	**2,507,109**	**-**	**2,507,109**	**10,475,008**
1) Fair value	-	1,048,186	-	1,048,186	6,676,979	-	2,292,503	-	2,292,503	9,127,494
2) Cash flows	-	157,081	-	157,081	1,347,514	-	214,606	-	214,606	1,347,514
3) Foreign investments	-	-	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-	-	-
Total	**-**	**1,205,267**	**-**	**1,205,267**	**8,024,493**	**-**	**2,507,109**	**-**	**2,507,109**	**10,475,008**

Legend

NV = Nominal or Notional Value

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting 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, used to manage hedges of all financial assets and financial liabilities other than securities.

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 2015
	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	781,215	-	-	-	-	X	-	X	X	781,215
2. Loans and receivables	124,885	50,055	-	-	-	X	-	X	X	174,940
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X	-
4. Portfolio	X	X	X	X	X	84,674	X	-	X	84,674
5. Other transactions	-	-	-	-	-	X	-	X	-	-
Total assets	**906,100**	**50,055**	**-**	**-**	**-**	**84,674**	**-**	**-**	**-**	**1,040,829**
1. Financial liabilities	7,357	-	-	X	-	X	157,081	X	X	164,438
2. Portfolio	X	X	X	X	X	-	x	-	X	-
Total liabilities	**7,357**	**-**	**-**	**-**	**-**	**-**	**157,081**	**-**	**-**	**164,438**
1. Expected transactions	X	X	X	X	X	X	-	X	X	-
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-	-
Total	**913,457**	**50,055**	**-**	**-**	**-**	**84,674**	**157,081**	**-**	**-**	**1,205,267**

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 applied to manage the 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.

Fair value macro-hedging was applied for fixed-rate mortgage loan portfolios.

Cash flow hedges were applied for some specific index-linked bond issues, in order to stabilise their flows through interest rate swaps.

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 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	2,021,186	-	-	-	-	X	-	X	X	2,021,186
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	**2,173,009**	**12,347**	**-**	**-**	**-**	**93,615**	**-**	**-**	**-**	**2,278,971**
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	**2,186,541**	**12,347**	**-**	**-**	**-**	**93,615**	**214,606**	**-**	**-**	**2,507,109**

**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 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 2015	Total 31 12 2014
Due to the Revenue and other tax levying authorities	214,907	256,066
Due to social security authorities	364,719	575,592
Amounts available to customers	102,112	280,815
Other amounts due to employees	63,492	77,504
Items in transit between brances	13,492	40,746
Items in processing	683,918	836,098
Payables in relation to the payment of supplies of goods and services	253,569	341,505
Irrevocable commitments to disburse funds	191,192	215,061
Accrued expenses and unearned revenues not attributable to other line items	78,660	85,706
Payables for consolidated income tax return	1,003	883
Other	2,072,884	1,473,593
Total	**4,039,948**	**4,183,569**

The lines "Items in processing" and "Other" include transactions which were cleared during the first days of 2016.

Section 11 - Provision for employee severance pay - Item 110

11.1 Provision for employee severance pay: annual changes

	Total 31 12 2015	Total 31 12 2014
A. Opening balance	**271,434**	**261,390**
B. Increases	**3,896**	**45,618**
B.1 Provision for the year	3,610	9,118
B.2 Other increases	286	36,500
C. Decreases	**29,160**	**35,574**
C.1 Severance payments	9,060	34,525
C.2 Other decreases	20,100	1,049
D. Closing balance	**246,170**	**271,434**

11.2 Other information

Provision for employee severance pay is considered as a defined benefit fund for the purpose 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 Group companies, depending on the various employee options, to complementary pension schemes or to the treasury fund managed directly by 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

Item/Amount	Present value of DBO	
	31 12 2015	31 12 2014
Opening balance	**271,434**	**261,390**
Current service cost	13	590
Interest income/expense	3,597	8,170
Remeasurement of net defined benefit liability (asset):	(20,051)	36,173
Return on plan assets excluding interest	-	-
Actuarial gains (losses) arising from changes in demographic assumptions	-	-
Actuarial gains (losses) arising from changes in financial assumptions	(20,051)	36,173
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)
by employer	-	187
by employees	-	(579)
Payments from plan	(9,010)	(34,424)
Effect of business combinations and disposals	-	-
Effect of any plan curtailments	-	-
Effect of any plan settlements	50	101
Other changes	237	28
Closing balance	**246,170**	**271,434**

The table below reports the information required by paragraphs 140 and 141 of IAS 19.

11.2.b Key actuarial assumptions

Key actuarial assumptions/percentage	31 12 2015	31 12 2014
Discount rates	1.10-2.22%	1.09-1.34%
Expected rates of salary increases	X	X

11.2.c Sensitivity of defined benefit obligation to changes in key actuarial assumptions

31 12 2015

Actuarial assumptions	Change in DBO	Change (%) in DBO
Discount rates		
Increase of 0.25%	(5,565)	-2.26%
Decrease of 0.25%	5,747	2.33%
Expected rates of salary increases		
Increase of 0.25%	-	0%
Decrease of 0.25%	-	0%

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%

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 31 12 2015	Total 31 12 2014
1. Pensions and other post retirement benefit obligations	49,366	65,915
2. Other provisions for risks and charges	1,067,547	1,085,134
2.1 legal disputes	639,260	625,208
2.2 personnel charges	99,880	56,247
2.3 other	328,407	403,679
Total	**1,116,913**	**1,151,049**

12.2 Provisions for risks and charges: annual changes

Item/Amount	Totale 31 12 2015		
	Pensions and other post retirement benefit obligations	Other provisions	Total
A. Opening balance	**65,915**	**1,085,134**	**1,151,049**
B. Increases	**4,880**	**291,288**	**296,168**
B.1 Provision for the year	2,053	288,534	290,587
B.2 Changes due to the time value of money	1,053	322	1,375
B.3 Changes due to discount rate changes	-	444	444
B.4 Other increases	1,774	1,988	3,762
C. Decreases	**21,429**	**308,875**	**330,304**
C.1 Use during the year	3,366	166,596	169,962
C.2 Changes due to discount rate changes	16,448	387	16,835
C.3 Other decreases	1,615	141,892	143,507
D. Closing balance	**49,366**	**1,067,547**	**1,116,913**

12.3 Defined benefit company pension funds

12.3.1. Description of funds and related risks

The information provided below concerns defined benefit pension funds in favour of employees and terminated employees of the Parent Company and the Group companies, i.e. funds in which the obligation of future payment of retirement benefits is charged on the fund itself and indirectly by the Companies, which may be required to increase the value of the obligation within predetermined limits in the event of inadequate capital assessed in accordance with actuarial criteria.

For each definite benefit plan the Parent Company relies on analyses carried out by an independent certified actuary.

In accounting for the plans, the surplus or deficit was determined using the credit unitary projection method; therefore 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 - Accounting Policies*).

The valuations concerned the participating employees at the date of valuation, which form a closed group of retired or active employees, and were carried out on the basis of these groups of employees as measured in December 2015.

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, in determining the total cost of each defined benefit plan, which - as is well-known - may be influenced by many variables, 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 (BFV) as at 31 December 2015.

For each defined benefit plan, the balance sheet equity resulting from valuations carried after reconciliation of actuarial assets and liabilities as at 31 December 2015 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 1.5%, 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 companies are 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 being defined 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)

This is a defined benefit plan designed to provide retired staff of the former Direct Management division of the Parent Company with supplementary pension in the form of annuity.

The entitled population, consisting solely of retirees whose number is 342, 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 Plan 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 Parent Company remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

National insurance (INPS) 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 Parent Company remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

The plan applies to a population made up exclusively of non-active participants, of which 68 are retired and 3 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 Parent Company, which must provide the wherewithal to cover the liability over time.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

The Plan applies to a population of only 12 retirees.

Pension provision for employees of former Banca Popolare Veneta

(Bank Register no. 9066)

The pension plan, which applies to a residual population of 23 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 Parent Company remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

$$$

Finally, there are two positions referring to former General Managers of the Parent Company to whom specific economic benefits other than pension benefits are disbursed. In any event, they are assessed on the basis of actuarial parameters in order to determine the value of the Parent Company's obligation.

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 date 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 248 retirees and 3 employees on deferred retirement.

The Plan's Regulations, first approved in 1966, provide 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 Parent Company, which must ensure the wherewithal to cover the liability over time.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

Complementary pension provision for employees of former Banca Toscana

(Bank Register no. 9110)

This defined benefit complementary pension fund is reserved for 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 and defined contribution fund.

The population of employees eligible for the present and future benefits is composed of 901 retirees, 4 active employees and 4 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 Parent Company, 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.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

Pension fund of MPS Capital Services Banca per le Imprese S.p.A.

(Bank Register no. 9134)

This defined benefit complementary pension fund is reserved to employees who at the time opted to remain with the specific complementary benefit schemes.

The capital of the Fund guarantees the performance of the benefit payment obligation, which currently applies to a population of only 41 employees.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

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 until 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 the Parent Company and others are appointed by the participants) supported by the General Manager.

The Parent Company 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 Parent Company 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 2797 retirees, 157 active employees and 133 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 30 November 2015 (most recent value available at the time of valuation) amounts to EUR 400.6 mln, and the DBO (Defined Benefit Obligation) calculated on Pillar 1 benefits amounts to EUR 179.9 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 include 35 retirees and 3 employees on deferred retirement.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

Pension Fund for personnel of former Banca Antonveneta S.p.a.

(Bank Register no. 1033)

The Fund, whose legal form is that of an unincorporated association in accordance with article 36 of the Italian Civil Code, has the sole purpose of providing benefits in addition to AGO (General Compulsory Insurance) cheques, was established in 1966 and has continued to operate to date.

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 co-obliged Parent Company is responsible for providing the wherewithal to cover such deficit.

The population eligible to receive the benefits is composed of only 33 retirees.

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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 37.4% 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 18 active employees, 124 employees on deferred retirement and 56 retirees. The plan's deficit (of EUR 0.9 mln as at 31 December 2015) is being made up, as of 1 October 2014, in a seven-year process through 84 monthly instalments. The capital at the end of 2015 was EUR 53.8 mln.

As regards the New York branch's retirement plan, which includes a total of 54 members, of which 20 active employees, has a total of EUR 11.0 mln as at 31 December 2015, with a deficit of EUR 5.8 mln.

In addition, there is a pension plan for Banca Monte dei Paschi Belgio, which includes a total of 72 active employee members; the plan has EUR 3.6 mln as at 31 December 2015, with a deficit of EUR 1.3 mln.

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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 benefit funds.

12.3.2a Changes in net defined liability (asset) and reimbursement rights during the year - Internal Funds

Item/Amount	31 12 2015			
	A (-)	B (+)	C (+)	D=A+B+C
	Plan assets	Present value of DBO	Effect of asset ceiling	Net defined benefit liability (asset)
Opening balance	**(138,397)**	**185,981**	**12,125**	**59,709**
Current service cost	X	30	X	30
Interest income/expense	(1,169)	1,432	97	360
Remeasurement of net defined benefit liability (asset):	X	X	X	(2,279)
Return on plan assets excluding interest	159	X	X	159
Actuarial gains (losses) arising from changes in demographic assumptions	X	-	X	-
Actuarial gains (losses) arising from experience adjustments	X	(2,772)	X	(2,772)
Actuarial gains (losses) arising from changes in financial assumptions	X	(4,865)	X	(4,865)
Changes in effect of limiting net defined benefit asset to asset ceiling	X	X	5,199	5,199
Past service cost and gains (losses) arising from settlements	X	-	X	-
Changes in foreign exchange rates	-	-	-	-
Contributions to plan:	(13,109)	-	-	(13,109)
by employer	(13,109)	-	X	(13,109)
by employee	-	-	X	-
Payments from plan	10,842	(14,208)	X	(3,366)
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	X	-
Effect of any plan settlements	-	-	X	-
Other changes	-	1	-	1
Closing balance	**(141,674)**	**165,599**	**17,421**	**41,346**

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:	-	-	-	-
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)**	**185,981**	**12,125**	**59,709**

12.3.2b Changes in net defined liability (asset) and reimbursement rights during the year: external funds

Item/Amount	31 12 2015			
	A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Opening balance	**(477,688)**	**269,656**	**214,238**	**6,206**
Current service cost	X	2,023	X	2,023
Interest income/expense	(7,094)	5,176	2,611	693
Remeasurement of net defined benefit liability (asset):	X	X	X	(690)
Return on plan assets excluding interest	11,684	X	X	11,684
Actuarial gains (losses) arising from changes in demographic assumptions	X	1,472	X	1,472
Actuarily gains (losses) arising from experience adjustments	X	(6,074)	X	(6,074)
Actuarial gains (losses) arising from changes in financial assumptions	X	(11,656)	X	(11,656)
Change in effect of limiting net defined benefit asset to asset ceiling	X	X	3,884	3,884
Past service cost and gains (losses) arising from settlements	X	-	X	-
Changes in foreign exchange rates	(4,303)	4,896	-	593
Contributions to plan:	(2,514)	6	-	(2,508)
by employer	(2,508)	-	X	(2,508)
by employee	(6)	6	X	-
Payments from plan	10,657	(10,657)	X	-
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	X	-
Effect of any plan settlements	-	-	X	-
Other changes	(3,386)	5,093	-	1,707
Closing balance	**(472,644)**	**259,935**	**220,733**	**8,024**

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
Changes 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**

12.3.2c Changes in net defined liability (asset) and reimbursement rights during the year - Total

Item/Amount	31 12 2015			
	A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Internal funds	(141,674)	165,599	17,421	41,346
External funds	(472,644)	259,935	220,733	8,024
Total defined benefit funds	**(614,318)**	**425,534**	**238,154**	**49,370**

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)
Internal funds	(138,397)	185,981	12,125	59,709
External funds	(477,688)	269,656	214,238	6,206
Total defined benefit funds	**(616,085)**	**455,637**	**226,363**	**65,915**

12.3.3 Information on Fair value of plan assets

Item	31 12 2015			
	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	100,437	-	13,692	3,607
of which: used by the Group	100,437	-	-	-
Equity instruments	-	-	39,462	-
of which: issued by Group	-	-	11	-
Debt instruments	41,237	-	203,892	-
of which: issued by the Group	-	-	12,073	-
Real estate	-	-	-	65,300
of which: used by the Group	-	-	-	-
Derivatives	-	-	-	-
UCITS	-	-	146,691	-
Asset-backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	**141,674**	**-**	**403,737**	**68,907**
of wich: own instruments/assets used by the Group	100,437	-	12,084	-

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 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	43,152	-	247,672	-
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	**138,396**	**-**	**409,990**	**67,699**
of wich: own instruments/assets used by the Group	95,244	-	14,019	-

12.3.4 Key actuarial assumptions used

Key actuarial assumptions/percentages	31 12 2015		31 12 2014	
	Defined benefit funds		Defined benefit funds	
	Internal pension plans	External pension plans	Internal pension plans	External pension plans
Discount rates	1.46%	2.52%	0.93%	1.87%
Expected rates of salary increases	1.50%	2.04%	1.50%	2.04%

A discount rate of 1.46% was used for internal plans and 2.52% for external ones (1.10% 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 decembre 2015, 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 2015

Actuarial assumption	Change in DBO	Change (%) in DBO
Discount rate		
Increase of 0.25%	(6,218)	-1.46%
Decrease of 0.25%	5,052	1.19%
Expected rates of salary increases		
Increase of 0.25%	(129)	-0.03%
Decrease of 0.25%	(3,730)	-0.88%

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%

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 2015	Total 31 12 2014
2.1 Legal disputes	639,260	625,208
- Revocatory	108,367	103,860
- Other legal disputes	530,893	521,348
2.2 Personnel charges	99,880	56,247
2.3 Other	328,407	403,679
- Risks related to the sale of business units	35,093	61,528
- Charges due to corporate restructuring	30,061	35,490
- Payments to financial advisors	60,819	62,443
- Onerous contracts	130	2,250
- Charges for embezzlement	16,537	16,058
- Claims and Court agreements	3,863	4,173
- Other	181,904	221,737
Total	**1,067,547**	**1,085,134**

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 2015		31 12 2014	
	Implied par value share (a)	Par value of fully paid shares	Par value per share	Par value of fully paid shares
Ordinary shares	3.07	9,001,756,821	2.44	12,484,206,649
Total		**9,001,756,821**		**12,484,206,649**

a) On 6 June 2011 the Parent Company'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 June 2015, the Parent Company completed a share capital increase of EUR 2,993,160,608.10. As a result of this transaction, the share capital amounted to EUR 8,758,683,020.70, represented by 2,814,082,623 ordinary shares with no par value.

In July 2015, in execution of the resolution adopted by the Parent Company's Board of Directors on 21 May 2015, 117,997,241 ordinary shares (the "MEF Shares"), equal to 4% of the share capital, which thus increased by EUR 243,073,800.00, were issued to the Ministry of Economy and Finance (MEF) for interest accrued as at 31 December 2014 pursuant to the regulation relating to "New Financial Instruments" set forth under Decree Law no. 95 of 6 July 2012, as amended.

As a result of the above, at the reporting date, the Parent Company's share capital amounted to EUR 9,001,756,820.7, represented by 2,932,079,864 ordinary shares with no par value.

15.1.b "Treasury shares": breakdown

(in units of Eur)

Items/Amounts	31 12 2015		31 12 2014	
	Implied par value share	Book Balance	Par Value	Book Balance
Ordinary shares	-	-	22	(405)
Total share capital	**-**	**-**	**22**	**(405)**

As at 31 December 2015, the Parent Company held no ordinary treasury shares.

15.2 Share capital - Parent company's number of shares: annual changes.

Item/Type		31 12 2015	31 12 2014
		Ordinary	Ordinary
A.	**Shares outstanding as at the beginning of the year**	**5,116,513,875**	**11,627,044,328**
	- fully paid	5,116,513,875	11,627,044,328
	- not fully paid	-	-
A.1	Treasury shares (-)	9	54,495,378
A.2	**Shares outstanding: opening balance**	**5,116,513,866**	**11,572,548,950**
B.	**Increases**	**2,676,254,180**	**5,000,243,422**
B.1	New issuances	2,676,254,171	4,999,698,478
	- Against payment:	2,676,254,171	4,999,698,478
	- Business combinations	-	-
	- Bond converted	-	-
	- warrants exercised	-	-
	- other	2,676,254,171	4,999,698,478
	- without payment:	-	-
	- to employees	-	-
	- to directors	-	-
	- other	-	-
B.2	Sale of treasury shares	-	544,944
B.3	Other increases	9	-
C.	**Decreases**	**4,860,688,182**	**11,456,278,506**
C.1	Cancellation	-	-
C.2	Purchase of treasury shares	-	-
C.3	Business transferred	-	-
C.4	Other decreases	4,860,688,182	11,456,278,506
D.	**Shares outstanding: closing balance**	**2,932,079,864**	**5,116,513,866**
D.1	Treasury shares (+)	-	9
D.2	Shares outstanding as at the end of the year	2,932,079,864	5,116,513,875
	- fully paid	2,932,079,864	5,116,513,875
	- not fully paid	-	-

Line B.1 "New issuances" refers

- to new shares subscribed in accordance with the share capital increase resolution approved by the Extraordinary Shareholders' Meeting of the Parent Company Banca Monte dei Paschi di Siena, held on 16 April 2015;
- to new shares subscribed in accordance with the share capital increase resolution for the payment of interest as at 31 December 2014 on the New Financial Instruments, passed by the Parent Company's Board of Directors on 21 May 2015.

Lines B3 "Other increases" and C.4 "Other decreases" include the reverse split of the Parent Company's ordinary shares at a ratio of 1 new ordinary share to 20 shares held, pursuant to the resolution issued by the Extraordinary Shareholders Meeting of the Parent Company Banca Monte dei Paschi di Siena S.p.A. held on 16 April 2015, after the cancellation of 15 ordinary shares (of which 9 shares held by the Parent Company).

Share capital consists of 2,932,079,864 ordinary shares.

15.3 Share capital: other information

On 147,618 ordinary shares of the Parent Company a restriction exists on the payout of dividends since it has acquired usufruct in these shares.

15.3a Equity instruments: breakdown and annual changes

The equity component of convertible bonds outstanding as at 31 December 2014, amounting to EUR 3.0 mln, referred to bonds issued and convertible into treasury shares. This mainly concerned 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.

In execution of the resolution adopted by the Parent Company's ordinary shareholders' meeting held on 16 April 2015, this reserve was fully used to cover previous year losses.

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 "Part 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 2015	31 12 2014
Equity investments in consolidated companies with significant non-controlling interests	-	-
Other equity investments	26,259	23,625
Total	**26,259**	**23,625**

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 2015	Amount 31 12 2014
1) Financial guarantees given to	2,724,156	2,680,952
a) Banks	303,298	410,374
b) Customers	2,420,858	2,270,578
2) Commercial guarantees given to	3,817,032	4,235,414
a) Banks	205,132	267,940
b) Customers	3,611,900	3,967,474
3) Irrevocable commitments to disburse funds	7,774,317	5,863,961
a) Banks	66,148	224,591
i) drawdown certain	63,254	222,017
ii) drawdown uncertain	2,894	2,574
b) Customers	7,708,169	5,639,370
i) drawdown certain	5,623,345	3,458,084
ii) drawdown uncertain	2,084,824	2,181,286
4) Underlying commitments on credit derivatives: sales of protection	5,779,846	13,813,319
5) Assets pledged as collateral for third-party commitments	7,529	129,064
6) Other commitments	1,180,139	952,016
Total	**21,283,019**	**27,674,726**

2 Assets pledged as collateral for liabilities and commitments

Portfolios	31 12 2015	31 12 2014
1. Financial assets held for trading	6,852,151	5,683,037
2. Financial assets designated at fair value	-	-
3. Financial assets available for sale	7,877,115	21,658,475
4. Financial assets held to maturity	-	-
5. Loans to banks	5,874,919	7,318,239
6. Loans to customers	29,976,128	31,148,167
7. Property, plant and equipment	1,391,545	1,412,052

The table summarises the assets pledged by the Group as collateral for its liabilities, mainly represented by reverse repurchase agreements. The amount in line "6. Loans to customers" includes approx. EUR 21.5 bn related to loans transferred to the vehicle MPS Covered Bond S.r.l. as part of the programme for the issuance of covered bonds.

3 Operating leases

3.1 Future minimum lease payments due under operating leases

Items/Amounts	31 12 2015
Up to 1 year	307
From 1 to 5 years	439
Over 5 years	-
Future minimum lease payments due	**746**
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

	Amount 31 12 2015
1. Trading of financial instruments on behalf of third parties	
a) Purchases	7,538,331
1. Settled	7,524,921
2. Unsettled	13,410
b) Sales	9,548,798
1. Settled	9,539,516
2. Unsettled	9,282
2. Asset management accounts	**-**
a) individual	4,402,662
b) collective	2,092
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)	80,208,832
1. Securities issued by companies included in consolidation	16,756,613
2. Other securities	63,452,219
c) third party securities deposited with third parties	74,702,667
d) own securities deposited with third parties	26,016,551
4. Other transactions	**41,466,686**

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 2015	Net amount 31 12 2014
				Financial instruments (d)	Deposits of cash collateral received (e)		
1. Derivatives	7,416,336	565,851	6,850,485	5,256,254	932,562	661,669	946,622
2. Repurchase agreements	17,722,771	-	17,722,771	17,721,107	320	1,344	2,873
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total as at 31 12 2015	**25,139,107**	**565,851**	**24,573,256**	**22,977,361**	**932,882**	**663,013**	**X**
Total as at 31 12 2014	**16,177,134**	**540,610**	**15,636,524**	**13,656,346**	**1,030,683**	**X**	**949,495**

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 2015	Net amount 31 12 2014
				Financial instruments (d)	Deposits of cash collateral received (e)		
1. Derivatives	5,979,520	565,851	5,413,669	4,311,813	1,020,810	81,046	521,146
2. Repurchase agreements	28,316,244	-	28,316,244	28,261,959	18,227	36,058	1,966
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total as at 31 12 2015	**34,295,764**	**565,851**	**33,729,913**	**32,573,772**	**1,039,037**	**117,104**	**X**
Total as at 31 12 2014	**40,923,483**	**540,610**	**40,382,873**	**36,350,583**	**3,509,178**	**X**	**523,112**

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 the purposes of reconciliation of the amounts shown in the column (c) "net amount of financial assets/liabilities recognised in the balance sheet" with the opening balances shown in "Part B - Information on the balance sheet", noted that:

- the amount relating to both trading and hedging derivative financial instruments, aided by netting agreements or similar, is represented in asset items 20 "Financial assets held for trading" and 80 "Hedging derivatives" and in liability items 40 "Financial liabilities held for trading" and 60 "Hedging derivatives";
- the amount relating to repurchase agreements covered by netting agreements or similar, are included in the item "Repurchase agreements (Asset/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 Liabilities.

Noted also that:

- with regard to securities lending transactions, in these tables transactions involving the payment of cash collateral fully owned by the lender are included 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

The Group companies have in place, as borrower, securities lending transactions guaranteed by other securities, amounting to approximately EUR 2.5 bn, signed with leading market counterparties.

The Group companies also have in place, as borrowers, securities lending transactions (mainly Italian government securities) with customers, amounting to approximately EUR 3.1 bn.

These transactions, which in compliance with current accounting standards have no impact on the balance sheet, are closed with the aim of increasing the Group's counterbalancing capacity.

9 Information on joint control activities

This paragraph was not completed as no such activities are present within 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 2015	Total 31 12 2014*
1. Financial assets held for trading	56,537	2,815	46,962	106,314	161,874
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	305,878	-	-	305,878	479,535
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	21,694	9,608	-	31,302	32,218
6. Loans to customers	43,786	3,584,563	-	3,628,349	4,379,325
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	15,637	15,637	10,238
Total	**427,895**	**3,596,986**	**62,599**	**4,087,480**	**5,063,190**

** With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down by EUR 150.1 mln, on line "3. Financial assets available for sale".*

Line "1. Financial assets held for trading", in the "Other transactions" column, includes the positive net balance of spreads relating to derivatives connected with financial liabilities designated at fair value (fair value option), for an amount of EUR 38.4 mln (EUR 76.6 mln as at 31 December 2014).

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 "8. "Other assets", in the "Other transactions" column, shows mainly interest accrued on tax credits.

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 783.6 mln (EUR 699.3 mln as at 31 December 2014). 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.

For a trend analysis of the concerned items, reference should be made to the consolidated Report on Operations.

The Group recognized the positive components of income accrued on financial liabilities under "Interest and similar income", aligning the classification of such proceeds to the regulatory (Eba clarification of 22 May 2015). It was therefore revised the practice until now applied by the sector which provided recognition of the positive components in decrease in negative interest.

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 2015 amounted to EUR 54.2 mln as compared to EUR 72.3 mln in 2014.

1.3.2 Interest income from finance leases

Interest income from finance lease transactions for 2015 amounted to EUR 127.6 mln as compared to EUR 147.7 mln in 2014.

1.4 Interest expense and similar charges: breakdown

Item/Type		Deposits	Securities	Other transactions	Total 31 12 2015	Total 31 12 2014*
1.	Deposits from central banks	(11,989)	X	-	(11,989)	(44,281)
2	Deposits from banks	(98,481)	X	-	(98,481)	(125,678)
3.	Deposits from customers	(598,486)	X	-	(598,486)	(867,805)
4.	Debt securities issued	X	(1,019,596)	-	(1,019,596)	(1,548,847)
5.	Financial liabilities held for trading	(2,816)	-	-	(2,816)	(12,107)
6.	Financial liabilities designated at fair value	-	(66,233)	-	(66,233)	(143,368)
7.	Other liabilities	X	X	(860)	(860)	(6,110)
8.	Hedging derivatives	X	X	(59,552)	(59,552)	(202,156)
	Total	**(711,772)**	**(1,085,829)**	**(60,412)**	**(1,858,013)**	**(2,950,352)**

** With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down (in absolute value) by EUR 14.2 mln, on line "3. Deposits from customers" and by EUR 114.5 mln on line "8. Hedging derivatives".*

Lines 2, "Deposits from banks" and 3, "Deposits from customers", in the "Deposits" column, include interest on payables under repurchase agreements on: treasury securities recognised in the balance sheet or securities not recognised in the balance sheet obtained through repo transactions or from self-securitisations without derecognition.

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/former Tremonti Bonds accrued in 2015, totalling EUR 53.2 mln (EUR 401.4 mln as at 31 December 2014), was posted to this item; for further information see table 3.1 "Debt securities issued: breakdown" in these Notes to the Consolidated Financial Statements.

The Group recognized the negative components of income on loans under "Interest expense and similar charges", aligning the classification of such charges to the regulatory (Eba clarification of 22 May 2015). It was therefore revised the practice until now applied by the sector which provided recognition of the negative components in decrease in interest income.

For a trend analysis of the concerned items, reference should be made to the consolidated Report on Operations.

1.5 Interest expense and similar charges: spreads on hedging transactions

Items	Total 31 12 2015	Total 31 12 2014*
A. Positive spreads on hedging transactions	530,796	698,467
B. Negative spreads on hedging transactions	(590,348)	(900,623)
C. Balance (A+B)	**(59,552)**	**(202,156)**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down (in absolute value) by EUR 114.5 mln, on line "B. Negative spreads on hedging transactions".*

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 2015 amounted to EUR 32.3 mln as compared to EUR 27.7 mln in 2014.

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

2.1 Fee and commission income: breakdown

Type of service / Amount	Total 31 12 2015	Total 31 12 2014
a) guarantees issued	85,335	87,741
b) credit derivatives	-	-
c) management, brokerage and advisory services:	935,343	860,972
1. trading of financial instruments	32,947	17,104
2. currency trading	4,618	5,425
3. asset management	55,471	50,431
3.1 individual accounts	55,471	50,431
3.2. collective investment schemes	-	-
4. custody and administration of securities	9,338	8,569
5. custodian bank	-	-
6. placement of securities	6,220	39,784
7. client instructions	50,855	54,764
8. advisory on	5,486	2,396
8.1 investments	5,464	2,396
8.2 financial structure	22	-
9. distribution of third-party services	770,408	682,499
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	213,859	218,871
9.3 other products	556,549	463,628
d) collection and payment services	253,493	243,208
e) servicing of securitisations	164	275
f) factoring transaction services	11,034	15,532
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	536,572	574,021
j) other services	331,896	305,310
Total	2,153,837	2,087,059

For a trend analysis of the concerned items, reference should be made to the consolidated Report on Operations.

2.2 Fee and commission expense: breakdown

Type of service / Amount	Total 31 12 2015	Total 31 12 2014
a) guarantees received	(44,016)	(97,141)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(103,429)	(110,610)
1. trading of financial instruments	(21,675)	(21,242)
2. currency trading	(43)	(66)
3. asset management:	(1,497)	(968)
3.1 own portfolio	(6)	(7)
3.2 third-party portfolios	(1,491)	(961)
4. custody an administration of securities	(9,381)	(11,450)
5. placement of financial instruments	(1,114)	(7,135)
6. off-site marketing of financial instruments, products and services	(69,719)	(69,749)
d) collection and payment services	(99,601)	(90,063)
e) other services	(96,894)	(91,514)
Total	**(343,940)**	**(389,328)**

Line "a) guarantees received" includes EUR 41.4 mln (EUR 95.2 mln as at 31 December 2014) of fees and commissions paid by the Parent Company for the guarantee pledged by the Italian Government on securities issued and concurrently repurchased, for a residual nominal amount of EUR 4,000.0 mln as at 31 December 2015, against lending transactions.

Line "c) 6 "off-site marketing of financial instruments, products and services" includes fees and commissions paid to Financial Advisors.

Line "e) other services" includes fee and commission expense for an amount of EUR 29.5 mln (EUR 9.4 mln as at 31 December 2014) on securities lending.

For a trend analysis of the concerned items, reference should be made to the consolidated Report on Operations.

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Item/Income	31 12 2015			31 12 2014		
	Dividends	Income from units of UCITS	Total	Dividends	Income from units of UCITS	Total
A. Financial assets held for trading	3,266	476	3,742	3,122	616	3,738
B. Financial assets available for sale	9,091	5,805	14,896	19,700	13,506	33,206
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	-	-	-	-	-	-
Total	**12,357**	**6,281**	**18,638**	**22,822**	**14,122**	**36,944**

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.

Line "B. Financial assets available for sale" includes the dividend of EUR 8.5 mln received on the investment in the Bank of Italy.

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	Trading Profits	Unrealized Losses	Trading Losses	31 12 2015 Net Profit (Loss)	31 12 2014* Net Profit (Loss)
1. Financial assets held for trading	25,397	145,970	(53,714)	(100,008)	17,645	359,449
1.1 Debt securities	25,095	127,110	(41,735)	(76,734)	33,736	343,293
1.2 Equity instruments	302	4,681	(11,942)	(9,610)	(16,569)	9,002
1.3 Units of UCITS	-	375	(37)	(1,906)	(1,568)	1,907
1.4 Loans	-	-	-	(1,812)	(1,812)	1,177
1.5 Other	-	13,804	-	(9,946)	3,858	4,072
2. Financial liabilities held for trading	14,457	32,704	(4,541)	(44,190)	(1,570)	(208,458)
2.1 Debt securities	14,403	32,670	(3,091)	(38,655)	5,327	(196,365)
2.2 Deposits	-	-	-	-	-	-
2.3 Other	54	34	(1,450)	(5,535)	(6,897)	(12,095)
3. Other financial assets and liabilities: exchange differences	X	X	X	X	35,355	29,746
4. Derivatives	2,308,033	8,703,344	(1,155,704)	(9,199,877)	700,618	(162,446)
4.1 Financial derivatives:	2,063,260	7,175,591	(1,136,523)	(7,944,868)	202,282	(1,180,533)
- on debt securities and interest rates	1,343,754	4,564,008	(554,180)	(4,963,803)	389,779	(941,107)
- on equity instruments and stock indices	291,815	2,027,160	(231,521)	(2,181,566)	(94,112)	(242,729)
- on currency and gold	X	X	X	X	44,822	4,283
- other	427,691	584,423	(350,822)	(799,499)	(138,207)	(980)
4.2 Credit derivatives	244,773	1,527,753	(19,181)	(1,255,009)	498,336	1,018,087
Total	**2,347,887**	**8,882,018**	**(1,213,959)**	**(9,344,075)**	**752,048**	**18,291**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down by EUR 968.0 mln, on line "4.1. Financial derivatives: on debt securities and interest rates" and up by EUR 905.6 mln on line "4.2 Credit derivatives".*

Line "4.2 Credit derivatives" includes the total positive contribution of the Alexandria transaction in 2015, amounting to EUR 608 mln.

Section 5 - Net profit (loss) from hedging - Item 90

5.1 Net profit (loss) from hedging: breakdown

P&L items/Values	Total 31 12 2015	Total 31 12 2014*
A. Gains on:		
A.1 Fair value hedging instruments	204,321	268,939
A.2 Hedged financial assets (fair value)	25,004	667,995
A.3 Hedged financial liabilities (fair value)	87,463	25,868
A.4 Cash-flow hedging derivatives	13,857	-
A.5 Assets and liabilities denominated in foreign currency	-	-
Total gains on hedging activities (A)	**330,645**	**962,802**
B. Losses on:		
B.1 Fair value hedging instruments	114,071	662,201
B.2 Hedged financial assets (fair value)	162,850	45,110
B.3 Hedged financial liabilities (fair value)	39,625	250,338
B.4 Cash-flow hedging derivatives	-	18,352
B.5 Assets and liabilities denominated in foreign currency	-	-
Total losses on hedging activities (B)	**316,546**	**976,001**
C. Net profit (loss) from hedging activities (A - B)	**14,099**	**(13,199)**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down by EUR 851.0 mln, on line "A.2 Hedged financial assets (fair value)" and by EUR 853.6 mln on line "B.1 Fair value hedge derivatives".*

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 2015			Total 31 12 2014		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
Financial assets						
1. Loans to banks	-	(911)	(911)	668	(1,076)	(408)
2. Loans to customers	23,873	(77,700)	(53,827)	62,856	(102,073)	(39,217)
3. Financial assets available for sale	305,902	(24,168)	281,734	319,615	(110,543)	209,072
3.1 Debt securities issued	302,420	(24,107)	278,313	236,492	(109,188)	127,304
3.2 Equity instruments	2,950	(17)	2,933	65,469	(6)	65,463
3.3 Units of UCITS	532	(44)	488	17,654	(1,349)	16,305
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**329,775**	**(102,779)**	**226,996**	**383,139**	**(213,692)**	**169,447**
Financial liabilities	-	-	-	-	-	-
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	1,546	(2,708)	(1,162)	2,357	(12,803)	(10,446)
Total liabilities	**1,546**	**(2,708)**	**(1,162)**	**2,357**	**(12,803)**	**(10,446)**

The amount of EUR 53.8 mln posted to line 2 "Loans to customers" - column 'Net profit (loss)', includes EUR 49.1 mln related to the block sale without recourse, concluded in the month of June , of a doubtful loan portfolio to Banca IFIS S.p.A. and a securitisation entity that is funded by an associate of Cerberus Capital Management, L.P and in the month of December the vehicle Epicuro SPV S.r.l., funded by Deutsche Bank companies.

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 2015 Net Profit	31 12 2014 Net Profit
1. Financial assets	-	-	-	-	-	-
1.1 Debt securities issued	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Units of UCITS	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
2. Financial liabilities	88,861	9,726	(4,851)	(3,167)	90,569	(4,542)
2.1 Debt securities issued	88,861	9,726	(4,851)	(3,167)	90,569	(4,542)
2.2. Deposits from banks	-	-	-	-	-	-
2.3. Deposits from customers	-	-	-	-	-	-
3. Financial assets and liabilities	X	X	X	X	-	-
4. Credit and financial derivatives	23,721	48,512	(56,636)	(55,890)	(40,293)	6,374
Total	**112,582**	**58,238**	**(61,487)**	**(59,057)**	**50,276**	**1,832**

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 gains of EUR 62.6 mln (cumulative capital gains EUR 176.1 mln), against capital losses of EUR 35.8 mln in 2014.

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

Transaction/P&L items	Value Adjustments			Write - backs				Total 31 12 2015	Total 31 12 2014
	Specific			Specific		Portfolio			
	Write-off	Others	Portfolio	A	B	A	B		
A. Loans to banks	**(47)**	**(25,752)**	**(1,429)**	**27**	**1,542**	**-**	**322**	**(25,337)**	**6,197**
- Loans	(47)	(689)	(1,427)	27	1,542	-	-	(594)	(2,003)
- Debt securities	-	(25,063)	(2)	-	-	-	322	(24,743)	8,200
B. Loans to customers	**(63,516)**	**(4,288,119)**	**(18,324)**	**657,371**	**1,491,681**	**-**	**255,160**	**(1,965,746)**	**(7,827,632)**
Non performing loans purchased	(50)	(568)		179	287	-		(152)	(160,276)
- Loans	(50)	(568)	X	179	287	-	X	(152)	(160,276)
- Debt securities	-	-	X	-	-	-	X	-	-
Other receivables	(63,466)	(4,287,551)	(18,324)	657,192	1,491,394	-	255,160	(1,965,594)	(7,667,356)
- Loans	(63,466)	(4,287,551)	(17,586)	657,192	1,491,394	-	255,149	(1,964,867)	(7,669,989)
- Debt securities	-	-	(738)	-	-	-	11	(727)	2,633
C. Total	**(63,563)**	**(4,313,871)**	**(19,753)**	**657,398**	**1,493,223**	**-**	**255,482**	**(1,991,083)**	**(7,821,435)**

Legend

A = From interest

B= Other reversals

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 are quantified with reference to financial instruments that are not non-performing.

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 consolidated 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 2015	Total 31 12 2014
	Specific		Specific			
	Write-offs	Others	A	B		
A. Debt securities issued	-	(1,043)	-	-	(1,043)	(272)
B. Equity instruments	-	(24,369)	X	X	(24,369)	(42,420)
C. Units of UCITS	-	(510)	X	-	(510)	(17,833)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(25,922)**	**-**	**-**	**(25,922)**	**(60,525)**

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 2015 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 2015	Total 31 12 2014
	Specific			Specific		Portfolio			
	Write-offs	Others	Portfolio	A	B	A	B		
A. Guarantees issued	-	(14,620)	(661)	-	32,322	-	3,570	20,611	(137,696)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	(83)	(16)	-	231	-	546	678	274
D. Other transactions	-	(4)	-	-	2,580	-	-	2,576	(5,884)
E. Total	**-**	**(14,707)**	**(677)**	**-**	**35,133**	**-**	**4,116**	**23,865**	**(143,306)**

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

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 2015	Total 31 12 2014
1. Employees	(1,654,599)	(2,039,178)
a) wages and salaries	(1,193,257)	(1,232,120)
b) social-welfare charges	(328,361)	(337,008)
c) severance pay	(43,062)	(42,817)
d) social security expenses	-	-
e) provision for staff severance pay	(3,610)	(9,118)
f) pension fund and similar obligations:	(757)	(2,129)
- defined contribution	(367)	(358)
- defined benefit	(390)	(1,771)
g) contributions to external pension funds:	(18,441)	(18,647)
- defined contribution	(15,725)	(15,875)
- defined benefit	(2,716)	(2,772)
h) costs related to share-based payments	-	-
i) other employee benefits	(67,111)	(397,339)
2. Other staff	(1,208)	(619)
3. Directors and Statutory Auditors	(4,366)	(3,725)
4. Retired personnel	(10,037)	(8,822)
Total	**(1,670,210)**	**(2,052,344)**

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 17.4 mln (EUR 342.5 mln as at 31 December 2014).

11.2 Average number of employees by category

Category / Average Number	31 12 2015	31 12 2014
Employees:	**25,234**	**26,563**
a) executives	347	351
b) middle managers	10,036	10,413
c) remaining staff	14,851	15,799
Other personnel	**3**	**1**
Total	**25,237**	**26,564**

11.3 Defined benefit company pension funds: costs and revenues

Items/Amounts	31 12 2015			31 12 2014		
	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	(360)	(693)	(3,597)	(1,745)	(637)	(8,170)
Current service cost and gains (losses) arising from settlements°	(30)	(2,023)	(13)	(26)	(2,135)	(590)
Past service cost	-	-	-	-	-	-
Gains (losses) arising from settlements°°	-	-	-	-	-	-
Other operating costs	-	-	-	-	-	(358)
Total	**(390)**	**(2,716)**	**(3,610)**	**(1,771)**	**(2,772)**	**(9,118)**

° 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 53, 158 and 171 of IAS 19.

11.5 Other administrative expenses: breakdown

Items/Amounts	31 12 2015	31 12 2014
Stamp duties	(229,169)	(233,303)
Indirect taxes and duties	(41,168)	(38,531)
Municipal real estate property tax	(22,554)	(23,367)
Subscription and purchase of publications	(102,057)	(111,384)
Property rentals	(16,381)	(16,956)
Cleaning service contracts	(25,365)	(17,252)
Insurance	(131,793)	(124,029)
Rentals	(157,556)	(121,894)
Remuneration of external professionals	(64,973)	(56,852)
Third-party data processing	(33,747)	(62,503)
Lease of equipment	(40,702)	(44,112)
Utilities	(29,879)	(28,734)
Maintenance of movable and immovable properties (used in the business)	(26,416)	(36,996)
Postage	(16,980)	(13,750)
Advertising, sponsorships and promotions	(6,985)	(5,487)
Membership dues	(10,633)	(10,142)
Reimbursement of employee car and travel expenses	(14,579)	(27,317)
Security services	(56,237)	(56,203)
Software	(3,232)	(2,587)
expenses for personnel training	(3,642)	(4,471)
Corporate entertainment expenses	(52)	(396)
Expenses for non-rented investment real estate	(7,589)	(10,174)
Printing and stationery	(5,142)	(5,696)
Transportation	(31,138)	(34,003)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(6,345)	(8,681)
Contributions Resolution Funds (SRF) and Deposits Guarantee Schemes (DGS)	(195,478)	(175)
Others	(25,331)	(73,073)
Total	**(1,305,123)**	**(1,168,068)**

Line "Advertising, sponsorships and promotions" for an amount of EUR 17.0 mln includes advertising, events and printing (EUR 12.0 mln), sponsorships and promotions (EUR 4.7 mln) and other communication expenses (EUR 0.3 mln).

For a trend analysis of the concerned items, reference should be made to the consolidated Report on Operations.

Section 12 - Net provisions for risks and charges - Item 190

12.1 Net provisions for risks and charges: breakdown

Items/Amounts	31 12 2015				31 12 2014			
	Legal disputes	Personnel costs	Others	Total	Legal disputes	Personnel costs	Others	Total
Provisions for the year	(131,197)	(16,331)	(71,221)	(218,749)	(206,253)	(17,471)	(174,149)	(397,873)
Write-backs	74,415	9,963	70,333	154,711	47,710	10,300	163,312	221,322
Total	**(56,782)**	**(6,368)**	**(888)**	**(64,038)**	**(158,543)**	**(7,171)**	**(10,837)**	**(176,551)**

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	Impairment losses	Write-backs	Net Profit (loss) 31 12 2015	Net Profit (loss) 31 12 2014
Tangible assets					
A.1 Owned	(119,959)	(6,983)	-	(126,942)	(158,220)
- used in the business	(110,516)	(5,106)	-	(115,622)	(120,576)
- held for investment	(9,443)	(1,877)	-	(11,320)	(37,644)
A.2 Leased	-	-	-	-	-
- used in the business	-	-	-	-	-
- held for investment	-	-	-	-	-
Total	**(119,959)**	**(6,983)**	**-**	**(126,942)**	**(158,220)**

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

Assets/P&L items	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (loss) (a+b-c) 31 12 2015	Net profit (loss) 31 12 2014
Intangible assets					
A.1 Owned	(116,422)	(209)	-	(116,631)	(149,137)
- generated internally by the company	(24,988)	(51)	-	(25,039)	(37,007)
- other	(91,434)	(158)	-	(91,592)	(112,130)
A.2 Leased	-	-	-	-	-
Total	**(116,422)**	**(209)**	**-**	**(116,631)**	**(149,137)**

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

15.1 Other operating expenses: breakdown

Items/Amounts	Total 31 12 2015	Total 31 12 2014
Costs of robberies	(5,824)	(5,205)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(10,026)	(11,295)
Other expenses on real estate (real estate inventory)	(736)	(905)
Cost of financial lease transactions	(9,765)	(10,011)
Costs from judgments and settlement agreements	(65,643)	(52,605)
Other	(25,190)	(72,399)
Total	**(117,184)**	**(152,420)**

15.2 Other operating income: breakdown

Items/Amounts	Total 31 12 2015	Total 31 12 2014
Rents from investment real estate	23,646	24,515
Other revenues from real estate (real estate inventory)	1,002	1,022
Recovery of taxes	237,303	234,209
Recovery of insurance premiums	11,627	6,022
Recovery of other expenses	126,125	125,610
Income from financial lease transaction	3,744	4,830
Other	58,858	90,057
Total	**462,305**	**486,265**

The amount of EUR 126.1 mln classified under "Recoveries of other expenses" includes the "fast-track facility fee" introduced by Law Decree 201/2011 ("Save Italy Decree") amounting to EUR 53.3 mln (EUR 60 mln as at 31 December 2014) and the compensation of legal fees incurred for the enforced recovery of non-performing loans of EUR 38.8 mln (EUR 36.6 mln as at 31 December 2014).

Section 16 - Gains (losses) on investments - Item 240

16.1 Gains (losses) on investments: breakdown

P&L items/Sectors	Total 31 12 2015	Total 31 12 2014
1) Jointly owned companies		
A. Income	4	16
1. Revaluations	4	16
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	(11,201)	(5,003)
1. Write-downs	(4,960)	(259)
2. Impairment losses	(6,241)	(4,744)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**(11,197)**	**(4,987)**
2) Companies subject to significant influence		
A. Income	228,898	250,654
1. Revaluations	102,606	118,131
2. Gains on disposal	126,292	83,801
3. Write-backs	-	23,711
4. Other income	-	25,011
B. Expense	(7,261)	(51,339)
1. Write-downs	(1,758)	(8,982)
2. Impairment losses	(3,896)	(42,343)
3. Losses on disposal	(1,607)	(14)
4. Other expenses	-	-
Net Profit (Loss)	**221,637**	**199,315**
Total	**210,440**	**194,328**

With regard to the figures posted in line “2) Companies subject to significant influence”, note that line “A.2. Gains on disposal” totalling EUR 126.3 mln consists of EUR 120.1 mln related to the disposal of the investment held in the associate Anima Holding S.p.A. and EUR 6.2 mln related to the disposal of the investment in Antoniana Veneta Popolare Vita S.p.A.. Line “B.2. Impairment losses” includes mainly the write-down of Terme di Chianciano S.p.A. and Trixia S.r.l.

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. The impairment test conducted in 2015 did not result in any impairment losses on goodwill allocated to the Financial Advisory and Digital Banking CGU (Cash Generating Unit) amounting to EUR 7.9 mln. In 2014 the test resulted in an impairment loss of EUR 661.8 mln being reported for goodwill allocated to the CGUs (for more details, see section 13 of the consolidated financial statements as at 31 December 2014).

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 2015	Total 31 12 2014
A. Property	2,218	22,867
- Gains on disposal	2,254	23,633
- Losses on disposal	(36)	(766)
B. Other assets	637	61,834
- Gains on disposal	642	61,941
- Losses on disposal	(5)	(107)
Net Profit (Loss)	**2,855**	**84,701**

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 2015	31 12 2014*
1. Current tax (-)	(55,614)	(96,306)
2. Adjustments to current tax of prior years (+/-)	(13,733)	(66,712)
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	2,167,114	767,411
4. Changes in prepaid taxes (+/-)	(2,157,725)	1,715,724
5. Changes in deferred taxes (+/-)	67,235	41,903
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**7,277**	**2,362,020**

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

20.2 Reconciliation of theoretical to actual tax charge

Items/Amounts	31 12 2015	%	31 12 2014*	%
Pre-tax profit (loss) from continuing operations	**382,591**		**(7,765,066)**	
Theoretical IRES Payable	**(105,213)**	**27.5%**	**2,135,393**	**27.5%**
Permanent increases	**(34,968)**		**(250,190)**	
Non-deductible interest expense	(19,764)	5.2%	(25,948)	-0.3%
Losses on sale of AFS equity investmens	(4,830)	1.3%	(11,613)	-0.1%
Non-deductible adimistrative expenses (Municipal real estate property tax, vehicles, telephone, etc.)	(10,374)	2.7%	(30,636)	-0.4%
Impairment on goodwill	-	0.0%	(181,993)	-2.3%
Permanent decreases	**145,554**	**0.0%**	**117,755**	**0.0%**
Gains on sale of AFS equity investments	757	-0.2%	12,680	0.2%
Gains on disposal of subsidiaries and associates	38,491	-10.1%	49,629	0.6%
Deduction IRAP	1,948	-0.5%	8,548	0.1%
Deduction ACE	104,358	-27.3%	46,898	0.6%
Reversal of theoretical tax charge on profits / net losses of equity investments in associates (valued at equity method)	**27,926**	**-7.3%**	**35,616**	**0.5%**
Tax disputes	**-**	**0.0%**	**(7,775)**	**-0.1%**
Tax on revaluation of partecipation in Bankit	**-**	**0.0%**	**(26,249)**	**-0.3%**
Other components (IRES relative to previous years, spreads between Italian and foreign tax rate, etc.)	**(25,817)**	**6.7%**	**53,329**	**0.7%**
Effective IRES payable	**7,482**	**-2.0%**	**2,057,879**	**26.5%**
Theoretical IRAP payable	**(17,790)**	**4.7%**	**361,075**	**4.7%**
Economic items not relevant for IRAP purposes	(13,340)		(123,387)	
Non-deductible interest expense	(9,432)	2.47%	(11,294)	-0.15%
Value adjustments and credit losses	1,141	-0.30%	(7,732)	-0.10%
Non-deductible costs of personnel	(1,778)	0.46%	(60,710)	-0.78%
Profit (loss) on subsidiaries and associates	3,534	-0.92%	6,389	0.08%
Other non-deductible administrative expences (10%)	(7,352)	1.92%	(6,698)	-0.09%
Amortization non-deductible (10%)	(373)	0.10%	(430)	-0.01%
Impairment on goodwill	-	0.00%	(30,773)	-0.40%
Other	920	-0.24%	(12,139)	-0.16%
Value adjustments on loans transferred	**25,209**	**-6.6%**	**9,254**	**0.1%**
Increase regional rates effect	**857**	**-0.2%**	**41,114**	**0.5%**
Other components (IRAP relative to previous years, spreads between italian and foreign tax rate, etc.)	**4,859**	**-1.3%**	**16,085**	**0.2%**
Effective IRAP payable	**(205)**	**0.1%**	**304,141**	**3.9%**
Total effective IRES and IRAP tax expense	**7,277**	**-1.9%**	**2,362,020**	**30.4%**

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

Section 21 - Profit (loss) after tax from assets held for sale and discontinued operations - Item 310

The tables in this section are not presented as there were no profits or losses from discontinued operations in 2015.

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 2015	Total 31 12 2014*
Consolidated equity investments with significant non-controlling interests	-	-
Other equity investments	1,772	(4,375)
Total	**1,772**	**(4,375)**

** With respect to published accounts, prior period balances are reflective of changes described in the section “Restatement of prior period accounts 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 2015	31 12 2014
Weighted average number of ordinary shares outstanding (+)	1,738,120,622	134,587,483
Dilutive effect from put options sold (+)	-	-
Dilutive effect from ordinary shares to be assigned as a result of treasury share-based payments (+)	-	-
Dilutive effect from convertible liabilities (+)	28,841,792	-
Dilutive effect from convertible liabilities (+)	-	-
Weighted average number of ordinary shares outstanding by diluted earnings per share	**1,766,962,414**	**134,587,483**

The "Weighted average number of ordinary shares outstanding" as at 31.12.2014 was affected by the reverse split on 18 May 2015 of the Parent Company's ordinary shares at a ratio of 1 new ordinary share for every 20 shares held, pursuant to the resolution of the Extraordinary Shareholders' Meeting of Banca Monte dei Paschi di Siena S.p.A. held on 16 April 2015.

24.2 Other information

24.2a Reconciliation of net profit (loss) for the year - numerator for basic earnings per share

Item/Amount	31 12 2015			31 12 2014*		
	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)	388,096	-	388,096	(5,398,671)	-	(5,398,671)
Profit (loss) attributable to other types of shares	-	-	-	-	-	-
Net profit (loss) attributable to ordinary shares - numerator for basic earnings per share	**388,096**	**-**	**388,096**	**(5,398,671)**	**-**	**(5,398,671)**

** With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts 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 2015			31 12 2014*		
	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)	388,096	-	388,096	(5,398,671)	-	(5,398,671)
Dilutive effect from convertible liabilities	23	-	23	-	-	-
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	**388,119**	**-**	**388,119**	**(5,398,671)**	**-**	**(5,398,671)**

** With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts 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

Item/Amount	31 12 2015			31 12 2014*		
	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	0.223	-	0.223	(40.113)	-	(40.113)
Diluted Earnings per Share	0.220	-	0.220	(40.113)	-	(40.113)

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

The earnings per base share are calculated by dividing the Parent Company's overall net result by the weighted average of ordinary shares issued.

Part D - Consolidated statement of comprehensive income

Consolidated Statement of Comprehensive Income

31 12 2015

	Items	Gross	Income Tax	Net
10.	**Proft (loss) for the period**	**X**	**X**	**389,868**
	Other income components without reversal to profit & loss			
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	23,002	(6,321)	16,681
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves of equity instruments valued at equity	77	-	77
	Other income components with reversal to profit & loss			-
70.	**Hedges of foreign investments:**	**-**	**-**	**-**
	a) changes in fair value	-	-	-
	b) reversal to profit & loss	-	-	-
	c) other changes	-	-	-
80.	**Exchange differences:**	**8,992**	**(3,343)**	**5,649**
	a) changes in value	-	-	-
	b) reversal to profit & loss	-	-	-
	c) other changes	8,992	(3,343)	5,649
90.	**Cash flow hedges:**	**64,850**	**(20,587)**	**44,263**
	a) changes in fair value	44,401	(13,870)	30,531
	b) reversal to profit & loss	-	-	-
	c) other changes	20,449	(6,717)	13,732
100.	**Financial assets available for sale:**	**304,730**	**(102,219)**	**202,511**
	a) changes in fair value	354,003	(123,811)	230,192
	b) reversal to profit & loss	(48,274)	21,382	(26,892)
	- impairment provisions	19,908	(1,039)	18,869
	- realised net gains/losses	(68,182)	22,421	(45,761)
	c) other changes	(999)	210	(789)
110.	**Non-current assets held for sale:**	**19,166**	**(1,289)**	**17,877**
	a) changes in value	21,058	(1,416)	19,642
	b) reversal to profit & loss	(1,892)	127	(1,765)
	c) other changes	-	-	-
120.	**Share of valuation reserves of equity investments valued at equity:**	**(13,900)**	**12,908**	**(992)**
	a) changes in fair value	(10,624)	11,317	693
	b) reversal to profit & loss	-	-	-
	- impairment provisions	-	-	-
	- realised net gains/losses	-	-	-
	c) other changes	(3,276)	1,591	(1,685)
130.	**Other income components**	**406,917**	**(120,851)**	**286,066**
140.	**Total comprehensive income (Item 10 + 130)**	**406,917**	**(120,851)**	**675,934**
150.	Consolidated comprehensive income attributable to non-controlling interests	2,636	(869)	1,767
160.	**Consolidated comprehensive income attributable to Parent Company**	**X**	**X**	**674,167**

Part E - Information on risks and hedging policies

Note: Public Disclosure (Basel III Pillar) is published on the Group's website: www.mps.it/investors.

Foreword

A summary of the organisation of the Group's risk governance and the related processes and key functions is described below. An estimate of the Overall Internal Capital and a description of the relative assessment models are also provided.

For more detailed information on the Parent Company's Risk Governance and risk culture, please refer to the Consolidated 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 level of control.

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's 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 Risk Management 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 Parent Company 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 Management 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; it 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 exposures to interest rate and liquidity risk in the banking book and defines capital management actions;
- The Credit and Credit Policies 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. It also approves, at least annually, company policies pertaining to 'credit assessment';
- Based on the authorities assigned to it, the Large Loans Committee is responsible for taking decisions with respect to lending and the management of problem receivables and assets.

As part of the Internal Control System, third-level controls are carried out by the Internal Audit Area, second-level controls by the Risk Division and Compliance Area, 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, an anti-money laundering department and an internal approval department. This Division therefore has the following tasks:
  - to guarantee the overall functioning of the risk management system;
  - to verify capital adequacy as parf of the ICAAP process and liquidity adequacy as part of the ILAAP process;
  - to participate in the definition and control of the Risk Appetite Framework (RAF), as well as ensure that significant transactions are consistent with the RAF;
  - to define strategic policies for the loan portfolio;
  - to perform the anti-money laundering duties envisaged by Law;
  - to ensure 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 the maintenance of their consistency 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 Compliance Area performs the function of control of compliance with regulations for the Parent Company. The department is directly responsible for managing risks relating to the violation of the most significant rules in bank-customer relations and it periodically reports to the company's top management and supervisory authorities regarding the overall state of compliance of the Parent Company's systems and operations. In compliance with the supervisory provisions, the Compliance function has been incorporated under the Risk Division and reports directly to the CEO.
- The outlying BCUs operating within the subsidiaries or main business areas, carry out compliance checks on the transactions which they are responsible for and are the first level of organisational supervision of transactions within the broader internal control system.
- In compliance with the requirements of autonomy and independence of each participating function, there is also a Function Coordination Committee with control responsibilities. The Committee promotes and shares operational and methodological aspects to identify possible synergies in control activities carried out by second and third-level Functions, coordinate methods and timing for planning and reporting to the Corporate Bodies and project initiatives connected with the Internal Control System, and share areas for improvement identified by all Functions with control responsibilities as well as the Supervisory Authorities.
- In 2015, the Staff Regulatory Relationship was also established, reporting directly to the CEO, for centralised oversight of management of relationships and assessments by the Supervisory Authorities, coordinating and monitoring planning of the commitments made and the main directions of evolution in the European regulatory environment.

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 Risk Management Committee, with the assistance of the Appointments 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 Remuneration Committee, having heard the opinion of the Risk Management 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.
- Pillar 2: efforts to ensure compliance with the new Supervisory Review and Evaluation Process (SREP) framework and to further improve the Group's Internal Capital Adequacy Assessment Process (ICAAP) continued during the year, with the mandatory reporting provided to Supervisors.

  In 2015, the Group further developed the overall internal reference framework for the determination of its risk appetite: the Risk Appetite Framework (RAF). The Group also engaged in several risk management system improvement projects, especially with regard to credit risk, liquidity risk, ILAAP (Internal Liquidity Adequacy Assessment Process) process set-up risk and Recovery risk, as required under the reference European regulations.
- Pillar 3: public disclosure is provided on a quarterly basis through the Group's internet site www.mps.it/investors and is continuously updated in accordance with regulatory developments.

An analysis of the Group's Internal Capital

The Overall Internal 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 Group in its day-to-day operations can be summarily described as follows:

- credit risk;
- market risk (Trading book + AFS);
- operational risk;
- banking book interest rate risk;
- counterparty risk;
- real estate risk;
- issuer risk;
- concentration risk;
- equity investment portfolio risk;
- strategic risk;
- liquidity risk; reputational risk.

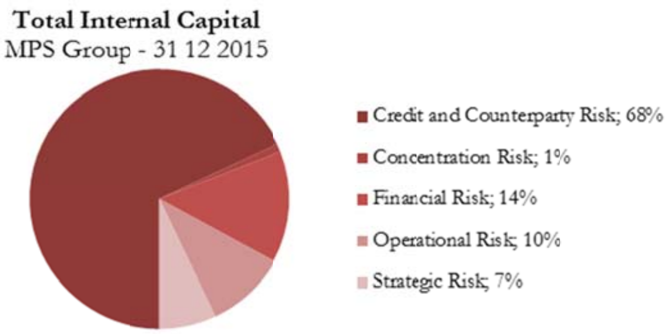
Risks inherent in investment products/services for the Group's customers are also monitored, to protect the customer and preventing any potential repercussions in terms of reputation.

All of the types of risk mentioned above are involved in quantifying the Overall Internal 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 Internal Capital for each type of risk and periodically reports these to the Risk Management Committee and to the Governing Bodies as part of the reporting flows prepared by the Risk Division.

In the first half of 2015, some significant changes were introduced to the estimating methods of Internal Capital. The main one consists of the move from a Pillar 2 approach to one known in the literature as "Pillar 1 Plus". In essence, the Pillar 1 requirements for Credit and Counterparty Risk (which already include those relating to Issuer Risk on the Banking Portfolio, Equity Investment Risk and Real Estate Risk) and for Operational Risk are increased by the requirements from internal models relating to Market Risks, Banking Book Interest Rate Risk, Concentration Risk and Strategic Risk. Overall Internal Capital is calculated without considering the inter-risk diversification, by directly adding together the contributions of the individual risks. This approach tends to incorporate the indications in the SREP (Supervisory Review and Evaluation Process) Guidelines document published by the EBA in December 2014.



SECTION 1 - RISKS OF THE BANKING GROUP

1.1 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 Parent Company's 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 the direct management of impaired loans, including financial restructuring transactions.

During the year, the contents of the restructuring of the Credit Division resolved by the Board of Directors at the end of 2014 were rolled out to the Parent Company's structures. The objective of this initiative was to improve supervision by the head office of the most problematic loans, for a more effective and efficient management and collection of these debts.

The reorganisation involved creating two divisions within the Parent Company's Credit Division, in line with the operational credit management model, which entails the management of performing exposures, non-performing past due exposures and unlikely to pay positions within the sales network and the management of exposures that have been or are currently being restructured, higher risk unlikely to pay loans and doubtful loans under the responsibility of specialised head office units.

The Loan Disbursement and Governance Division is responsible, through the Loan Disbursement Area, for loan disbursement, manages country risk and monitors significant loan risks with reference to performing loans, non-performing past due loans and some unlikely to pay exposures.

This Division includes the Specialised Credit Services Area, which provides services to the credit chain to ensure its continuous functioning and is responsible for overseeing loan portfolio quality, in particular with respect to the prompt classification of counterparties within the new monitoring process designed to acknowledge developments in supervisory legislation (update dated 20 January 2015 of Bank of Italy Circular 272). The Area is also committed to carrying out controls on the procedure for calculating specific write-downs, and providing post-disbursement services for the real-estate loan sector and servicing activities on securitisations and covered bonds. The Rating Service was created within the Area as well, with the task of determining the rating of Corporate customers with turnover exceeding EUR 10 mln.

The recently established Problem Loan & Asset Department is responsible for impaired loans.

In particular, the Restructured Loans and Problem Assets Area manages problematic 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. This Area directly manages the Group's restructuring transactions underway and completed, including those for small amounts.

The Distressed Credit Risk Area manages higher risk unlikely to pay positions through local departments. Unlikely to pay positions are placed under the direct responsibility of specialists who receive the case from the sales manager when the counterparty's classification is changed. Their main goal is to protect the bank's credit claims and evaluate the best solution to collect the debt owed by the customer, possibly by helping it to overcome temporary difficulties.

The Debt Collection Area manages doubtful loans of larger amounts and pursues the mission of maximising collection results by using traditional recovery methods with legal proceedings, as well as more advanced methodologies such as out-of-court management and/or the assignment of individual positions that may considerably decrease collection timing.

Lastly, the Problem Loan Division manager is directly responsible for the unit that manages small ticket collection activities (with exposure below specific thresholds) through external debt collection companies appropriately selected based on the activities to be carried out and the type of work required. This activity is carried out on those positions irrespective of their classification. Indeed, doubtful loans, unlikely to pay exposures and positions with continuing overdrawn amounts on credit lines are all sent to collection companies. The Parent Company continues to make all of the most important decisions regarding outsourced positions.

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 adoption of 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 Parent Company 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, unlikely to pay 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).

In order to increase 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 role of the Rating Agencies allows 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, both management (intra-risk diversified with a representative period of one year and a confidence interval calibrated to the target rating assigned to the Group) and regulatory. Several inputs are considered: probability of default (PD), obtained through validated and non-validated models, LGD rates (management and regulatory), number and types of guarantees supporting the individual credit facilities, regulatory and management CCF on the basis of which the regulatory and management EAD are estimated respectively.

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 Parent Company 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 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 former substandard, former restructured and former non-performing 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 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 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 and regulatory capital for credit risk;
- calculation of risk-adjusted performance and measurement of value creation;
- risk-adjusted pricing processes;
- credit direction 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.

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 Group regularly conducts stress tests on all risk factors. The stress tests are used to assess the capacity of the various Group entities to absorb large potential losses in extreme but 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 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 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 BoD 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 Group.

Credit risk mitigation policies

With reference to the retail and corporate loan portfolio, the Group does not apply any netting processes to the credit risk exposures with on- or off-balance sheet items with opposite sign. The 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 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 Parent Company 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 Supervisory Regulations for the enforcement of credit risk mitigation standards.

The 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 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 95% 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.

More generally, as regards mortgage collateral, an IT platform integrated within the Parent Company's systems has been introduced which is used to automatically transfer information about the property acquired from appraisers directly to the Parent Company's systems. The platform automatically updates all of the Parent Company's loan management applications and digitally archives the appraiser's documentation. It is also capable of standardising the set of information provided by the appraisers.

Appraisers are selected based on an individual analysis of their abilities, professional skill and experience, and are placed on a dedicated list of accredited professionals; their work is monitored continuously, including by checking any divergence between surveyed values and benchmark market data. Appraisers are required to prepare their estimates using valuation methods consistent with the Italian Banking Association's Guidelines for the appraisal of properties backing credit exposures.

For the phase of monitoring the assets pledged, the Group has a policy establishing the amounts of the secured exposure and the age of the appraisal, beyond which the properties are appraised again. For exposures lower than the thresholds defined, the Group in any event conducts half-yearly monitoring of the property value based on market data.

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

Non-performing financial assets include loans which, following the occurrence of events subsequent to their disbursement, show objective evidence of a possible loss in value.

Non-performing exposures (e.g. doubtful, unlikely to pay and non-performing past due; together, non-performing exposures) are classified into different risk categories in accordance with the regulations issued by the Bank of Italy[6]*, supplemented with internal provisions which set automatic criteria and rules for the transfer of receivables between different risk categories. In particular, classification is carried out by bodies within the loan decision-making chain based on a process that provides for a series of codified controls aiming to guarantee proper asset classification, except for loans more than 90 days past due, which are measured using automated procedures. To ensure that controls are conducted in the course of the year, default detection parameters have been integrated within Credit Monitoring so as to promptly identify non-performing positions.*

A "forborne exposure" (as defined in Bank of Italy circular 272) is a debt agreement for which measures of tolerance have been applied (otherwise identifiable as "forbearance measures"). The measures of tolerance consist of concessions - in terms of the amendment and/or refinancing of the pre-existing debt agreement - to the borrower who has or is on the verge of having difficulty in meeting its financial commitments (in other words, the borrower is in financial difficulty).

Forborne exposures are broken down into:

- non-performing exposures with forbearance measures, pursuant to the ITS. These exposures represent a sub-category of, depending on the case, doubtful loans, unlikely to pay or non-performing past due; therefore, they do not make up their own category of non-performing exposures;
- forborne performing exposures, pursuant to the ITS.

During the year, the new rules for identifying forborne exposures were integrated within the Electronic Loan File. If a new facilitation or a change in the credit line which amounts to a new concession is requested, the manager is asked to evaluate the counterparty's financial difficulty. With support from the procedure, the manager establishes whether the borrower is in financial difficulty and how severe it is. If the financial difficulty is serious, the manager should decide, in addition to the concession, on whether to change the counterparty's classification to unlikely to pay.

Positions are classified into the various categories of non-performing assets at the proposal of the regional network responsible for the commercial relationship as well as peripheral and central specialised functions responsible for loan control and management.

For non-performing past due loans, classification as non-performing takes place via automatic procedures if specific objective conditions of default have been satisfied.

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[6] In circular 262, the Bank of Italy provided the definition of non-performing exposure by referring to paragraphs 58-62 of IAS 39, and specifying that the set of non-performing exposures corresponds to the sum of doubtful loans, unlikely to pay exposures and non-performing past due exposures. The definition of criteria for the identification of these categories is set forth in the Bank of Italy's 7th update of January 2015 of Circular no. 272, following the acknowledgement of the new definitions of non-performing exposures (NPE) and forborne exposures introduced by the Implementing Technical Standards on Supervisory reporting on forbearance and non performing exposures…" (ITS) approved by the European Commission on 9 January 2015.

Non-performing exposures are returned to performing status at the initiative of the above-mentioned structures responsible for loan control and management, after it is verified that the critical conditions and state of insolvency no longer apply. Non-performing past due loans are returned to performing automatically when the exposure is paid up.

All non-performing and other loans are subject to constant monitoring via a predefined control system.

In detail, the Credit Monitoring process is based on leveraging two main factors:

• Identification of high insolvency risk positions ('screening');

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 (dedicated 'routing').

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:

1. 'Mass Retail' procedure for 'Retail Family' clients;
2. 'Standard Retail' procedure for Retail, Affluent and Private customers, as well as small-sized businesses with limited exposure;
3. A dedicated Corporate procedure for corporate customers.

Doubtful loans, unlikely to pay and non-performing past due exposures with exposure above a given threshold value are valued analytically. For all non-performing exposures under a given threshold value, the valuation is carried out statistically on the basis of parameters determined by Risk Management.

This evaluation is carried out at the time of their classification, when significant events take place and, in any event, reviewed periodically.

The loan valuation is subject to review any time knowledge is gained of significant events that could change prospects for recovery. For such events to be promptly taken into consideration, all borrower information is periodically monitored.

Quantitative Information
A. Credit quality

For the purposes of quantitative information on the credit quality, the term "credit exposures" does not include equity securities and Units of UCITS, whereas 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)

	Doubtful loans	Unlikely to pay	Past-due Impaired exposures	Past-due not impaired exposures	Performing exposures	Total
1. Financial assets available for sale	136	2,115	-	-	16,733,584	16,735,835
2. Financial assets held to maturity	-	-	-	-	-	-
3. Loans to banks	1,272	525	-	141	8,240,118	8,242,056
4. Loans to customers	9,732,792	12,325,470	2,095,569	3,079,317	84,133,235	111,366,383
5. Financial assets designated at fair value	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-
Total 31 12 2015	**9,734,200**	**12,328,110**	**2,095,569**	**3,079,458**	**109,106,937**	**136,344,274**
Total 31 12 2014*	**8,446,674**	**11,670,632**	**3,053,292**	**4,461,460**	**118,094,589**	**145,726,647**

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

The data as at 31 December 2014 are presented in accordance with the new definition of impaired assets adopted by the Bank of Italy in the 7th update of 20 January 2015 of Circular 272 "Accounting Matrix", in force from 1 January 2015. Impaired financial assets are broken down into the following categories: doubtful, unlikely to pay and overdue and/or past due non-performing exposures and include cash assets (loans and debt securities) and "off-balance sheet" (guarantees issued, irrevocable and revocable commitments to grant funds, etc.), to borrowers who fall within the "non-performing" category as defined by Commission Implementing Regulation (EU) no. 680/2014, as amended. Financial instruments in the "Financial assets held for trading" portfolio and derivative contracts are excluded.

The notions of substandard and restructured exposures were therefore repealed and included in the unlikely to pay aggregate, with the exception of objective substandard (EUR 1,360.7 mln as at 31 December 2014) inserted in past due non-performing exposures.

Since the entire portfolio of financial assets is subject to classification by credit quality, with the exception of equity securities and units of UCITS, it should be noted that the items "Loans to banks" and "Loans to customers" include not only loans but also other types of assets (debt securities, etc.). All amounts are book values, and thus, net of any related doubtful amounts.

Lastly, at the reporting date line "3. Loans to banks" includes net non-performing forborne exposures amounting to EUR 2.1 mln and line "4. Loans to customers" includes net performing forborne exposures totalling EUR 2,901.3 mln (EUR 1,722.1 mln as at 31 December 2014) and net non-performing forborne exposures of EUR 7,113.2 mln (EUR 6,168.9 mln as at 31 December 2014).

The table below provides an ageing analysis of past due amounts on performing financial assets.

Portfolio/Quality	Performing Exposures					
	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	Total 31 12 2015
1. Financial assets available for sale	-	-	-	-	16,733,584	16,733,584
2. Financial assets held to maturity	-	-	-	-	-	-
3. Loans to banks	-	-	-	141	8,240,118	8,240,259
4. Loans to customers	2,028,404	400,768	468,928	181,217	84,133,235	87,212,552
5. Financial assets designated at fair value	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-
Total 31 12 2015	**2,028,404**	**400,768**	**468,928**	**181,358**	**109,106,937**	**112,186,395**

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	
1. Financial assets available for sale	6,256	4,005	2,251	16,733,584	-	16,733,584	16,735,835
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Loans to banks	70,018	68,221	1,797	8,247,820	7,561	8,240,259	8,242,056
4. Loans to customers	46,857,725	22,703,894	24,153,831	87,872,647	660,095	87,212,552	111,366,383
5. Financial assets designated at fair value	-	-	-	X	X	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-
Total 31 12 2015	**46,933,999**	**22,776,120**	**24,157,879**	**112,854,051**	**667,656**	**112,186,395**	**136,344,274**
Total 31 12 2014*	**45,413,061**	**22,242,462**	**23,170,599**	**123,466,728**	**910,680**	**122,556,048**	**145,726,647**

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

The data as at 31 December 2014 are presented in accordance with the new definition of impaired assets adopted by the Bank of Italy in the 7th update of 20 January 2015 of Circular 272 "Accounting Matrix", in force from 1 January 2015. Impaired financial assets are broken down into the following categories: doubtful, unlikely to pay and overdue and/or past due non-performing exposures and include cash assets (loans and debt securities) and "off-balance sheet" (guarantees issued, irrevocable and revocable commitments to grant funds, etc.), to borrowers who fall within the "non-performing" category as defined by Commission Implementing Regulation (EU) no. 680/2014, as amended. Financial instruments in the "Financial assets held for trading" portfolio and derivative contracts are excluded.

With regard to the disclosure requested by Bank of Italy in its notice of 7 February 2014, as at 31 December 2015 the Group had 657 positions (953 as at 31 December 2014) relating to creditors who had filed a "blank" request for a pre-insolvency creditor arrangement procedure "Concordato in bianco" for a net exposure of EUR 556.5 mln (EUR 649.9 mln as at 31 December 2014) and 7 positions (27 as at 31 December 2014) 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 3.1 mln (EUR 19.6 mln as at 31 December 2014).

The amount of write- off on impaired financial assets made during the period amounts to 231.5 million euro (72.4 million euro at 31 December 2014).

	Low quality assets		Other assets
	Cumulative losses	Net exposure	Net exposure
1 Financial assets held for trading	146,732	28,788	17,934,268
2 Hedging derivatives	-	-	556,425
Total 31 12 2015	**146,732**	**28,788**	**18,490,693**
Total 31 12 2014*	**167,662**	**59,306**	**18,053,780**

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

A.1.3 Banking Group - Balance sheet and off-balance sheet exposure to banks: gross and net amounts and past due ranges

31 12 2015

Portfolio/quality	Gross exposure – Non-performing Assets – Past due up to 3 months	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year	Performing Assets	Specific write-downs	Portfolio adjustments	Net Exposure
A. Balance-sheet exposure								
a) Doubtful loans	-	-	-	72,161	X	70,754	X	1,408
- of which forborne	-	-	-	-	X	-	X	-
b) Unlikely to pay	598	-	-	2,454	X	412	X	2,640
- of which forborne	-	-	-	2,454	X	339	X	2,115
c) Past due	-	-	-	-	X	-	X	-
- of which forborne	-	-	-	-	X	-	X	-
d) Past-due not impaired	X	X	X	X	159	X	18	141
- of which forborne	X	X	X	X	-	X	-	-
e) Other assets not impaired	X	X	X	X	9,521,442	X	7,544	9,513,899
- of which forborne	X	X	X	X	-	X	-	-
Total A	**598**	**-**	**-**	**74,615**	**9,521,601**	**71,166**	**7,562**	**9,518,088**
B. Off-balance-sheet exposure								
a) Impaired	215	-	-	-	X	98	X	117
b) Not Impaired	X	X	X	X	5,234,981	X	1,889	5,233,092
Total B	**215**	**-**	**-**	**-**	**5,234,981**	**98**	**1,889**	**5,233,209**
Total (A+B)	**813**	**-**	**-**	**74,615**	**14,756,582**	**71,264**	**9,451**	**14,751,297**

The table provides a breakdown of exposure 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 credit 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 60 "Loans to banks" with the exception of derivative contracts that 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 non-performing loans

31 12 2015

Source/Categories	Doubtful loans	Unlikely to pay	Non-performing Past due
A. Gross exposure, opening balance	**39,847**	**44,385**	**177**
- of which: transferred but not derecognised	-	-	-
B. Increases	**44,574**	**687**	**-**
B.1 Transfers from performing loans	-	579	-
B.2 transfers from other impaired loans	42,020	-	-
B.3 other increases	2,554	108	-
C. Decreases	**12,260**	**42,020**	**177**
C.1 transfers to performing loans	-	-	-
C.2 write-offs	2,409	-	-
C.3 collections	1,307	-	177
C.4 amounts realised upon disposal of positions	8,500	-	-
C.4 bis losses from disposal	44	-	-
C.5 transfers to other categories of impaired exposure	-	42,020	-
C.6 other decreases	-	-	-
D. Gross exposure, closing balance	**72,161**	**3,052**	**-**
- 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 - Non-performing balance-sheet exposure to banks: changes in overall value adjustments

31 12 2015

Source/Categories	Doubtful loans	Unlikely to pay	Non-performing Past due
A. Opening balance of overall adjustments	**38,463**	**18,752**	**92**
- of which: transferred but not derecognised	-	-	-
B. Increases	**44,330**	**162**	**-**
B.1 Value adjustments	25,170	162	-
B.2 Loss from disposal	44	-	-
B.3 Transfers from other categories of impaired exposures	18,502	-	-
B.4 Other increases	614	-	-
C. Decreases	**12,039**	**18,502**	**92**
C.1 Write-backs from valuation	745	-	92
C.2 Write-backs from collection	8,840	-	-
C.3 Profit from disposal	-	-	-
C.4 Write-offs	2,409	-	-
C.5 Transfers to other categories of impaired exposure	-	18,502	-
C.6 Other decreases	45	-	-
D. Closing balance of overall adjustments	**70,754**	**412**	**-**
- 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 and past due ranges

31 12 2015

Portfolio/quality	Gross exposure					Specific write-downs	Portfolio adjustments	Net Exposure
	Non-performing Assets				Performing Assets			
	Past due up to 3 months	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year				
A. Balance-sheet exposure								
a) Doubtful loans	55,510	34,397	129,400	26,408,166	X	16,894,661	X	9,732,812
- of which forborne	649	6,908	49,625	909,995	X	473,583	X	493,594
b) Unlikely to pay	6,160,720	451,872	2,497,440	8,290,484	X	5,075,028	X	12,325,488
- of which forborne	3,937,490	187,767	1,332,875	2,682,134	X	1,912,117	X	6,228,149
c) Past due	300,290	264,053	827,070	1,442,883	X	738,708	X	2,095,588
- of which forborne	53,771	41,382	174,829	185,136	X	63,671	X	391,447
d) Past-due not impaired	X	X	X	X	3,180,676	X	101,358	3,079,318
- of which forborne	X	X	X	X	485,081	X	19,557	465,524
e) Other assets not impaired	X	X	X	X	112,904,350	X	612,988	112,291,362
- of which forborne	X	X	X	X	2,492,099	X	56,292	2,435,807
Total A	**6,516,520**	**750,322**	**3,453,910**	**36,141,533**	**116,085,026**	**22,708,397**	**714,346**	**139,524,568**
B. Off-balance-sheet exposure								
a) Impaired	1,052,613	-	-	2,542	X	158,922	X	896,233
b) Not Impaired	X	X	X	X	20,837,145	X	125,506	20,711,639
Total B	**1,052,613**	**-**	**-**	**2,542**	**20,837,145**	**158,922**	**125,506**	**21,607,872**
Total (A+B)	**7,569,133**	**750,322**	**3,453,910**	**36,144,075**	**136,922,171**	**22,867,319**	**839,852**	**161,132,440**

The table provides a breakdown of dealings with customers 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.

Since the entire portfolio of financial assets is subject to classification by credit quality, with the exception of equity securities and units of UCITS, it should be noted that the item "Loans to customers" includes not only loans but also other types of assets (debt securities, etc.).

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 that are considered as off-balance-sheet in this section.

Please see the consolidated report on operations for quantification of and reporting on capital ratios for coverage of lending relationships.

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.

In particular, please note that off-balance sheet exposures that are not impaired include exposures generated by derivative contracts with low credit quality for a gross value of EUR 126.2 mln; cumulative impairment losses amount to EUR 97.3 mln and are conventionally specified under "Portfolio value adjustments". For additional details on the credit quality of derivative instruments and assets for trading, please refer to the disclosure provided in table A.1.2.

Finally, please note that at the date of these financial statements, gross non-performing forborne exposures that in the cure period are not past due refer to 3,704.6 million euro to unlikely to pay exposures and 38.4 million euro to non-performing past due loans.

A.1.7 Banking Group - Balance-sheet exposure to customers: changes in gross non-performing loans

Source / Categories	Doubtful loans	Unlikely to pay	Non-performing Past due
A. Gross exposure, opening balance	**24,334,166**	**17,198,166**	**3,796,754**
- of which: transferred but not derecognised	37,620	50,199	31,154
B. Increases	**5,486,745**	**6,163,652**	**1,894,464**
B.1 Transfers from performing loans	803,886	3,279,076	1,459,811
B.2 Transfers from other impaired loans	3,897,983	1,677,393	230,588
B.3 Other increases	784,876	1,207,183	204,065
C. Decreases	**3,193,438**	**5,961,302**	**2,856,922**
C.1 Transfers to performing loans	4,323	795,764	431,207
C.2 Write-offs	2,300,872	267,729	4,365
C.3 Collections	533,893	1,288,884	345,739
C.4 Amounts realised upon disposal of positions	122,489	2,135	-
C.5 Losses from disposal	74,142	1,310	-
C.6 Transfers to other categories of impaired exposure	142,749	3,592,197	2,071,019
C.7 Other decreases	14,970	13,283	4,592
D. Gross exposure, closing balance	**26,627,473**	**17,400,516**	**2,834,296**
- of which: transferred but not derecognised	41,229	61,936	232,522

With regard to balance-sheet exposures to customers, the table shows changes in non-performing exposures during the year. 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.

Line C.2 'write-offs' includes EUR 2,197.6 mln in write-offs of exposures through non-recourse transfers of mainly doubtful loan portfolios completed in June and December of this year. The loss of EUR 49.1 mln on those disposals is reported on lines C.5 and B.3.

Exposures sold but not derecognised, under captions "A" and "D", refer to non-performing assets in performing securitisations.

A.1.8 Banking Group - Balance-sheet exposure to customers: changes in overall value adjustments

31 12 2015

Source / Categories	Doubtful loans	Unlikely to pay	Non-performing Past due
A. Opening balance of overall adjustments	**15,888,859**	**5,553,302**	**743,372**
- of which: transferred but not derecognised	14,355	10,919	3,565
B. Increases	**4,821,353**	**2,137,758**	**550,561**
B.1 Value adjustments	2,980,602	2,088,096	353,390
B.2 Loss from disposal	74,142	1,310	-
B.3 Transfers from other categories of impaired exposures	1,327,721	35,425	161,948
B.3 Other increases	438,888	12,927	35,223
C. Decreases	**3,815,551**	**2,616,032**	**555,225**
C.1 Write-backs from valuation	845,177	833,931	496,610
C.2 Write-backs from collection	447,240	112,865	1,043
C.3 Profit from disposal	27,559	-	-
C.4 Write-offs	2,300,872	267,728	4,366
C.5 Transfers to other categories of impaired exposures	103,407	1,386,069	35,618
C.6 Other decreases	91,296	15,439	17,588
D. Closing balance of overall adjustments	**16,894,661**	**5,075,028**	**738,708**
- of which: transferred but not derecognised	12,860	17,306	87,887

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 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.

Exposures sold but not derecognised, under captions “A” and “D”, 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 2015.

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	7.58	6.74	-	-	-	-	-
Austria	0.06	0.08	-	-	-	-	25.00
Belgium	(7.78)	(8.04)	59.50	64.25	-	-	-
Bosnia	0.01	0.00	-	-	-	-	-
Brazil	0.22	0.24	-	-	-	-	-
China	-	-	-	-	-	-	15.65
France	(3.55)	(3.73)	3.50	4.13	-	-	(1.00)
Germany	(27.01)	(27.87)	-	-	-	-	-
Greece	0.01	0.01	-	-	-	-	-
Hong kong	-	-	29.40	29.63	-	-	-
Ireland	0.00	0.00	-	-	-	-	-
Italy	3,776.91	3,815.78	14,536.08	16,310.44	513.22	2,850.08	2,993.66
Lituania	-	-	9.00	10.31	-	-	-
Holland	(7.47)	(7.78)	-	-	-	-	-
Poland	0.78	0.97	10.00	10.76	-	-	-
Portugal	-	-	2.00	2.33	-	-	3.00
United Kingdom	0.04	0.05	-	-	-	-	-
Romania	1.17	1.25	-	-	-	-	-
Russia	0.00	0.00	-	-	-	-	-
Spain	1.47	1.60	45.00	52.53	-	-	(14.20)
United States	0.29	0.32	-	-	-	-	-
Turkey	(0.00)	(0.00)	10.00	10.50	-	-	-
Ungheria	0.67	0.78	-	-	-	-	-
Venezuela	(0.33)	(0.17)	-	-	-	-	-
Total 31 12 2015	**3,743.07**	**3,780.21**	**14,704.48**	**16,494.87**	**513.22**	**2,850.08**	**3,022.11**
Total 31 12 2014*	**1,820.42**	**1,862.08**	**15,942.45**	**18,028.83**	**465.59**	**3,252.10**	**3,740.45**

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

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 aforementioned entities.

These financial instruments were measured according to the standards applicable to the category to which they belong.

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 269.7 mln in government bonds.

Following are the details of Italian AFS reserves and credit derivatives (in EUR/mln):

AFS securities: Italy	31 12 2015	31 12 2014*
Book value	16,310.4	17,733.6
AFS reserve (after tax)	78.7	(140.9)
of which: hedging effect (after tax)	42.0	(1,287.1)

Credit derivatives - Italy	31 12 2015	31 12 2014*
Purchase of protection		
Nominal	(269.2)	(3,791.3)
Positive fair value	14.1	285.6
Negative fair value	-	(0.1)
Sale of protection		
Nominal	3,263.7	7,342.8
Positive fair value	-	634.5
Negative fair value	(29.5)	(357.4)

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

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

[redacted]

Esposures	External rating classes						No Rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Balance-sheet exposure	1,101,444	2,598,320	25,653,738	1,036,637	429,978	185,365	118,164,764	149,170,246
B. Derivatives	196,707	1,102,712	703,185	95,895	20,343	420	5,861,525	7,980,787
B.1 Financial derivatives	122,619	557,153	219,587	39,707	3,832	-	1,668,989	2,611,887
B.2 Credit derivatives	74,088	545,559	483,598	56,188	16,511	420	4,192,536	5,368,900
C. Guarantees issued	4,192	230,525	90,430	134,748	503,423	122	5,578,006	6,541,446
D. Commitments to disburse fund:	193	2,613	2,195,229	307,941	17,278	728	6,447,225	8,971,207
E. Others	6,135	1,241,752	1,751,121	-	-	-	348,877	3,347,885
Total	1,308,671	5,175,922	30,393,703	1,575,221	971,022	186,635	136,400,397	176,011,571

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 Tables A.1.3 (exposures to banks) and A.1.6 (exposures to customers) above, in addition to units of UCITS. 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.

A.2.2 Banking Group - Breakdown of balance sheet and off-balance sheet exposures by internal ratings

[redacted]

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	11,459,593	14,446,316	29,450,337	14,559,114	1,805,850	24,086,450	158,097	53,076,900	149,042,657
B. Derivatives	13,963	118,263	223,255	113,102	4,914	28,815	311	7,478,164	7,980,787
B.1 Financial derivatives	12,963	85,039	218,255	113,102	4,914	28,815	311	2,148,488	2,611,887
B.2 Credit derivatives	1,000	33,224	5,000	-	-	-	-	5,329,676	5,368,900
C. Guarantees issued	627,537	1,292,016	2,535,124	632,586	34,865	451,140	-	968,178	6,541,446
D. Commitments to disburse funds	156,614	344,609	1,193,787	478,723	129,186	443,887	8,085	6,216,316	8,971,207
E. Others	-	-	-	-	-	-	-	3,347,885	3,347,885
Total	12,257,707	16,201,204	33,402,503	15,783,525	1,974,815	25,010,292	166,493	71,087,443	175,883,982

High Quality customers (Master Scale categories AAA and A1) Good Quality Customers (Master Scale categories A2, A3 and B1) Fair Quality customers (Master Scale categories B2, B3, C1 and C2) Mediocre Quality customers (Master Scale categories C3, D1, D2 and D3) Poor Quality customers (Master Scale categories E1, E2 and E3)

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.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Banking Group - Secured exposures to banks

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	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:	979,567	1,394	-	867,755	-	-	-	-	-	-	-	-	92	9	869,250
1.1 totally secured	978,843	1,394	-	867,755	-	-	-	-	-	-	-	-	-	9	869,158
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	724	-	-	-	-	-	-	-	-	-	-	-	92	-	92
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures:	794,965	-	-	39,535	715,259	-	-	-	-	-	-	-	100	-	754,894
2.1 totally secured	221,689	-	-	39,535	182,127	-	-	-	-	-	-	-	26	-	221,688
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	573,276	-	-	-	533,132	-	-	-	-	-	-	-	74	-	533,206
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

In addition to balance-sheet exposures to banks, the table shows the amount of off-balance-sheet exposures, including derivative contracts with banks, 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.

Exposures are classified as either “fully secured” or “partially secured” by comparing the gross exposure with the amount of the guarantee established in the contract; for that purpose, any supplemental guarantees are also considered.

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. Unlike in previous years, both values cannot be higher than the book value of secured exposures, in line with the 4th update of Bank of Italy circular 262.

A.3.2 Banking Group - Secured exposures to customers

	Amount of Net Exposure	Garanzie reali				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:	85,835,064	54,985,725	3,112,855	10,603,455	1,607,202	-	-	-	-	-	2,168	1,050,051	11,471	12,207,910	83,580,837
1.1 Totally secured	81,394,914	54,496,503	3,112,855	10,235,735	1,578,145	-	-	-	-	-	1,114	594,255	7,452	10,925,175	80,951,234
- of which non perfroming	17,604,668	13,239,376	810,943	92,903	362,160	-	-	-	-	-	942	54,457	3,966	3,021,432	17,586,179
1.2 Partially secured	4,440,150	489,222	-	367,720	29,057	-	-	-	-	-	1,054	455,796	4,019	1,282,735	2,629,603
- of which non perfroming	1,485,935	447,951	-	120,708	7,923	-	-	-	-	-	149	12,587	121	576,967	1,166,406
2. Secured off-balance sheet exposures:	7,079,488	363,975	-	3,400,968	1,226,543	-	-	-	-	-	-	5,435	54,879	1,774,532	6,826,332
2.1 Totally secured	6,012,261	345,459	-	3,254,541	747,743	-	-	-	-	-	-	3,980	54,146	1,603,942	6,009,811
- of which non perfroming	419,104	178,830	-	1,810	9,076	-	-	-	-	-	-	-	52,777	174,887	417,380
2.2 Partially secured	1,067,227	18,516	-	146,427	478,800	-	-	-	-	-	-	1,455	733	170,590	816,521
- of which non perfroming	37,603	5,075	-	266	1,873	-	-	-	-	-	-	-	275	13,350	20,839

In addition to balance-sheet exposures to customers, the table shows the amount of off-balance-sheet exposures, including derivative contracts with customers, 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. Exposures are classified as either "fully secured" or "partially secured" by comparing the gross exposure with the amount of the guarantee established in the contract; for that purpose, any supplemental guarantees are also considered.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Banking Group - Breakdown of on- and off-balance sheet exposures to customers by business segment (book values)

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	-	-	X	467	669	X	75,153	295,067	X	-	-	X	8,396,732	14,977,239	X	1,260,460	1,621,686	X
- of which forborne	-	-	X	-	-	X	3,883	3,290	X	-	-	X	454,046	456,466	X	35,665	13,827	X
A.2 Unlikely to pay	-	-	X	2,497	1,332	X	399,157	192,183	X	-	-	X	10,895,389	4,449,861	X	1,028,445	431,652	X
- of which forborne	-	-	X	962	435	X	145,524	55,364	X	-	-	X	5,691,208	1,775,546	X	390,454	80,772	X
A.3 Past-due Impaired	230	189	X	-	-	X	53,893	20,590	X	1	-	X	1,135,175	370,269	X	906,289	347,660	X
- of which forborne	-	-	X	-	-	X	710	168	X	-	-	X	192,796	39,799	X	197,940	23,704	X
A.4 Other Performing exposures	24,011,380	X	1,118	2,564,300	X	3,955	12,602,121	X	9,382	485,796	X	1,351	45,695,282	X	632,958	30,011,801	X	65,582
- of which forborne	-	X	-	-	X	-	140,100	X	364	-	X	-	1,955,302	X	66,331	805,930	X	9,154
Total A	24,011,610	189	1,118	2,567,264	2,001	3,955	13,130,324	507,840	9,382	485,797	-	1,351	66,122,578	19,797,369	632,958	33,206,995	2,400,998	65,582
B. Off-balance-sheet exposures																		
B.1 Doubtful loans	-	-	X	-	-	X	-	-	X	-	-	X	51,535	57,268	X	992	281	X
B.2 Unlikely to pay	-	-	X	-	-	X	1,479	1,456	X	-	-	X	810,037	95,925	X	3,573	470	X
B.3 Other non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	25,985	3,424	X	2,632	98	X
B.4 Other performing exposures	6,142,543	X	-	237,576	X	621	4,885,437	X	1,976	37,589	X	7	8,738,782	X	121,268	422,945	X	1,634
Total B	6,142,543	-	-	237,576	-	621	4,886,916	1,456	1,976	37,589	-	7	9,626,339	156,617	121,268	430,142	849	1,634
Total (A+B) 31 12 2015	30,154,153	189	1,118	2,804,840	2,001	4,576	18,017,240	509,296	11,358	523,386	-	1,358	75,748,917	19,953,986	754,226	33,637,137	2,401,847	67,216
Total (A+B) 31 12 2014*	32,876,046	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

* *With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts 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	9,678,973	16,754,324	49,700	125,716	1,857	2,535	1,884	10,773	398	1,313
A.2 Ulikely to pay	12,189,500	5,043,604	132,582	29,684	549	153	2,758	1,020	99	567
A.3 Past-due Impaired	2,078,132	737,651	16,718	803	185	41	83	13	470	200
A.4 Other performing	111,483,785	697,445	3,069,957	12,389	401,593	2,151	390,866	2,205	24,479	156
Total A	135,430,390	23,233,024	3,268,957	168,592	404,184	4,880	395,591	14,011	25,446	2,236
B. Off-balance-sheet exposures										
B.1 Doubtful loans	49,264	57,355	3,242	-	21	194	-	-	-	-
B.2 Substandard loans	814,904	97,852	184	-	-	-	-	-	-	-
B.3 Other non performing exposures	28,568	3,521	50	-	-	-	-	-	-	-
B.4 Other performing exposures	16,818,352	124,383	3,272,101	873	292,297	79	46,667	167	35,453	4
Total B	17,711,088	283,111	3,275,577	873	292,318	273	46,667	167	35,453	4
Total (A+B) 31 12 2015	153,141,478	23,516,135	6,544,534	169,465	696,502	5,153	442,258	14,178	60,899	2,240
Total (A+B) 31 12 2014*	154,552,512	23,327,370	16,406,548	141,975	1,187,871	6,107	398,171	13,655	161,510	2,525

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts 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	88	42,625	1,088	8,086	106	19,913	36	23	90	107
A.2 Ulikely to pay	2,115	339	525	73	-	-	-	-	-	-
A.3 Past-due Impaired	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	6,281,181	1,286	2,688,439	5,027	299,345	148	147,151	922	97,924	179
Total A	6,283,384	44,250	2,690,052	13,186	299,451	20,061	147,187	945	98,014	286
B. Off-balance-sheet exposures										
B.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	117	98	-	-	-	-	-	-
B.3 Other non performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	427,548	72	1,316,780	1,436	286,891	6	56,437	98	63,150	277
Total B	427,548	72	1,316,897	1,534	286,891	6	56,437	98	63,150	277
Total (A+B) 31 12 2015	6,710,932	44,322	4,006,949	14,720	586,342	20,067	203,624	1,043	161,164	563
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

Balance-sheet exposures to banks 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 2015	31 12 2014*
a) Book value	67,256,987	78,666,050
b) Weighted value	4,499,110	8,013,809
c) Number	11	11

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

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.

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.

C.1 Banking Group - Exposures arising from major own securitisation transactions broken down by type of securitised assets and type of exposure

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. Fully derecognised	898,380	8,981	131,128	(1,501)	6,731	(416)	-	-	-	-	-	-	-	-	-	-	-	-
Bond	70,650	4,213	-	-	3,910	(416)	-	-	-	-	-	-	-	-	-	-	-	-
Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgages Loans	-	-	-	-	2,821	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential mortages	827,730	4,768	131,128	(1,501)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds and Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	4,487	-	3,939,384	-	217,809	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit	-	-	790,457	-	111,852	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgages Loans	-	-	1,802,445	-	76,625	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgages	4,487	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Loans	-	-	1,346,482	-	29,332	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	902,867	8,981	4,070,512	(1,501)	224,539	(416)	-	-	-	-	-	-	-	-	-	-	-	-
of which non-performing	-	-	125,516	-	10,476	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	902,867	8,981	3,944,996	(1,501)	214,063	(416)	-	-	-	-	-	-	-	-	-	-	-	-

In relation to securitisation transactions with own underlying assets, the table indicates balance-sheet exposures, unsecured exposures, and other forms of 'credit enhancement'.

C.2 Banking Group - Exposures arising from major 'third-party' securitisation transactions broken down by type of securitised asset and type of exposure

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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
Auto Leases/IT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	658	(1)	1,068	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit	39,290	(212)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment Leases/IT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
First mortgages real estate loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgages	21,360 -	98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential mortgages	66	(4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PMI Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	61,374	(315)	1,068	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

C.3 Banking Group - Stakes in special purpose securitisation vehicles

31 12 2015

Securitisation/Vehicle company name	Registered office	Consolidation	Assets			Liabilities		
			Credit	Debt securities	Other	Senior	Mezzanine	Junior
Alba 7 SPV S.r.l.	Via V. Alfieri, 1 Conegliano(TV)	NO	669,829	-	-	455,200	150,000	191,700
Asti Finance S.r.l.	Via Eleonora Duse, 53 Rome	NO	271,078	-	-	206,510	46,400	-
Claris Finance S.r.l.	Luxembourg	NO	686,831	-	-	510,581	-	176,250
Colombo S.r.l.	Viale Majno, 45 Milan	NO	26,911	-	-	-	7,189	19,722
Credico Finance S.r.l.	Via Barberini, 47 Rome	NO	63,154	-	-	35,206	18,600	9,347
Creso 2 S.r.l.	Via Pestalozza 12/14 Milan	NO	253,336	-	-	122,491	-	101,389
Funding S.r.l.	Via Parigi, 11 Rome	NO	986,876	-	-	896,875	-	-
Marche M6 S.r.l.	Via V. Alfieri, 1 Conegliano (TV)	NO	1,720,378	-	-	1,239,008	-	496,566
Quarzo S.r.l.	Galleria del Corso, 2 Milan	NO	694,217	-	-	738,000	-	82,000
Sunrise S.r.l.	Via Bernina, 7 Milan	NO	1,016,657	-	-	555,700	161,500	266,100
Sociedade de Titularizacao de Creditos S.A.	Rua Castilho, 20 Lisbon	NO	1,770,000	-	-	405,149	2,016	410
Siena Mortgages 10-7 S.r.l.	Via V. Alfieri, 1 Conegliano (TV)	YES	644,034	-	185	644,960	-	(741)
Patagonia Finance SA	6, Rue E. Ruppert L-2453 Luxembourg	YES	251,988	-	121	252,278	-	(169)
Casaforte S.r.l.	Via Eleonora Duse 53 Rome	YES	1,404,806	-	25,191	1,240,023	-	189,974
Siena Consumer S.r.l	Via V. Alfieri, 1 Conegliano (TV)	YES	84,234	-	34	86,602	-	(2,334)
Siena Consumer 2015 S.r.l	Via V. Alfieri, 1 Conegliano (TV)	YES	841,677	-	19	789,597	-	52,099
Siena PMI 2015 S.r..l	Via A. Pestalozza 12/14, Milan	YES	1,176,883	-	330	1,178,301	-	(1,088)
Total			12,562,889	-	25,880	9,356,481	385,705	1,581,225

Liabilities of third-party securitisation transactions do not have the remaining items different from the financial instruments issued, including cumulative profit (loss) for the year.

As regards the "Casaforte Srl" and "Patagonia Finance Srl" own securitisations with the derecognition of underlying assets, please note that the assets acquired from the originator are included under "Loans". As regards the other own securitisation transactions, all without the derecognition of the underlying assets, the item "Loans" does not include the receivables acquired from the originator, but rather includes primarily the liquidity held by the vehicles at the reporting date.

C.4 Banking Group - Non-consolidated special purpose securitisation vehicles

31 12 2015

Balance-sheet item/Type of structured entity	Accounting portfolio: Assets – Financial assets held for trading	Total assets (A)	Accounting portfolio: Liabilities – Financial Liabilities hekd for trading	Total liabilities (B)	Net book (C=A-B)	Maximum exposure to loss (D)	Difference between exposure to loss and book value (E=D-C)
ALSPV 7 A1-TV 15/38	658	658	-	-	658	658	-
ASTIF 1A-TV 10/52	2,374	2,374	-	-	2,374	2,374	-
CLARF A1-TV 14/61	908	908	-	-	908	908	-
COLOMBO 01/26 TV	1,068	1,068	-	-	1,068	1,068	-
CREDI 5 A-TV 14/61	897	897	-	-	897	897	-
CRESO 2A-TV 12/60	6,642	6,642	-	-	6,642	6,642	-
FIP FUND 05/23 TV	66	66	-	-	66	66	-
MARCH 6 A1-TV 13/64	10,539	10,539	-	-	10,539	10,539	-
QUARC 1A TV 15/30	21,111	21,111	-	-	21,111	21,111	-
SUNRISE-TV 15/35	3,002	3,002	-	-	3,002	3,002	-
VERSE -TV 15/19	15,177	15,177	-	-	15,177	15,177	-
Total	44,086	44,086	-	-	62,442	62,442	-

In column 'Financial assets held for trading', the table includes the interests held by the subsidiary MPS Capital Services S.p.A. as described below:

- ALSPV 7 A1-TV 15/38/ Alba 7 SPV S.r.l.: vehicle established pursuant to Law no. 130/1999. Originator Alba Leasing S.p.A.. The portfolio consists of 12,900 lease contracts secured by borrowers with registered office in Italy.
- ASTIF 1°-TV 10/52/ Asti Finance S.r.l.: vehicle established pursuant to Law no. 130/1999. Originator Cassa di Risparmio di Asti S.p.A.. A portfolio of 4,171 residential mortgages granted to individuals, 99.5% residing in northern Italy.
- CLARF A1-TV 14/61/ Claris Finance S.r.l.: vehicle established pursuant to Law no. 130/1999. Originator Veneto Banca S.p.A. 50% of the portfolio and Banca Apulia S.p.A. 50%. A portfolio of residential mortgages granted to individuals residing in Italy.
- COLOMBO 01/26 TV/ Colombo S.r.l.: 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%).
- CREDI 5 A-TV 14/61/ Credico Finance S.r.l.: vehicle established pursuant to Law no. 130/1999. Originator: a pool of cooperative credit banks. A portfolio of residential mortgages granted to individuals residing in Italy.
- CRESO 2°-TV 12/60/ Creso 2 S.r.l.: vehicle established pursuant to Law no. 130/1999. Originator Cassa di Risparmio di Chieti S.p.A.. A portfolio of 4,278 Italian residential mortgages, distributed primarily in Emilia-Romagna (30.90%) and Lombardy (62.11%).
- FIP FUND 05/23 TV/ Funding S.r.l.: FIP Funding is the first investment fund promoted by the Italian Republic as part of a more extensive enhancement process promoted by the Ministry of Economy and Finance (MEF) through the transfer/contribution of real estate assets to mutual real estate investment funds.
- MARCH 6 A1-TV 13/64/ Marche M6 S.r.l.: vehicle established pursuant to the Securitisation Law of 20 March 2013. Originator Banca delle Marche S.p.A.. A portfolio of residential mortgages granted to residents of Italy.
- QUARC 1° TV 15/30/ Quarzo S.r.l.: vehicle established pursuant to Law no. 130/1999. Originator Compass S.p.A.. A portfolio of consumer loans issued to individuals residing in Italy.
- SUNRISE-TV 15/35/ Sunrise S.r.l.: vehicle established pursuant to Law no. 130/1999. Originator Agos Ducato S.p.A.. This is a portfolio of personal consumer loans (73.68%), loans to purchase new automobiles (12.03%), loans to purchase used automobiles (7.87%), furniture loans (3.23%) and special purpose loans (3.19%) issued to individuals residing in Italy.
- VERSE –TV 15/19/Sociedade de Titularizacao de creditos S.A.: vehicle subject to Portuguese law with a portfolio of electricity receivables as collateral. Originator EDP Servico Universal SA.

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.

C.5 Banking Group - Servicer activities - Collections of securitised loans and redemptions of securities issued by the special purpose vehicle

[redacted]

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	Casaforte S.r.l.	-	1,365,767	-	140,835	0.00%	24.3%	0.00%	0.00%	0.00%	0.00%
	Total 31 12 2015	-	1,365,767	-	140,835						
	Total 31 12 2014	-	1,414,350	-	47,714						

The table conventionally shows the Casaforte securitisation for which the Parent Company carries out servicer activities, although this is a consolidated vehicle.

C.6 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 2015 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 December 2015, these reserves amounted to EUR 336.0 mln.

Own securitisations with derecognition of the underlying assets

Casaforte Srl

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. As at 31 December 2015 the residual debt amounts to EUR 1,365.8 mln. In December 2013 the Parent Company 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 Parent Company acquired control of the Company, which was subsequently consolidated in the Financial Statements.

At the reporting date, Casaforte Class A Notes amounting to EUR 302.0 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 SA

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 the Parent Company.

Gonzaga Finance Srl

The Gonzaga Finance Srl securitisation was closed on 16 February 2015; the transaction had been completed in 2000 by Banca Agricola Mantovana.

Own securitisations without derecognition of the underlying assets

Siena Mortgages 10-7 Srl

On 30 September 2010, a portfolio of 34,971 performing residential mortgages originated by the Parent Company was sold for approx. EUR 3.5 bn. As at 31 December 2015, the remaining debt balance amounted to EUR 2,304.6 mln (26,586 outstanding mortgages).
To fund the acquisition of the portfolio, the Vehicle issued residential mortgage-backed securities (RMBS); Class A1 and A2 notes - now fully repaid - 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 (class A3).
Market placement of these classes 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 ownership of the assets sold.

Siena Consumer Srl

This securitisation transaction was carried out in 2013 through the sale to the vehicle "Siena Consumer Srl" of a portfolio of approximately EUR 1.5 mln consisting of 200,542 personal loans, auto loans, and special-purpose loans originated by Consum.it S.p.A., now absorbed by Banca Monte dei Paschi di Siena S.p.A. As at 31 December 2015, the remaining debt balance amounted to EUR 552.07 mln (199,816 outstanding loans).

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 Consum.it S.p.A. (transferor), now absorbed into the Parent Company, which has substantially retained all risks and rewards associated with the ownership 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 may be required to pay to the vehicle the amount of the Commingling Reserve up to a maximum of EUR 188 mln.

Siena Consumer 2015 Srl

On 27 February 2015, the former subsidiary Consum.it S.p.A., now absorbed into the Parent Company, carried out a second securitisation transaction with the disposal of a portfolio of 198,371 personal, auto and special purpose loans, all disbursed by Consum.it S.p.A. As at 31 December 2015, the remaining debt balance amounted to EUR 1,036.7 mln (198,270 outstanding loans).

To finance the purchase of this portfolio the Vehicle issued various classes of ABS securities, of which those in the Senior Class were placed with an institutional investor; the remaining mezzanine and junior classes were subscribed by the Parent Company. This transaction also did not entail the derecognition of the underlying loans from the transferor's financial statements.

Siena PMI 2015 Srl

On 26 June 2015, in order to optimise the Group's liquidity profile, the Parent Company transferred a portfolio of 24,683 performing, unsecured or mortgage loans disbursed to Italian SMEs totalling EUR 3,002.7 mln to the vehicle company "Siena PMI 2015 Srl". As at 31 December 2015, the remaining debt balance amounted to EUR 2,605.1 mln (23,777 outstanding loans).

To fund the acquisition of the portfolio, the Vehicle issued ABS securities on 6 August 2015. In the senior tranche, Senior classes A1A and A1B were placed with institutional investors, while classes A2A and A2B were placed with the European Investment Bank. The remaining classes of notes issued were repurchased by the Parent Company (transferor).

The Senior and Mezzanine classes were rated by Moody's and DBRS.

The placement did not entail the derecognition of the underlying assets from the balance sheet of the Parent Company, which has substantially retained all risks and rewards associated with the ownership of the assets sold.

$$$

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.

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 2015

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	-	-	-	-	-	-	-	-
2. UCITS	1,244,535	123,005	1,367,540	330,996	330,996	1,036,544	1,483,195	446,651
Total	**1,244,535**	**123,005**	**1,367,540**	**330,996**	**330,996**	**1,036,544**	**1,483,195**	**446,651**

UCITS

The aggregate includes, in the column 'Financial assets held for trading':

- EUR 3.7 mln (EUR 2.9 mln as at 31 December 2014) relating to the interests held by the subsidiary MPS Capital Services S.p.A (MPSCS) in units of open-ended asset funds and Exchange Traded Funds investing in stocks, bonds and derivatives. These units are purchased by MPSCS 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 1,240.8 mln (EUR 1,442.0 mln as at 31 December 2014) relating to exposures, with a positive fair value, of the subsidiary MPSCS in credit and financial derivatives to the counterparties Rainbow (EUR 795.5 mln; EUR 1,287.0 mln as at 31 December 2014), foreign open-ended asset funds (PRIMA PR 100 CE) managed by Anima Funds PLC (EUR 31.5 mln; EUR 155 mln as at 31 December 2014) and Axa Im Deis asset funds (EUR 413.8 mln). Rainbow and Axa Im Deis are funds under Irish law managed by Anima Asset Management and AXA Investment Managers, respectively. These funds are 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". MPSCS operates with Rainbow and Axa Im Deis as counterparty with which the derivatives included in the fund assets are negotiated.

The column 'Financial assets available for sale' includes:

- EUR 121.5 mln (EUR 121.7 mln as at 31 December 2014) relating mostly to interests held by the Parent Company in private equity funds equal to EUR 105.7 mln (EUR 116.1 mln as at 31 December 2014), 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 15.8 mln; EUR 5.6 mln as at 31 December 2014) 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 MPSCS. 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 77.9 mln (EUR 177.5 mln as at 31 December 2014) 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. MPSCS 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 253.1 mln (EUR 689.9 mln as at 31 December 2014) relating to the negative fair value of the credit and financial derivatives of the subsidiary MPSCS to the counterparties Rainbow (EUR 178.8 mln; EUR 545.3 mln as at 31 December 2014), the foreign open-ended asset fund (PRIMA PR 100 AZ) managed by Anima Funds PLC (EUR 28.9 mln; EUR 144.6 mln as at 31 December 2014) and the AXA IM DEIS asset fund managed by AXA Investment Managers (EUR 45.4 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 positive fair value plus the add-on (calculated also taking into account positions with a negative fair 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.

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 2015	31 12 2014*
A. Balance-sheet assets	6,852,151	-	-	-	-	-	6,265,797	-	-	-	-	-	747,875	-	-	6,438,349	-	-	20,304,172	26,495,347
1. Debt securities	6,821,460	-	-	-	-	-	6,265,797	-	-	-	-	-	747,875	-	-	83,394	-	-	13,918,526	22,914,684
2. Equity instruments	30,691	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	30,691	45,307
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,354,955	-	-	6,354,955	3,535,356
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31 12 2015	6,852,151	-	-	-	-	-	6,265,797	-	-	-	-	-	747,875	-	-	6,438,349	-	-	20,304,172	X
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*217,289*	-	-	*217,289*	*X*
Total 31 12 2014*	5,687,565	-	-	-	-	-	15,990,231	-	-	-	-	-	820,082	-	-	3,997,469	-	-	X	26,495,347
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*90,134*	-	-	*X*	*90,134*

Legend:
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)

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

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 described in this section.

E.1.1 - Types of transfers of financial assets not derecognized

Item/Amount	Total 31 12 2015	Total 31 12 2014*
Repurchase agreements	13,949,217	22,872,930
Securitisations	6,354,955	3,535,356
Securities lending	-	87,061
Transfers	-	-
Others	-	-
Total	**20,304,172**	**26,495,347**

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

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	**3,655,689**	**-**	**6,025,986**	**-**	**-**	**722,717**	**10,404,392**
a) relating to fully recognised assets	3,655,689	-	6,025,986	-	-	722,717	10,404,392
b)relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from banks	**109,258**	**-**	**1,122,541**	**-**	**632,354**	**1,537,270**	**3,401,423**
a) relating to fully recognised assets	109,258	-	1,122,541	-	632,354	1,537,270	3,401,423
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 2015	**3,764,947**	**-**	**7,148,527**	**-**	**632,354**	**2,259,987**	**13,805,815**
Total 31 12 2014*	**1,771,472**	**-**	**15,800,245**	**-**	**548,870**	**909,404**	**19,029,991**

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

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

31 12 2015

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 2015	31 12 2014
A. Balance-sheet assets	-	-	-	-	-	-	-	-	-	-	6,731,774	-	6,731,774	3,590,384
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Equity instruments	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	6,731,774	-	6,731,774	3,590,384
B. Derivatives	-	-	X	X	X	X	X	X	X	X	X	X	-	-
Total assets	-	-	-	-	-	-	-	-	-	-	6,731,774	-	6,731,774	3,590,384
C. Associated financial lial	-	-	-	-	-	-	-	-	-	-	2,694,924	-	X	X
1. Deposits from customer	-	-	-	-	-	-	-	-	-	-	-	-	X	X
2. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	2,694,924	-	X	X
Total liabilities	-	-	-	-	-	-	-	-	-	-	2,694,924	-	2,694,924	964,694
Net value 31 12 2015	-	-	-	-	-	-	-	-	-	-	4,036,850	-	4,036,850	X
Net value 31 12 2014	-	-	-	-	-	-	-	-	-	-	2,625,691	-	X	2,625,691

Legend:
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 own securitisations without derecognition which continue to be fully recognised in the Bank's balance sheet assets. The amount of EUR 2,197.8 mln reported under associated liabilities refers to the fair value of the portion of senior notes sold to market counterparties as part of the same securitisation. The Bank 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 2015.

E.4 Banking Group - Covered bond transactions

Characteristics of the Covered Bond Issuance Programmes

The Group has two Covered Bond Issuance Programmes.

The first Programme, meant for institutional investors, was launched in 2010 for an amount of EUR 10,000 mln. The programme is intended to place a secured product on the market, offering covered bonds as a preferred instrument for financial profile improvement in the mid and long 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.

On 26 June 2015, the meeting of covered bond holders approved the proposed amendments to the Programme which made it possible to:

i. amend the Programme, to obtain a rating from DBRS (in addition to Moody's and Fitch) for the covered bonds issued and to be issued as part of the Programme; and
ii. activate, if specific cases of default take place pursuant to the Programme, a "conditional pass through" type mechanism for the repayment of the bonds issued.

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 20,000 mln. 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 instruments 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), to the vehicles MPS Covered Bond S.r.l. and MPS Covered Bond 2 S.r.l., thereby forming a segregated 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 interest on the subordinated loan.
- 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 the Risk Audit Service and 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 for the first programme and residential and 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 Covered Bond Swaps outstanding 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(low)" (DBRS), "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

For the first Programme, 2015 saw the disposal of a portfolio of 15,080 performing mortgages granted to natural persons residing in Italy, with no outstanding instalments at the date of portfolio valuation and meeting other identified selection criteria, substantially comparable to those used for previous disposals, for an amount of approximately EUR 1,529 mln.

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
18 09 2015	Residential mortgage loans	Banca MPS	1,529,531,983	15,080	100% natural persons
Total			**17,313,814,473**	**170,512**	

As part of the first Programme, the Parent Company completed a total of twenty-one issuances, twelve of which had not yet matured or been repaid early for a total, as at 31 December 2015, of EUR 8,570 mln, of which EUR 6,200 mln were placed on the market, while EUR 2,370 mln were repurchased by the Parent Company.

The remaining debt balance on the portfolio as at 31 December 2015 amounted to EUR 11,909.4 mln for 140,526 mortgages.

In 2015 two notes were issued for a total of EUR 1,750 mln, fully placed on the market.

Date of issue	Notional Amount	Coupon	Frequency	Date of maturity
28 10 2015	750,000,000	1.250%	Annual	january-2022
26 11 2015	1,000,000,000	2.125%	Annual	november-2025
Total	**1,750,000,000**			

Here follows a summary of the main characteristics regarding transfers in the second 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
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
16 10 2015	Residential mortgage loans	Banca MPS	977,548,353	5,671	Mixed
Total			**14,615,060,314**	**101,383**	

As part of the second Programme, the Parent Company completed seventeen issuances (of which eleven not yet matured or redeemed early), which were not intended for the market but repurchased by the Bank and used as collateral for refinancing transactions in the Eurosystem, for a total as at 31 December 2015 of EUR 6,300 mln.

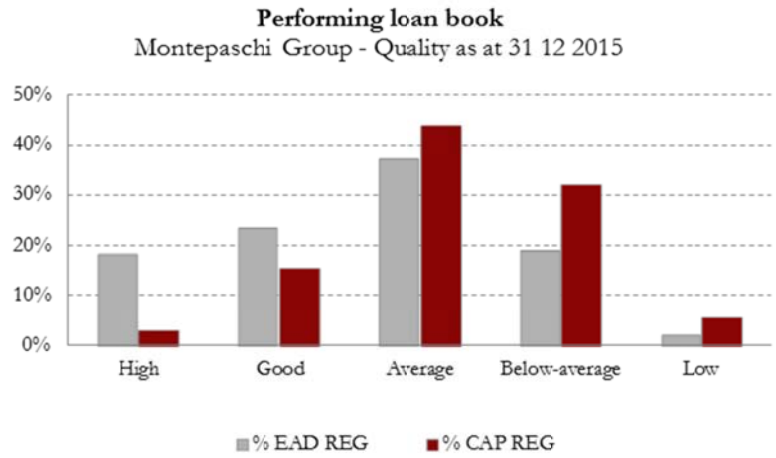
The remaining debt balance on the portfolio as at 31 December 2015 amounted to EUR 9,545.3 mln for 77,292 mortgages.

As part of the second Covered Bond Programme, the following issues were made in 2015:

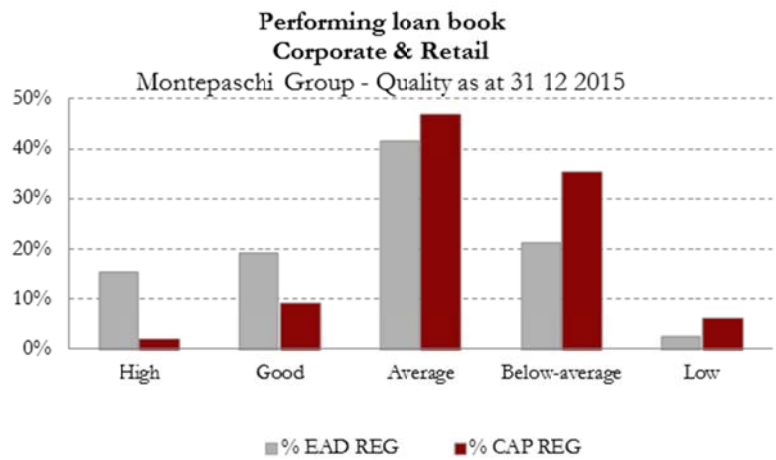
Date of issue	Notional Amount	Coupon	Frequency	Date of maturity
04 02 2015	800,000,000	3mE + 1,00%	Quarterly	april-2018
06 05 2015	300,000,000	3mE + 1,00%	Quarterly	july-2018
Total	**1,100,000,000**			

F. Banking group - Credit risk measurement models

The chart below provides a credit quality breakdown of the Group portfolio as at 31 December 2015 by Exposure to Risk (EAD REG) and Regulatory Capital (CAP REG). The following graph shows that about 42% of risk exposure is to high and good quality customers (positions in financial assets are excluded). 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.

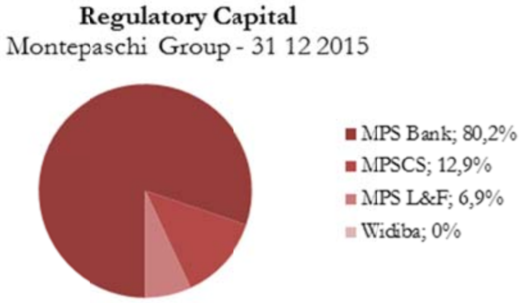


On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 31 December 2015, high or good quality exposure accounted for approximately 35% of total exposure.



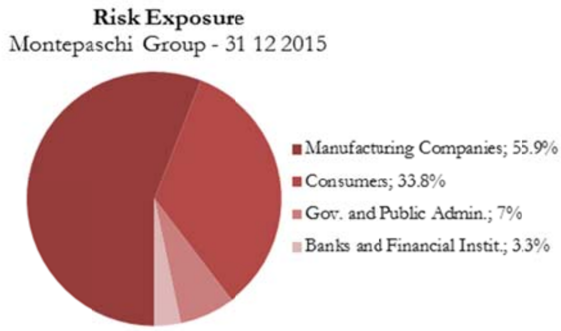
With reference to Risk Exposure, the Parent Company covers 88.9% of the Group's total, having incorporated consumer credit company Consum.it, while MPS Capital Services, MPS L&F and Widiba jointly cover the remaining 11.1%.

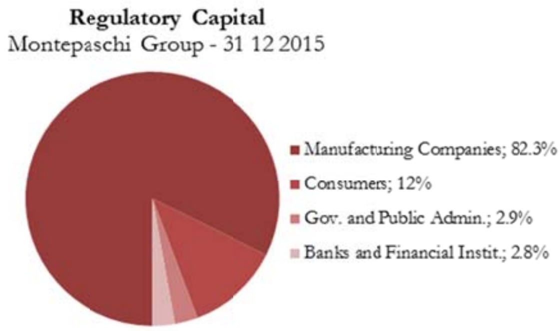
The Regulatory Capital for credit risk is absorbed mainly by the Parent Company (80.2%), followed by MPS Capital Services (12.9%) and MPS Leasing e Factoring (6.9%).



An analysis conducted at the end of 2015 shows that the Group's risk exposure is mainly toward "Manufacturing Companies" (55.9% of total loans disbursed) and "Households" (33.8%). The remaining portion is broken down between "Government and Public Administration" and "Banks and Financial Institutions", respectively at 7% and 3.3%.

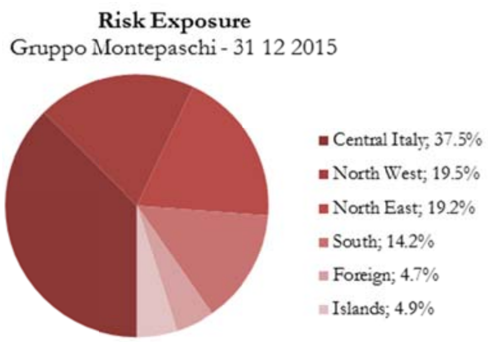
In terms of Regulatory Capital, 82.3% is absorbed by the "Manufacturing Companies" customer segment. The "Households" segment stands at 12%; followed by "Government and Public Administration" and "Banks and Financial Institutions" with 2.9% and 2.8% respectively:

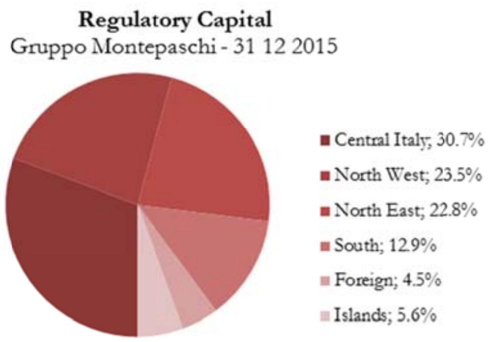




An analysis of the geographical breakdown of Group customers shows that exposure to risk is primarily concentrated in Italy's Central regions (37.5%), followed by the North West and North East (19.5% and 19.2%), Southern Italy (14.2%), Italy's islands (4.9%) and foreign countries (4.7%).

Regulatory Capital absorption is also higher in Central Italy (30.7%), in North West Italy (23.5%) and North East Italy (22.8%) due to the greater concentration of loans in those areas. These are followed by Southern Italy (12.9%), Italy's Islands (5.6%) and Foreign Countries (4.5%):



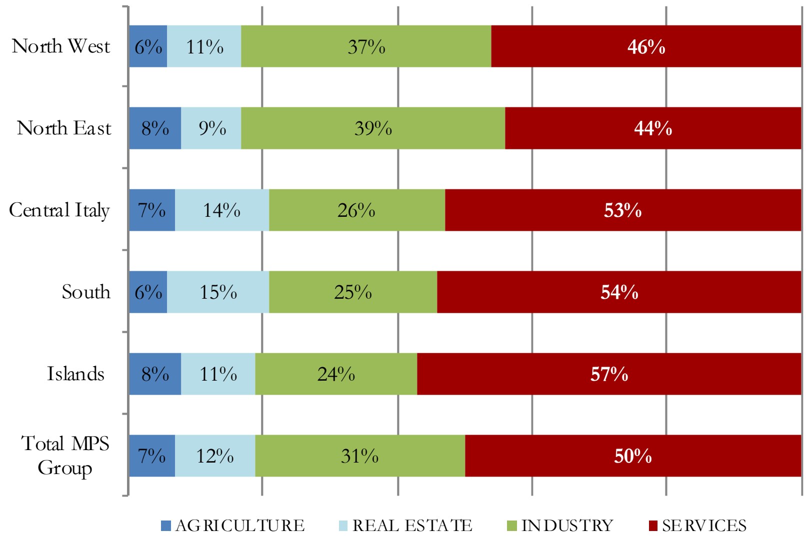


Lastly, the following graphs show, solely for Italian corporate customers, the percentage breakdown of Default Exposure by individual Geographic Area and Regulatory Capital absorption by Business Sector.

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 50% and is followed by Industry (31%), Building (12%) and Agriculture (7%).

Italian Corporate customers – performing loan book as at 31 12 2015

EAD REG by geography and business segment



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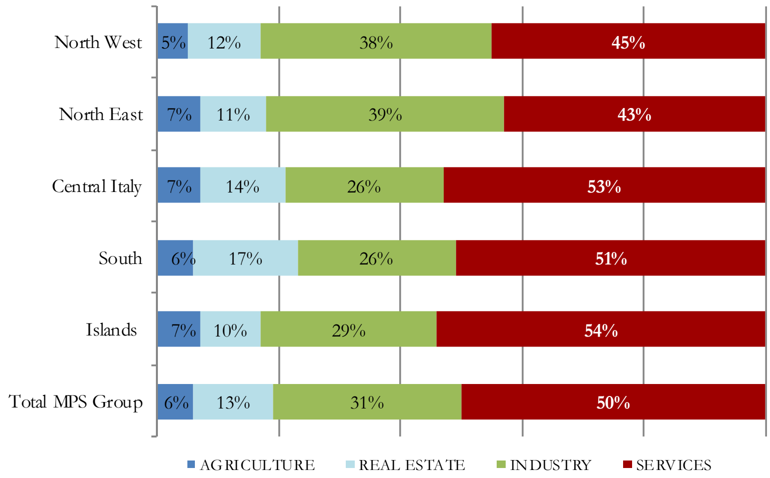
Also as regards Regulatory Capital (CAP), the greater concentration relates to the Services sector in all Geographic Areas.

Italian Corporate customers – performing loan book as at 31 12 2015

CAP REG 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 - 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 Company (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 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.

The management reporting flow on market risks is periodically transmitted to the Risk Management 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 Group'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.

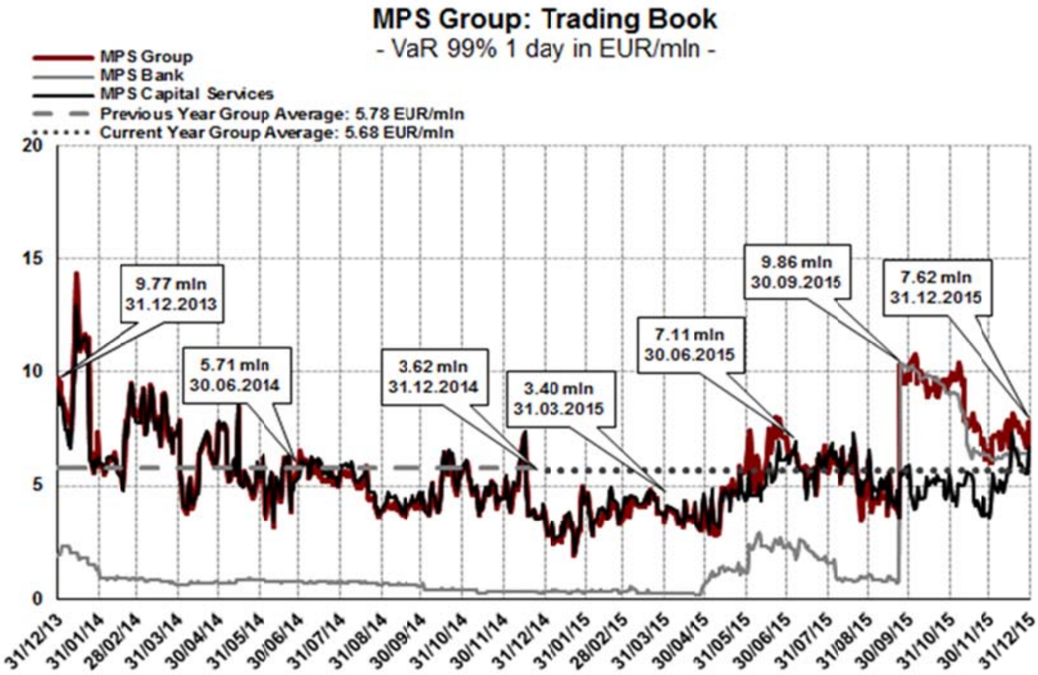
Stress tests based upon discretionary scenarios assume extreme changes occurring to certain market parameters (interest rates, exchange rates, stock indices, credit spreads and volatility) and measure the corresponding impact on the value of portfolios, regardless of their actual occurrence in the past. 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.

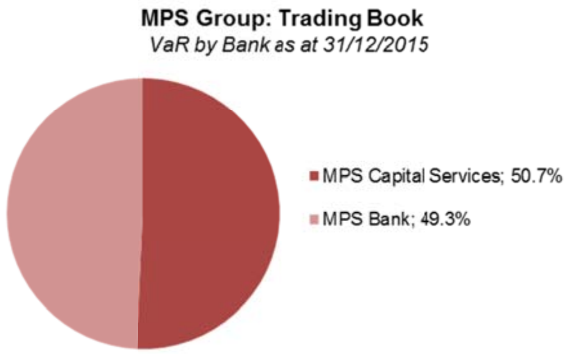
It should be noted that the VaR methodology described above is, for operational purposes, also applied to the portion of the Banking Book consisting of financial instruments that are similar to trading instruments (e.g. AFS bonds/Equity instruments). The measurements and charts below refer to the Regulatory Trading Portfolio only.

***

During 2015, market risks in the Group's Regulatory Trading Book in terms of VaR showed an increasing trend in volatility although on average they remained at around the same levels as the previous year. Until the end of September 2015, VaR trends were primarily impacted by the subsidiary MPS CS in relation to trading and policy structuring and hedging activities. VaR increased at the end of September due to transactions resulting from the closure of the "Alexandria" transaction by the Bank, resulting in the acquisition, from the counterparty Nomura, of a portfolio composed primarily of BTPs via an asset swap with medium/long financial term, totalling around EUR 2.64 bn.

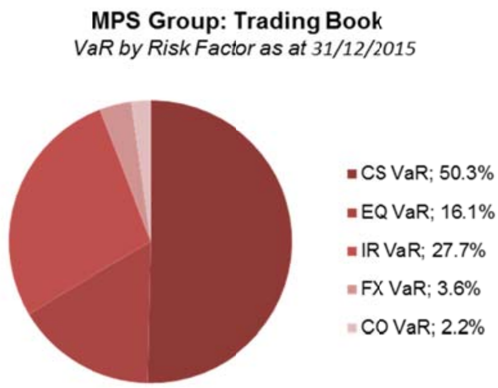
A part of the portfolio, held for sale starting from October, was classified as Held for Trading, consequently causing an increase in the Group's VaR in the last quarter as well as in the weight of the Bank with respect to the overall risk measurement. In any event, the Group's VaR then decreased, reaching EUR 7.62 mln as at 31 December 2015.





With regard to legal entities, the Group's market risks are equally distributed between MPSCS (50.7%) and the Parent Company (49.3%).

A breakdown of VaR by risk factors as at 31 December 2015 shows that approx. 50.3% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 16.1% was absorbed by equity risk factors (EQ VaR), 27.7% was absorbed by interest rate risk factors (IR VaR), 3.6% by foreign exchange risk factors (FX VaR) and the remaining 2.2% by commodity risk factors (CO VaR).



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

	VaR	Date
End of Period	7.62	31/12/2015
Min	1.94	23/01/2015
Max	10.80	05/10/2015
Average	5.68	

In 2015, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 1.94 mln recorded on 23 January 2015 and a high of EUR 10.80 mln on 5 October 2015 with an average value registered of EUR 5.68 mln. VaR PNV as at 31 December 2015 amounted to EUR 7.62 mln.

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 on 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.

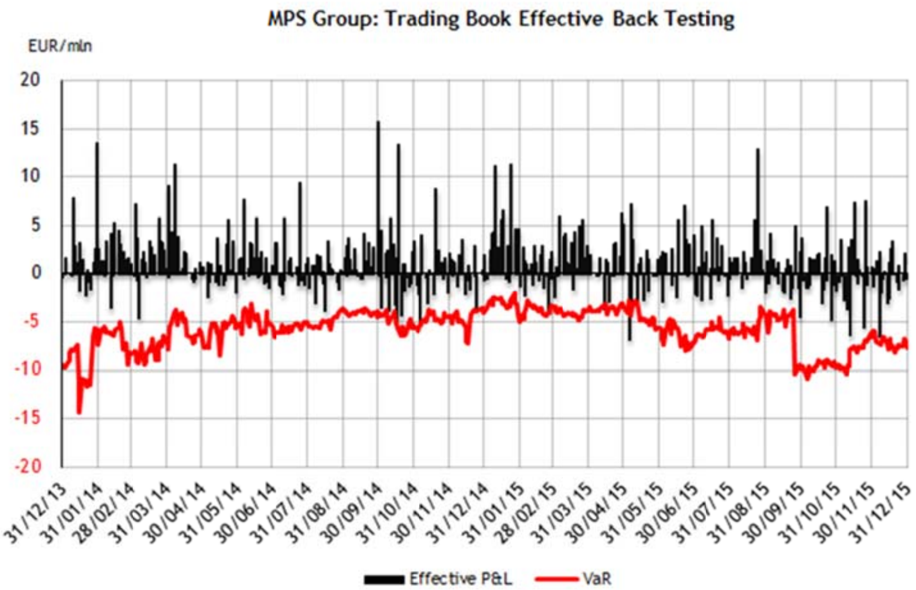
Based on current supervisory instructions, the Risk Management Area considered it appropriate to apply the theoretical and actual backtesting methods and integrate these into the Group's management reporting system.

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 Parent Company 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:



The backtesting shows two exceptions during the second quarter of 2015 on the Group trading book, details of which are as follows:

- 14 April 2015: negative day for the market (negative shift in the market parameters, amplified by the exposure in equity options on the S&P MIB index and interest rate future options on CBOT US 6%) with a significant effect on the portfolio of subsidiary MPS Capital Services;
- 5 May 2015: negative day for the market (negative shift in the market parameters, particularly due to expansion of the Italy credit spread) with a significant impact on the portfolio of subsidiary MPS Capital Services.

Qualitative Information

A. General aspects

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), reporting directly to the CEO, 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 achieve 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 Company'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: management processes 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.

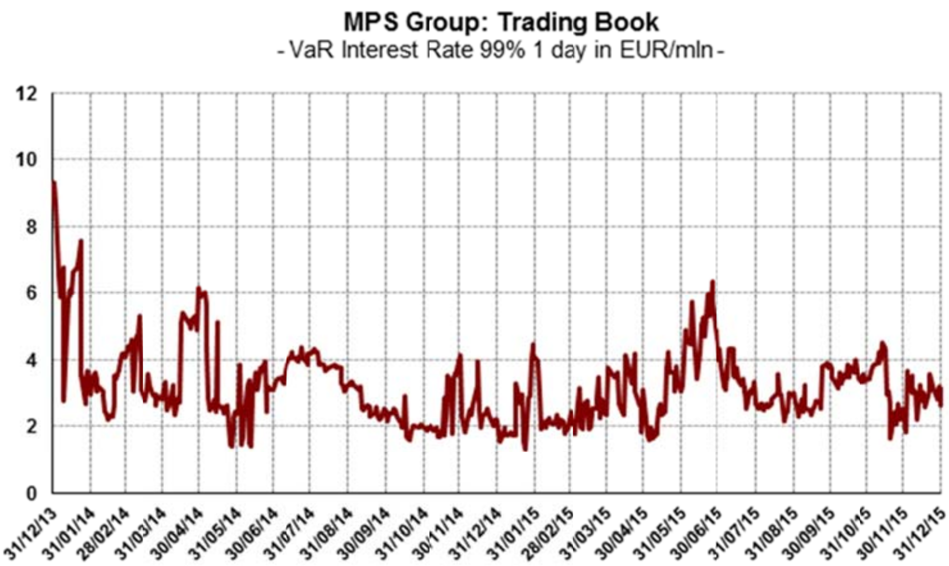
3. Regulatory trading book: internal models and other sensitivity analysis methods

The rate and price risk of the Trading Book is monitored in terms of VaR and scenario analysis.

Regulatory trading book: 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 during 2015 was influenced by the trading activities of the subsidiary MPSCS, primarily in bonds and in long futures and interest rate future options. The effect of interest rate fluctuations on VaR measurements was particularly relevant, through the daily updating of the internal historical simulation model parameters. The increase in the VaR Interest Rate in the second half of the year is ascribable to the significant rise in rates during the period.

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

	VaR	Date
End of Period	3.15	31/12/2015
Min	1.30	23/01/2015
Max	6.35	25/06/2015
Average	3.07	

Simulations include the following interest rate risk scenarios:

- +100 bps parallel shift for all interest rate and inflation curves,
- -100 bps parallel shift for all interest rate and inflation curves,
- +1% parallel shift for all surfaces of volatility of all interest rate curves.

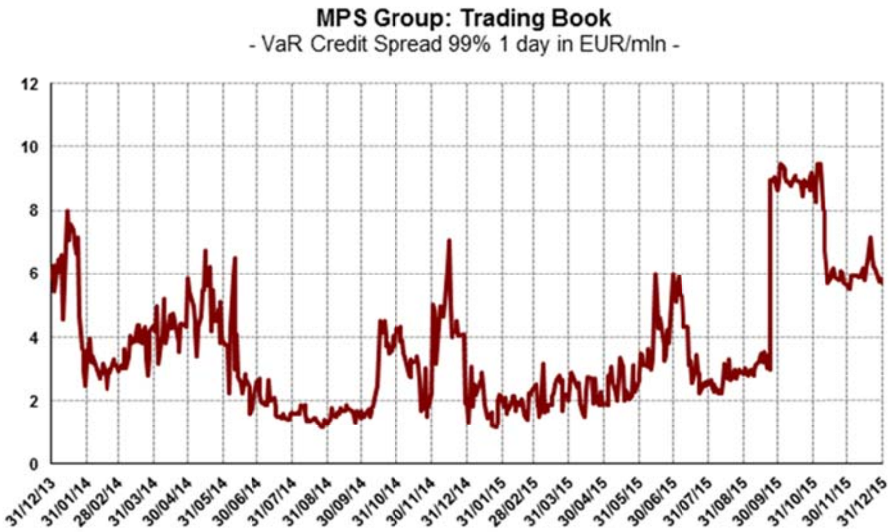
All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book
EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	(49.24)
Interest Rate	-100bp all Interest Rate Curves	(1.91)
Interest Rate	+1% all Interest Rate Volatility	(0.01)

The asymmetry in the interest rate scenarios +100 bps and -100 bps is mainly due to the effect of the floor applied to the curves.

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.



The trend in VaR Credit Spread was mainly influenced by the trading activities of the subsidiary MPSCS, primarily in bonds and in long futures and interest rate future options. Starting from the end of September 2015, the VaR increase resulted from transactions associated with the closure of the "Alexandria" transaction described previously. The portfolio acquired by the transaction counterparty was in part disposed of beginning in October, triggering a reduction in the VaR Credit Spread in the last part of the year.

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

	VaR	Date
End of Period	5.72	31/12/2015
Min	1.18	26/01/2015
Max	9.45	06/11/2015
Average	4.00	

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

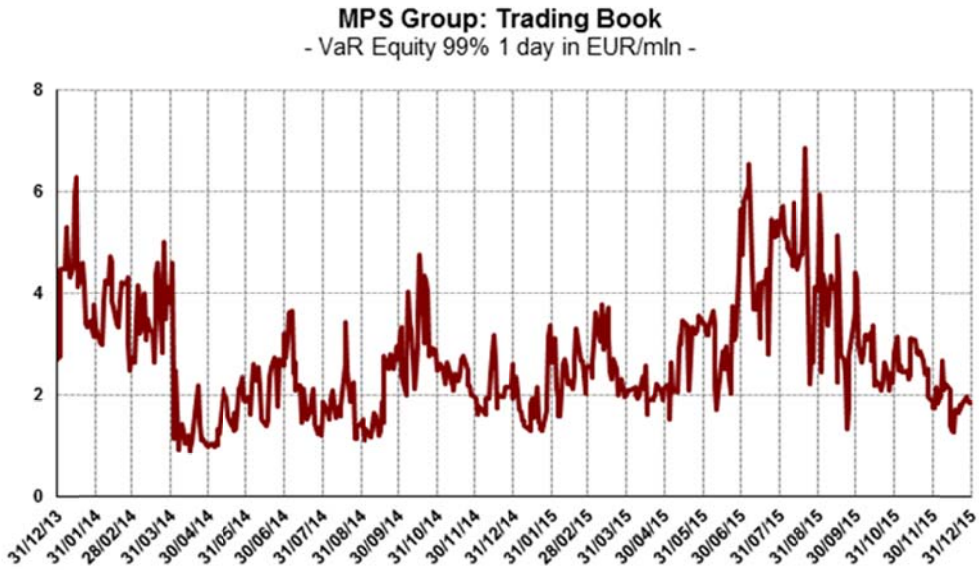
EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	(0.54)

Regulatory trading book: 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 (covering more than 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.

Below is information on the Group's diversified Equity VaR.



In 2015 the Equity VaR was influenced by activities related to the structuring and coverage of policies and other structured products of the subsidiary MPSCS, and by the trading activity, also of MPSCS, mostly on options and futures with key market indexes as underlying (significant effect on the risk measurement's volatility).

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

	VaR	Date
End of Period	1.83	31/12/2015
Min	1.26	17/12/2015
Max	6.87	21/08/2015
Average	2.93	

The simulated price scenarios are as follows:

- +1% of each equity or index price;
- -1% of each equity or index 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 for the equity component:

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices)	0.74
Equity	-1% Equity Prices (prices, indices)	(0.49)
Equity	+1% Equity Volatility	(0.15)

As regards the exposure to commodity risk, the Commodity VaR stands at EUR 0.63 mln as at 31 December 2015, and remained at an overall limited level during the year:

MPS Group

VaR PNV Commodity 99% 1 day in EUR/mln

	VaR	Data
End of Period	0.63	31/12/2015
Min	0.04	04/11/2015
Max	0.76	18/03/2015
Average	0.29	

The simulated price scenarios are as follows:

- +1% of each commodity price,
- -1% of each commodity price,
- +1% of all volatility surfaces of all commodity risk factors.

Below is the overall effect of the scenario analyses.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Commodity	+1% Commodity Prices	(0.06)
Commodity	-1% Commodity Prices	0.05
Commodity	+1% Commodity Volatility	(0.01)

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 Parent Company 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 financial assets available for sale (AFS) or loans to banks or customers (L&R) for accounting purposes.

The operational and strategic choices for the Banking Book, adopted by the Finance and Liquidity Committee and monitored by the Risk Management 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. Sensitivity analyses are also conducted regularly on net interest income for various cases of changes in rates.

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 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).

A method update was introduced in January 2015, aimed at sterilising the origination of the cash flows of the components not directly relating to interest rate risk.

The 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 Company:

- 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 Company 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 Company 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.

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 Internal Capital.

B. Fair value hedging

C. Cash-flow hedging

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 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:

- the 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 2015, was indicative of exposure to rate hike risk. The amount of economic value at risk in the event of a +100 bps parallel shift of the rate curve came to EUR -333.32 mln at the end of 2015 (vs. EUR 283.96 mln for a shift of -100 bps). However, if benchmarked against Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

The sensitivity of the Group's net interest income (margin sensitivity) if rates increase by 25 bps amounts to EUR +25.07 mln at the end of 2015 (EUR 0.18 mln for -25 bps).

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 Management Committee and governing bodies.

2.2 Price risk

The Group's equity investment portfolio includes approximately 182 equity investments in companies outside the Group, i.e., companies that are not consolidated either line-by-line or with the equity method. Approximately 92% of its value is concentrated in 10 investments while the unit value of the remaining investments is rather limited (approximately 152 equity investments, in fact, are valued at less than EUR 1 mln, 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 Company'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)	10.82
Equity	-1% Equity Prices (prices, indices, basket)	(10.82)
Equity	+1% Equity Volatility	0.00

The impact of the equity investments portfolio on the scenario analysis total is approximately 77%.

1.2.3 Foreign exchange risk

Qualitative Information

A. General aspects, management 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 Parent Company's Finance, Treasury & Capital Management Service; trading in the FX options segment is carried out by subsidiary 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.

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 currency equity investments are typically financed by funds denominated in the same currency, with no assumption of foreign exchange risk.

Quantitative Information

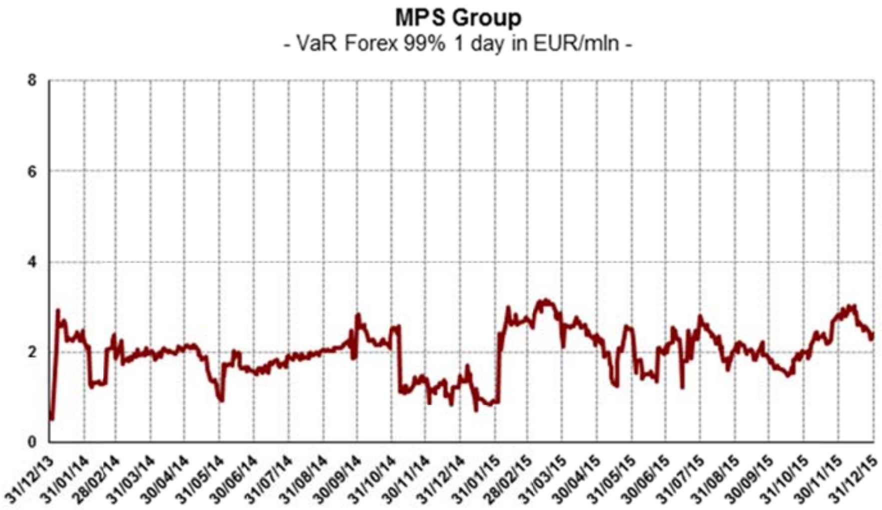
1. Breakdown by currency of assets, liabilities and derivatives

31 12 2015

Items	Currencies					
	US dollar	Pound sterling	Swiss Franc	Yuan Renminbi	Hong Kong dollar	Other currencies
A. Financial assets	**2,209,878**	**104,809**	**34,951**	**25,759**	**77,664**	**38,282**
A.1 Debt securities	379,605	7,297	-	-	29,625	1
A.2 Equity securities	6,291	410	376	-	355	53
A.3 Loans to banks	213,579	34,784	4,250	10,415	17,298	15,529
A.4 Loans to customers	1,610,403	62,318	30,325	15,344	30,386	22,699
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**24,393**	**5,400**	**2,814**	**438**	**506**	**2,156**
C. Financial liabilities	**954,317**	**149,794**	**18,401**	**9,399**	**1,384**	**69,709**
C.1 Deposits from banks	106,725	2,882	11,311	7,073	-	41,437
C.2 Customer accounts	684,229	63,632	7,090	2,326	1,384	28,272
C.3 Debt securities	163,363	83,280	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**19,257**	**1,863**	**646**	**1,636**	**443**	**917**
E. Financial derivatives						
- Options						
+ Long positions	386,493	126,174	2,894	285	921	94,686
+ Short positions	565,397	87,808	2,154	109,546	2,520	295,049
- Other						
+ Long positions	2,764,878	263,280	4,788	367,088	497	215,058
+ Short positions	4,286,995	231,876	3,921	252,810	76,239	133,663
Total assets	**5,385,642**	**499,663**	**45,447**	**393,570**	**79,588**	**350,182**
Total liabilities	**5,825,966**	**471,341**	**25,122**	**373,391**	**80,586**	**499,338**
Difference (+/-)	**(440,324)**	**28,322**	**20,325**	**20,179**	**(998)**	**(149,156)**

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	2.41	31/12/2015
Min	0.72	13/01/2015
Max	3.14	16/03/2015
Average	2.16	

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 shareholder s' equity	**Global Effect**
Forex	+1% Exchange rate against EUR	0.38	0.00	**0.38**
Forex	-1% Exchange rate against EUR	(0.37)	0.00	**0.37**
Forex	+1% Forex Volatility	(0.01)	0.00	**(0.01)**

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 an 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 notional amounts

Underlying asset/Type of derivative	Total 31 12 2015		Total 31 12 2014	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rate	**137,178,673**	**21,843,635**	**124,834,500**	**509,208**
a) Options	20,354,521	21,332,093	24,702,355	-
b) Swaps	116,750,187	-	99,840,591	-
c) Forward	73,965	-	291,554	-
d) Futures	-	511,542	-	509,208
e) Other	-	-	-	-
2. Equity securities and stock indices	**10,289,598**	**11,952,438**	**13,648,794**	**6,944,879**
a) Options	10,161,513	10,486,533	13,192,890	5,172,659
b) Swaps	128,085	-	455,904	-
c) Forward	-	-	-	-
d) Futures	-	1,465,905	-	1,772,220
e) Other	-	-	-	-
3. Exchange rates and gold	**8,810,535**	**-**	**7,349,652**	**-**
a) Options	1,816,677	-	1,612,993	-
b) Swaps	2,312,568	-	1,671,795	-
c) Forward	4,681,290	-	4,064,864	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**413,908**	**625,689**	**500,110**	**381,846**
5.Other underlying	**-**	**-**	**-**	**-**
Total	**156,692,714**	**34,421,762**	**146,333,056**	**7,835,933**

A.2 Banking book: end of period notional amounts

A.2.1 Hedging derivatives

Underlying asset/Type of derivative	Total 31 12 2015		Total 31 12 2014*	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rate	**24,131,407**	**-**	**24,489,328**	**-**
a) Options	1,865,899	-	1,426,722	-
b) Swaps	22,265,508	-	23,062,606	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**501,170**	**-**	**501,170**	**-**
a) Options	-	-	-	-
b) Swaps	501,170	-	501,170	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**24,632,577**	**-**	**24,990,498**	**-**

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

A.2.2 Other derivatives

Underlying asset/Type of derivative	Total 31 12 2015		Total 31 12 2014*	
	Over the counter	Central counterparts	Over the counter	Central counterparts
1. Debt securities and interest rate	**1,534,349**	**-**	**5,186,242**	**-**
a) Options	677,770	-	157,000	-
b) Swaps	856,579	-	5,029,242	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**541,357**	**-**	**544,657**	**-**
a) Options	541,080	-	544,471	-
b) Swaps	277	-	186	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**25,175**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	25,175	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**2,100,881**	**-**	**5,730,899**	**-**

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

A.3 Financial derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair value			
	Total 31 12 2015		Total 31 12 2014	
	Over the counter	Central counterparts	Over the counter	Central counterparts
A. Regulatory trading book	**5,519,557**	**251,721**	**6,679,327**	**281,562**
a) Options	389,565	251,165	854,840	279,980
b) Interest rate swaps	4,911,571	-	5,602,662	-
c) Cross currency swaps	87,816	-	74,602	-
d) Equity swaps	6,296	-	15,623	-
e) Forward	75,183	-	104,184	-
d) Futures	-	556	-	1,582
g) Other	49,126	-	27,416	-
B. Banking book - Hedging	**538,235**	**-**	**606,032**	**-**
a) Options	3,938	-	-	-
b) Interest rate swaps	525,511	-	602,777	-
c) Cross currency swaps	8,786	-	3,255	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**149,061**	**-**	**154,580**	**-**
a) Options	27,587	-	27,554	-
b) Interest rate swaps	121,296	-	127,026	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	178	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**6,206,853**	**251,721**	**7,439,939**	**281,562**

A.4 Financial derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative fair value			
	Total 31 12 2015		Total 31 12 2014*	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**3,682,654**	**137,429**	**4,833,257**	**149,317**
a) Options	711,652	134,269	1,030,972	147,932
b) Interest rate swaps	2,762,164	-	3,604,540	-
c) Cross currency swaps	91,615	-	50,772	-
d) Equity swaps	1,948	-	14,245	-
e) Forward	80,608	-	106,596	-
d) Futures	-	3,160	-	1,385
g) Other	34,667	-	26,132	-
B. Banking book - Hedging	**1,101,969**	**-**	**2,378,115**	**-**
a) Options	97,583	-	106,390	-
b) Interest rate swaps	954,947	-	2,238,031	-
c) Cross currency swaps	49,439	-	33,694	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**150,672**	**-**	**1,764,830**	**-**
a) Options	24,832	-	21,201	-
b) Interest rate swaps	125,570	-	1,743,446	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	2	-	183	-
e) Forward	268	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**4,935,295**	**137,429**	**8,976,202**	**149,317**

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

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 2015

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	-	258,663	102,393	383,602	-	7,772,908	442,009
- positive fair value	-	23,332	16,880	7,644	-	367,680	5,660
- negative fair value	-	144	3	445	-	11,901	106
- future exposure	-	1,533	768	1,169	-	38,291	244
2. Equity securities and stock indices							
- notional value	42	25	16,010	9,509	-	-	-
- positive fair value	17	22	12,478	8,554	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	4	2	1,114	618	-	-	-
3. Exchange rates and gold							
- notional value	314,695	-	1,918,440	164,510	-	2,709,022	13,960
- positive fair value	-	-	11,028	905	-	44,385	194
- negative fair value	8,270	-	2,884	34,290	-	55,028	172
- future exposure	3,226	-	17,639	1,643	-	34,376	138
4. Other underlying							
- notional value	-	-	-	-	-	317,425	-
- positive fair value	-	-	-	-	-	47,655	-
- negative fair value	-	-	-	-	-	8,527	-
- future exposure	-	-	-	-	-	30,908	-

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 2015

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	-	-	58,666,230	68,249,993	1,302,875	-	-
- positive fair value	-	-	2,468,693	2,073,035	90,369	-	-
- negative fair value	-	-	2,000,384	894,561	25,435	-	-
2. Equity securities and stock indices							
- notional value	-	-	4,595,374	4,594,455	1,074,183	-	-
- positive fair value	-	-	131,753	70,741	863	-	-
- negative fair value	-	-	147,280	232,161	126,076	-	-
3. Exchange rates and gold							
- notional value	-	-	3,071,229	618,679	-	-	-
- positive fair value	-	-	128,807	5,425	-	-	-
- negative fair value	-	-	94,307	13,826	-	-	-
4. Other underlying							
- notional value	-	-	91,111	-	-	5,372	-
- positive fair value	-	-	2,694	-	-	743	-
- negative fair value	-	-	24,378	-	-	2,475	-

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 2015

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	-	-	1,358,809	11,141	-	2,538	-
- positive fair value	-	-	-	290	-	134	-
- negative fair value	-	-	88,151	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2. Equity securities and stock indices							
- notional value	-	-	-	-	69,016	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional value	-	-	-	92	-	25,083	-
- positive fair value	-	-	-	-	-	178	-
- negative fair value	-	-	-	2	-	266	-
- 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 2015

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	-	-	21,368,369	2,924,899	-	-	-
- positive fair value	-	-	599,098	54,227	-	-	-
- negative fair value	-	-	1,013,577	76,733	-	-	-
2) Equity securities and stock indices							
- notional amount	-	-	472,341	-	-	-	-
- positive fair value	-	-	24,583	-	-	-	-
- negative fair value	-	-	24,472	-	-	-	-
3) Exchange rates and gold							
- notional amount	-	-	501,170	-	-	-	-
- positive fair value	-	-	8,786	-	-	-	-
- negative fair value	-	-	49,439	-	-	-	-
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	**30,217,098**	**65,681,291**	**60,794,325**	**156,692,714**
A.1 Financial derivatives on debt securities and interest rates	21,668,127	57,953,708	57,556,839	137,178,674
A.2 Financial derivatives on equity securities and stock indices	2,575,453	5,290,980	2,423,165	10,289,598
A.3 Financial derivatives on exchange rates and gold	5,662,753	2,333,460	814,321	8,810,534
A.4 Financial derivatives on other underlying assets	310,765	103,143	-	413,908
B. Banking book	**7,525,039**	**13,157,459**	**6,050,960**	**26,733,458**
B.1 Financial derivatives on debt securities and interest rates	6,457,614	13,157,459	6,050,683	25,665,756
B.2 Financial derivatives on equity securities and stock indices	541,080	-	277	541,357
B.3 Financial derivatives on exchange rates and gold	526,345	-	-	526,345
B.4 Financial derivatives on other underlying assets	-	-	-	-
Total 31 12 2015	**37,742,137**	**78,838,750**	**66,845,285**	**183,426,172**
Total 31 12 2014	**31,209,954**	**82,789,762**	**63,054,737**	**177,054,453**

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 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. "Public Institutions" customers are excluded from those offered OTC derivative products and transactions, with the exception of the cases expressly set forth in Law no. 147 of 27/12/2013, art. 1, paragraph 572.

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 150 products and strategies.

These products are broken down into two types:

- derivatives for new hedges,
- debt-rescheduling hedges for transactions already in place.

The Catalogue is then subdivided into three classes depending on the type of underlying assets:

- interest rate hedges;
- foreign exchange hedges;
- commodity hedges.

Within each class, the products are then differentiated based on basic technical form and structure, which may involve a single, basic transaction or multiple transactions organised into strategies.

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 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:
    - micro hedges: ie. hedging of individual, well-defined items in the customer's assets and/or liabilities held with the Group or other intermediaries;
    - macro hedges: ie. hedging of a portfolio of assets and/or liabilities, or a part of it, held with the Group or other intermediaries;
    - forward transaction hedges: 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 (Large Experienced Corporate of "LEC") 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 Parent Company 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 Group for the valuation of its own positions.

Group customers holding positions in OTC derivatives numbered approximately 5,890 as at 31 December 2015.

The following table reports the fair value of positions in OTC derivatives for the Group, by type of products ("Plain Vanilla" / "Non Plain Vanilla").

OTC derivatives hedging with customers

Montepaschi Group - EUR/mln of 31 12 2015

Product	Net Fair Value	of which Positive Fair Value	of which Negative Fair Value
Plain Vanilla	339.96	408.40	(68.44)
Non-plain Vanilla	40.39	65.48	(25.09)
Total	**380.35**	**473.88**	**(93.53)**

As at 31 December 2015, the net fair value of these products was, on the whole, positive for the Group and therefore negative for customers, at approx. EUR 380 mln.

B. CREDIT DERIVATIVES

B1. Credit derivatives: end of period 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	2,570,369	183,180	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
Total 31 12 2015	**2,570,369**	**183,180**	**-**	**-**
Total 31 12 2014	**8,523,274**	**4,550,845**	**-**	**-**
2. Sales of protection				
a) Credit default products	5,578,458	193,564	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	7,824	-	-	-
d) Others	-	-	-	-
Total 31 12 2015	**5,586,282**	**193,564**	**-**	**-**
Total 31 12 2014*	**9,205,388**	**4,607,931**	**3,050,412**	**-**

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

B2. OTC credit derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair Value	
	Total 31 12 2015	Total 31 12 2014*
A. Regulatory trading book	**79,363**	**526,230**
a) Credit default products	47,836	407,355
b) Credit spread products	-	-
c) Total rate of return swap	31,527	118,875
d) Other	-	-
B. Banking book	**-**	**634,300**
a) Credit default products	-	634,300
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**79,363**	**1,160,530**

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

B3. OTC credit derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative Fair Value	
	Total 31 12 2015	Total 31 12 2014
A. Regulatory trading book	**72,044**	**489,481**
a) Credit default products	72,044	489,481
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**72,044**	**489,481**

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 2015

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	-	-	1,909,250	844,299	-	-	-
- positive fair value	-	-	3,019	16,815	-	-	-
- negative fair value	-	-	23,974	12,652	-	-	-
2) Sales of protection	-	-	-	-	-	-	-
- notional amount	-	-	1,721,150	3,529,617	529,079	-	-
- positive fair value	-	-	14,733	44,796	-	-	-
- negative fair value	-	-	3,907	28,196	3,315	-	-
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	**3,009,519**	**2,552,705**	**2,971,171**	**8,533,395**
A.1 Credit derivatives with qualified reference obligation	2,509,067	2,063,118	2,896,171	7,468,356
A.2 Credit derivatives with non-qualified reference obligation	500,452	489,587	75,000	1,065,039
B. Banking book	-	-	-	-
B.1 Credit derivatives with qualified reference obligation	-	-	-	-
B.2 Credit derivatives with non-qualified reference obligation	-	-	-	-
Total 31 12 2015	**3,009,519**	**2,552,705**	**2,971,171**	**8,533,395**
Total 31 12 2014*	**9,021,137**	**11,491,074**	**9,425,638**	**29,937,849**

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

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 2015

	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	-	-	909,924	1,161,289	-	-	-
- negative fair value	-	-	909,476	154,380	63,593	1,732	-
- future exposure	-	-	661,175	823,677	43,350	247	-
- net counterparty risk	-	-	844,115	814,541	43,350	247	-

1.3 - Liquidity risk

Qualitative Information

A. Liquidity risk: general aspects, management 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. From the extremely short-term perspective, during the year a system was formalised for the analysis and monitoring of intraday liquidity, with the goal of ensuring normal development during the day of the Parent Company's treasury and its capacity to meet its intraday payment commitments.

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. During the year, the Group defined and formalised the asset encumbrance management and monitoring framework with the goal of analysing:

- the overall degree of encumbrance of total assets;
- the existence of a sufficient quantity of assets that may be encumbered but which are free, with respect to what is defined in the liquidity risk tolerance;
- the Group's capacity to transform bank assets into eligible assets (or in an equivalent manner, to encumber non-eligible assets in bilateral transactions).

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 Parent Company's major vulnerabilities in exposure to liquidity risk and allowing for prudential determination of the required levels of Counterbalancing Capacity (liquidity buffer). During the year, intraday liquidity stress tests were also defined.

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 Parent Company'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.

Liquidity position: regulatory indicators

The Group's liquidity reserves were particularly high at year-end, with the liquidity coverage ratio (LCR) exceeding 200% and the net stable funding ratio (NSFR) above 100%.

1. Breakdown of financial assets and liabilities by residual contractual duration - Currency: Euro

31 12 2015

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	21,177,228	5,015,379	3,474,724	4,512,281	6,089,391	6,128,586	11,195,791	38,247,906	49,452,725	3,144,461
A.1 Government securities	6,444	15	17,309	38,069	491,340	214,531	2,486,441	10,414,581	7,550,267	-
A.2 Other debt securities	17,428	2,107	16,704	27,918	82,239	82,465	153,242	779,418	780,370	318,948
A.3 Units of UCITS	123,169	-	-	-	828	-	-	-	-	-
A.4 Loans	21,030,187	5,013,257	3,440,711	4,446,294	5,514,984	5,831,590	8,556,108	27,053,907	41,122,088	2,825,513
- Banks	3,553,145	192,237	77,188	760,636	211,368	33,944	37,658	69,869	248,423	2,819,646
- Customers	17,477,042	4,821,020	3,363,523	3,685,658	5,303,616	5,797,646	8,518,450	26,984,038	40,873,665	5,867
Balance-sheet liabilities	56,599,174	12,914,121	2,802,633	4,774,311	8,146,607	5,183,593	11,066,959	35,122,175	9,760,354	1,611,029
B.1 Deposits and current accounts	52,512,893	141,361	432,646	749,178	2,034,295	2,594,708	3,748,087	4,698,516	479,340	-
- Banks	700,069	-	-	1,127	-	564	1,750	447,761	354,794	-
- Customers	51,812,824	141,361	432,646	748,051	2,034,295	2,594,144	3,746,337	4,250,755	124,546	-
B.2 Debt securities	15,603	35,516	3,087	426,736	986,397	1,177,764	3,952,342	16,799,152	6,477,255	1,608,979
B.3 Other liabilities	4,070,678	12,737,244	2,366,900	3,598,397	5,125,915	1,411,121	3,366,530	13,624,507	2,803,759	2,050
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	3,174	584,896	625,252	1,443,950	1,866,081	1,974,270	589,845	1,386,207	647,197	241,500
- short positions	27,407	2,199,948	727,186	506,946	1,130,939	948,613	625,954	1,714,797	848,120	241,500
C.2 Financial derivatives without exchange of principal										
- long positions	4,803,750	-	-	3,422	85,589	53,558	171,939	424	-	-
- short positions	2,741,553	-	-	7,678	85,799	36,734	216,258	849	2,382	-
C.3 Deposits and borrowings to be received										
- long positions	-	216	-	20	12	286	73	-	-	1,382
- short positions	-	-	-	-	-	-	-	-	-	429
C.4 Irrevocable commitments to disburse funds										
- long positions	78,363	3,169,006	1,430	34,010	202,333	190,845	499,115	329,085	1,126,058	554,200
- short positions	5,517,624	845	-	-	79,752	6	28,335	84,927	31,229	411,949
C.5 Financial guarantees given	36,732	125	308	1,138	4,341	69,836	207,500	52,626	143,723	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	206,216	-	988,150	650,500	967,800	1,256,822	2,717,383	-
- short positions	-	-	412,432	-	951,575	655,100	951,900	1,680,784	4,654,765	-
C.8 Credit derivatives without exchange of principal										
- long positions	33,061	-	-	-	-	-	-	-	-	-
- short positions	926	-	-	-	-	-	-	-	-	-

2. Breakdown of financial assets and liabilities by residual contractual duration - Currency: Other

31 12 2015

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	486,039	58,150	64,074	106,499	281,046	219,015	173,052	582,675	625,860	8,390
A.1 Government securities	258	-	3	29	17,823	11,866	65	981	14,818	-
A.2 Other debt securities	5	-	3	921	1,126	799	1,297	3,785	392,406	8,390
A.3 Units in UCITS	3,592	-	-	-	-	-	-	-	-	-
A.4 Loans	482,184	58,150	64,068	105,549	262,097	206,350	171,690	577,909	218,636	-
- Banks	106,568	34,353	23,669	14,942	43,376	22,561	14,175	3,563	-	-
- Customers	375,616	23,797	40,399	90,607	218,721	183,789	157,515	574,346	218,636	-
Balance-sheet liabilities	686,056	54,761	7,913	48,216	194,580	37,500	96,766	105,524	47,105	3,490
B.1 Deposits and current accounts	659,877	50,536	7,913	46,813	187,101	37,053	8,066	311	362	-
- Banks	40,986	50,037	4,593	40,277	-	7,073	-	-	-	-
- Customers	618,891	499	3,320	6,536	187,101	29,980	8,066	311	362	-
B.2 Debt securities	-	4,225	-	198	7,449	444	88,667	100,645	46,228	-
B.3 Other liabilities	26,179	-	-	1,205	30	3	33	4,568	515	3,490
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	2,045	137,370	688,252	432,944	942,863	865,765	572,459	425,575	16,716	498,357
- short positions	2,456	83,905	427,049	1,455,513	1,752,170	747,580	486,120	341,137	36,988	725,536
C.2 Financial derivatives without exchange of princi										
- long positions	358,335	-	-	-	-	-	-	-	-	-
- short positions	242,516	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	-	-	-	-	-	-	-	-	-	3,847
- short positions	-	-	-	-	-	-	-	-	-	3,847
C.4 Irrevocable commitments to disburse funds										
- long positions	-	-	-	2,144	113,417	28,212	143,386	61,204	42,666	23,137
- short positions	97,238	-	-	-	92,054	344	2,059	60,540	1	5,950
C.5 Financial guarantees given	1,491	520	-	-	5	1	402	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	398,817	256,231	1,038,305	1,960,960	66,150	-
- short positions	-	-	-	-	338,817	223,231	1,061,255	2,098,040	60,950	-
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 liquidity requirements.

Although the Group’s direct and full underwriting of the notes issued by the vehicles 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 four self-securitisations entered into in December 2007 (Siena Mortgages 07–5), in March 2008 (Siena Mortgages 07-5 2nd tranche); in February and June 2009 (Siena Mortgages 09-6 and Siena Mortgages 09-6 2nd tranche).

Siena Mortgages 07-5, 1st and 2nd series

On 21 December 2007, through the purchase of securities issued by the vehicle, the Parent Company 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 1,744 mln (29,367 mortgage loans) outstanding as at 31 December 2015.

In order to fund the acquisition, the Vehicle issued Residential mortgage-backed floating-rate securities (RMBS) in the following classes, rated by Moody’s and Fitch as at 31 December 2015:

- Class A notes (Aa2/AA+) for an amount of EUR 4,765.90 mln, of which EUR 3,402.7 mln redeemed;
- Class B notes (A1 and A), for an amount of EUR 157.45 mln;
- Class C notes (B3 and BBB-), for an amount of EUR 239.00 mln.

A cash reserve was also set up to support the transaction for an amount of EUR 123.9 mln, corresponding to the issuance of junior class 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 42.2 mln.

The first series 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 at 31 December 2015, 17,546 loans were outstanding for a balance of EUR 1,251.01 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 RMBS in the following classes, rated by Moody’s and Fitch as at 31 December 2015:

- Class A notes (Aa2 and AA+) for an amount of EUR 3,129.4 mln, of which EUR 2,156.4 mln redeemed;
- Class B notes (A1 and A), for an amount of EUR 108.3 mln;
- Class C notes (NR and BBB-), for an amount of EUR 178.3 mln.

A cash reserve was set up to support the transaction for an amount of EUR 82.0 mln, corresponding to the issuance of class D notes, which was posted under asset 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 30.2 mln.

Siena Mortgages 09-6, 1st and 2nd series

In order to increase available eligible assets, in 2009 the Group carried out two securitisations through the vehicle named Siena Mortgages 09 - 6 Srl. The first series 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. As at today, the remaining debt balance stands as at EUR 2,154 mln, for a total of 29,570 loans.

In order to fund the acquisition of the portfolio sold, the Vehicle issued Residential mortgage-backed floating-rate securities (RMBS) in the following classes, rated by Moody's and Fitch as at 31 December 2015:

- Class A notes (Aa2 and AA+) for an amount of EUR 3,851.3 mln, of which EUR 2,270.8 mln redeemed;
- Class B notes (NR and A), for an amount of EUR 403.7 mln;
- Class C notes (NR and BBB-), for an amount of EUR 181.4 mln;
- Class D notes (not rated), for an amount of EUR 106.7 mln.

The first series was followed, on 26 June 2009, by an additional securitisation of EUR 4,101 mln. As at 31 December 2015, the residual debt amounts to EUR 1,544.0 mln for 21,957 mortgage loans.

The portfolio consisted of 44,148 performing mortgages originated by 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), in the real estate and building areas.

In order to fund the acquisition of the portfolio sold, the Vehicle (Siena Mortgages 09 - 6 S.r.l.) issued Residential mortgage-backed floating-rate securities (RMBS) in the following classes, rated by Moody's and Fitch as at 31 December 2015:

- Class A notes (A2 and A-) for an amount of EUR 3,466 mln, of which EUR 2,510.8 mln redeemed;
- Class B notes (Ba3 and A+), for an amount of EUR 447.1 mln;
- Class C notes (Caa1 and NR), for an amount of EUR 188.65 mln;
- Class D notes (not rated), for an amount of EUR 103.50 mln.

A cash reserve was set up to support the transaction, which was posted under asset item 70 "Loans to customers". As at 31 December 2015, these reserves stand at 89.21% and 15.26% of the target level, respectively.

1.4 - Operational risk

Qualitative Information

A. General aspects, management processes and measurement methods

General information and Framework structure

By an administrative ruling dated 12 June 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 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 Company Risk Management).

The Parent Company'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.

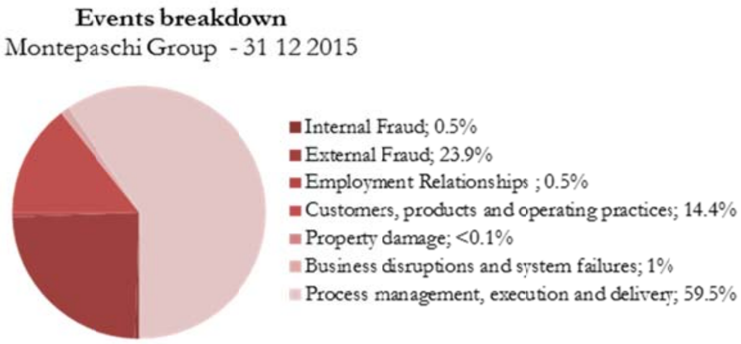
The Advanced Measurement Approach (AMA) is applied to all domestic financial and banking entities, while the foundation model is used for remaining components and foreign companies. As at 31 December 2015 internal model coverage in terms of the relevant indicator exceeded 95%.

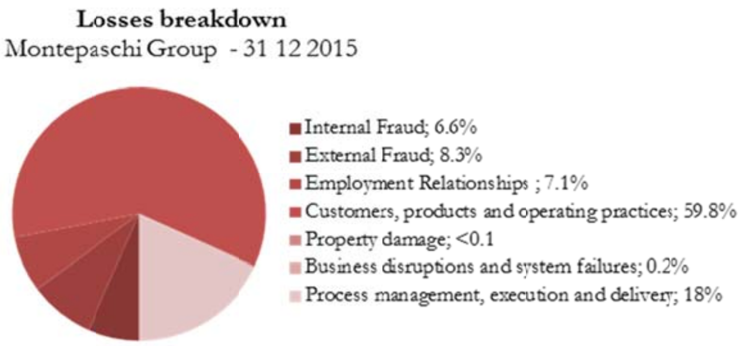
ORM has also set up a reporting system which ensures timely information on operational risks for the Top Management, which transposes the strategic principles of the management system into specific operating policies. Reports are regularly submitted to the Risk Management Committee and governing bodies.

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 2015 is reported below, divided into various risk classes.





As at 31 December 2015, operational losses and the number of events were significantly down compared to December 2014.

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": approximately 60% of the total) and operational and process management shortfalls (under "Process management, execution and delivery": 18% of the total).

With regard to "non-fulfilment of professional obligations with customers", risk events are mainly associated with claims due to the application of compound interest.

By contrast, the graph below shows the breakdown of regulatory requirements by risk class:

The Regulatory Requirements as at 31 December 2015 were essentially stable compared to December 2014.

The breakdown of losses recognised in the period clearly differs from the breakdown of the 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 Group banks 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 2015:

Type of dispute	No. of cases	Petitum (EUR mln)	Funds (EUR mln)
Interest compounding	3,801	467.3	200.8
Claw-backs of payments received from defaulted entities	434	544.5	106.8
Defaulting obligations and financial plans	1,124	71.4	20.9

1) Disputes concerning compound interest, interest and conditions

Following the change in orientation by the Supreme Court of Cassation (Corte di Cassazione) on the legitimacy of the practice of capitalising 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, CMS), even before Italian 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 Italian 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 Group is committed to maximising 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 Group 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 considerable defensive efforts made in this type of lawsuit resulted over the years in the emergence of some favourable jurisprudential orientations, at least with respect to certain specific cases, which are allowing balanced risk control. In 2015 there were some negative decisions, particularly as regards financial plans, which as things currently stand have not had tangible negative impacts, but the developments of which will be closely monitored to ensure proper oversight over any greater risk factors.

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 the Parent Company 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 relief sought against the Parent Company 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.

No preliminary activities were carried out during the course of the dispute and the Judge, upon hearing the closing arguments of the parties, referred the decision to the Board, first of all, on the preliminary issues formulated by the parties and with regard to the claims submitted predominantly by the plaintiff.

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 Parent Company'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 was declared suspended at the hearing of 30 June 2015, due to the passing of one of the defendants, and subsequently taken up again. The next hearing is set for 6 June 2016.

The claim appears to be ungrounded and the risk of losing the case is merely possible, but cannot be estimated in practice.

In October 2011, the extraordinary administration procedure of the company Antonio Merloni S.p.A. also brought a legal action against BMPS before the Court of Ancona requesting the return, as part of a bankruptcy rescindment, of EUR 53.8 mln as to the primary claim and 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 judge issued a first instance ruling, rejecting the plaintiff's claim and sentencing the latter to repay legal expenses. The plaintiff filed an appeal.

Banca Monte dei Paschi di Siena S.p.A. vs. Fatrotek

The action was brought by the company Fatrotek against the Parent Company (and other credit institutions); the plaintiff asks the Court to recognise the alleged unlawfulness by BMPS and the other banks of reporting doubtful loans to the Central Credit Bureau, and claim monetary and non-monetary damages suffered by BMPS.

The plaintiff also asks that the defendant banks be found jointly liable, each proportionately to the seriousness of its behaviour. The BMPS defence was based on the fact that the company's extremely severe financial situation fully justified the Parent Company's initiatives.

The case has been adjourned pending the decision on the admission of preliminary evidence.

Banca Monte dei Paschi di Siena S.p.A. vs. Fallimento Medeghini S.p.A. in liquidazione

In 2012, Fallimento Medeghini S.p.A. in liquidazione served a complaint on BMPS 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 S.p.A.

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 BMPS's conduct.

During the technical appraisal ordered by the Court, the opposite party's demands that a link of causality be recognised 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 BMPS's expert witness.

During the appraisal, the Court-appointed expert witness accepted almost entirely the arguments of the defendant BMPS, 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.

The case was deferred to 2 February 2017 for the clarification of pleadings.

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 Italian Law no. 130 of 30/4/1999, carried out or mediated by former BAV, following which since 2008 the assignee 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 Board ordered an expert appraisal, currently underway, in order to verify respect by Elipso of the contractual provisions in terms of the activation methods and times with regard to the guarantee.

Banca Monte dei Paschi di Siena S.p.A. vs. CHI.DEM S.r.l. and the other companies of the De Masi Group

The action was brought by the company CHI. DEM S.r.l. and by the other companies of the De Masi Group.

Co-defendants with the Parent Company BMPS 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 Court of Cassation, which has ascertained that in certain periods the threshold rate was actually exceeded.

BMPS's defence is essentially based on lack of evidence of the monetary and non-monetary 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 Parent Company 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 subject 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.

The proceeding is under preliminary investigation and the next hearing is set for 23 February 2016.

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, 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 (Monti-bond), as well as damages in the same amount.

Parent Company'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 have been essentially superseded, since the procedure for the issue of the New Financial Instruments was fully completed, including all of the administrative stages. The initiative was also concluded and finalised with full reimbursement of said instruments, through: a) EUR 3,000 mln on 1 July 2014 and b) EUR 1,071 mln on 15 June 2015, as the subject of the dispute has ceased to exist, without getting into the technical intricacies. 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 BMPS, 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 recognise the joint liability of the defendants for their unlawful conduct. 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 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 them 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 Parent Company 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 and the next hearing will be held on 3 March 2016.

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 Italian Bankruptcy Law (old version) the revocation, by declaration of their ineffectiveness with respect to the administration and subject to prior investigation of the BAV'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 EUR 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 April - 28 May 2014, the Court of Ferrara, partly admitting the plaintiff's claim, ordered the Parent Company, 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 Parent Company 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.

By means of a notice served on 29 January 2015, the plaintiff submitted an appeal, requesting the revocation of further remittances, with respect to those already subject to the first instance sentence, for a total of EUR 21.9 mln. The first hearing was held on 3 June 2015. The Parent Company duly appeared, filing an incidental appeal against the first degree ruling of partial sentence.

The case was deferred to the hearing of 21 February 2017 for the clarification of pleadings.

Out-of-court claims for the repayment of sums and/or compensation for damages by Shareholders and Investors of Banca Monte dei Paschi di Siena S.p.A. in relation to the 2008 and/or 2011 share capital increases

In relation to the share capital increases of 2008 and/or 2011, the Parent Company received a total of 468 requests, for a total of EUR 117.9 mln demanded where quantified, targeted at obtaining the repayment of sums invested and/or compensation of damages, monetary and non-monetary, as a result of alleged losses suffered.

These claims - brought individually or collectively, through professionals or consumer associations - although as regards their heterogeneity, are mostly justified by generic references to the BMPS's alleged violation of the industry legislation governing information provided at the time of the aforementioned share capital increases, and were rejected as they were considered generic, unfounded, not backed by the suitable documentary evidence and in certain cases, prescribed.

Information is provided on this matter in the event that the claims in question, as things currently stand, all rejected, are brought before a Court of law through the filing of proceedings in which the BMPS's risk of being the losing party can, at the moment, be assessed to be merely possible.

Banca Monte dei Paschi di Siena S.p.A. vs. Fruendo

Following the transfer of the back office business unit to Fruendo in January 2014, involving 1,069 resources, 634 workers (later reduced to 611 due to waivers and deaths) initiated legal proceedings before the Courts of Siena, Rome, Mantua and Lecce to demand the continuation of the employment relationship with the Parent Company BMPS, upon the declaration of ineffectiveness of the transfer agreement entered into with Fruendo.

At the reporting date, of the 611 plaintiffs, a first instance ruling has already been handed down for 398 (248 at the Court of Siena and 150 at the Court of Rome) after a hearing on the full merits, while for the remaining 213 (122 at the Court of Lecce, 90 at the Court of Mantua and 1 at the Court of Siena), the rulings are still pending.

As things currently stand, 291 workers are entitled to be rehired (i.e., the plaintiffs in the cases at the Court of Siena and the Court of Rome, limited, for the latter, to the cases decided in favour of the plaintiffs).

The decision of the Court of Siena has alredy been appealed before the Florence Court of Appeal, and the relative hearings for the initial discussion of the case have been scheduled in the period between June and September 2016. By May 2016, BMPS will appeal to against the unfavourable rulings handed down by the Court of Rome. For their part, the workers who were unsuccessful in the case decided by the Court of Rome filed an appeal and relative hearing has been set for December 2016.

As a result, to date, and while the current situation remains unchanged, no economic impact on the Parent Company is forecast. Indeed, as the Fruendo employees retained the pay they had been receiving from the Bank when the business unit was transferred, they would not be due any back pay if the unfavourable rulings (for the Parent Company) were to be enforced.

Given the above, the Parent Company, jointly with Fruendo, is analysing the matters arising from the rulings of the Court of Siena and the Court of Rome in order to identify the best solutions.

Banca Monte dei Paschi di Siena S.p.A./civil claimant - criminal proceedings relating to the "Alexandria" case

Criminal proceedings 15171/2015 are linked to the "Alexandria transaction", involving, inter alia, former BMPS representatives as well as former Nomura executives, who were all charged with the offences of false accounting and market manipulation. Both Banca Monte dei Paschi di Siena S.p.A. and Nomura have been summoned as legal entities bearing liability pursuant to Italian Legislative Decree 231/01 in relation to the liable offences committed by their former representatives.

For reasons associated with service formalities, Nomura has been excluded as a liable party pursuant to Legislative Decree 231/01 from these proceedings, while for BMPS, the damages claimed by the civil parties in relation to the entity's liability pursuant to Legislative Decree 231/01 were rejected by order of the Preliminary Hearing Judge, handed down at the hearing on 27 November 2015, thereby accepting the objection submitted by the Parent Company's defence, based on a well-established Court of Cassation teaching which excludes the possibility for compensable damages pursuant to art. 185 of the Criminal Code (damages from crimes) to arise as a result of any liability pursuant to Legislative Decree 231/01.

At the hearing on 17 November 2015, numerous civil parties (about 600) joined the proceedings seeking damages from the natural person defendants, while it should be noted that the Parent Company also claimed damages as a civil party for damages caused to the Parent Company itself for the crimes committed by its former representatives (it did not claim damages as a civil party from the former representatives of Nomura as the settlement entered into with the Japanese bank addressed this case and excluded the possibility for BMPS to act further before the court against Nomura or its former employees).

After these civil parties joined the proceedings, they requested and obtained authorisation (granted by the Preliminary Hearing Judge - only with respect to Nomura and not BMPS - by order handed down at the hearing on 18 January 2016) to summon the legal entities that employed the defendants (or at which the defendants were directors at the time of the events) as civilly liable parties. An examination of the records shows that the claims of the civil parties seeking damages are generic and, in the majority of cases, they do not contain the minimum, yet indispensable, information required to determine the type of damages caused to the civil parties. In any case, the claims of the civil parties appear to be abstractly justified and they are admissible provided, also abstractly, that there are grounds for compensation pursuant to law in accordance with article 2049 of the Civil Code, recognisable - only if the defendants are deemed liable at the end of the proceedings - in a claim for damages resulting from the deeds of the defendants. In light of these considerations, from the accounting perspective the risk of an outlay has been qualified as "possible". In any event, the Parent Company is closely monitoring the criminal proceedings.

Banca Monte dei Paschi di Siena S.p.A./legal proceedings relating to the Santorini, Fresh 2008 and Chianti Classico financial transactions

In January 2016, the Milan public prosecutor closed the preliminary investigations for the second part of the inquiry into certain financial transactions in which the Parent Company BMPS was involved in 2008, 2009 and 2010, i.e., Santorini, Fresh 2008 and Chianti Classico. In this context, some executives and former executives of the Parent Company were committed for trial as well as some officers from Deutsche Bank, in relation to which, in any case, for the transaction that took place with the German bank in December 2013, it is not possible to join the proceedings as a civil party claiming damages. In these proceedings, the Parent Company assumes the triple role of injured party, civilly liable party and liable party pursuant to and in accordance with Legislative Decree 231/01. Procedural formalities relating to the preliminary hearing will begin on 4 March 2016.

§ * § * § * §

Lastly, in relation to the notices received from Anima Holding and BPM regarding the activation of the compensation procedure (established at the time of the transfer of equity investments for the creation of the alliance in the asset management segment) due to a tax audit undertaken with regard to Anima Asset Management Ltd. and a correlated official tax audit report issued against the latter, the Parent Company carried out detailed analyses of the contractual guarantees given at the time of the transfer of equity investments and has decided not to recognise the grounds for the violations claimed in the notices themselves for the moment, also considering the generic nature of the arguments of Anima Holding. In any event, the Parent Company is monitoring, in agreement with Anima Holding, the tax audit under way against Anima Asset Management Ltd., via its own advisor engaged for this purpose.

Risks from tax disputes

Among the cases associated with tax disputes which regard the Group, those in which the risk of losing is considered likely are limited in number and provision for risk and charges are adequate.

On 1 October 2015, the Siena Guardia di Finanza began a tax audit on the Parent Company in order to verify, for tax periods from 2010 to 2015, the proper fulfilment of tax application obligations (application of withholding tax on interest expense) with reference to Tier 1 capital strengthening structures put into place, starting in 2000, with the specific, formal authorisation of Bank of Italy. Although the audit is still under way, the Parent Company has received - with reference only to the 2010 tax period - an official tax audit report and, subsequently on 22 December 2015, an assessment notice and a penalty notification. The total amount claimed for 2010 is EUR 15.7 mln.

The findings set forth are based, extremely briefly, on the re-classification of financial instruments that gave rise to the payment of such interest expense by the Parent Company (and which do not require the application of withholding taxes) as different financial instruments (which, on the other hand, require the application of withholding tax).

The Parent Company, with support from well respected advisors, submitted a petition for a tax assessment settlement with respect to the assessment notice received, to present reasonable arguments to the Italian Revenue Agency to defend the appropriateness of its actions. Based on that action, the most suitable initiatives will be taken to protect the Parent Company's claims.

Note the investigation performed under court order by the Guardia di Finanza into a real estate transaction performed by MPS Immobiliare in 2011 and consisting of 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 the 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 prior 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.

Financial risks of investment services

Foreword

The following section on financial risks of investment services was written as part of the "Operational Risk" section 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 risks regarding investment services, for the Group, are a direct and indirect result of the risks incurred by customers in relation to the performance of services and investment activities.

Consequently, governance of these risks is aimed at protecting customers and, simultaneously, preventing any potential negative impacts on the Group in terms of operational and reputational risks.

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, and is assigned centrally to the Wealth Risk Management Service, within the Risk Management Area of the Parent Company's Risk Division. This is to ensure centralised governance of the direct and indirect risks which the Group incurs during the course of its operations.

"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 main regulatory framework consists of the European MiFID and the relative implementation regulations (in particular, the 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) plays an important role, along with the 2009 Inter-Association Guidelines on illiquid financial products, and Consob Communication no. 97966/2014 on the distribution of complex financial products to retail customers.

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.

A special focus is given by the Group 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 rapid changes in product risks and generate potential financial losses, as well as prompting a changing attitude by customers towards their own financial investments.

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.

Advisory services on offer, customer risk profile and risk of investment products/portfolios

The strategic choice of the Parent Company is to systematically 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.

The advisory service is offered by BMPS on the basis of two different methods:

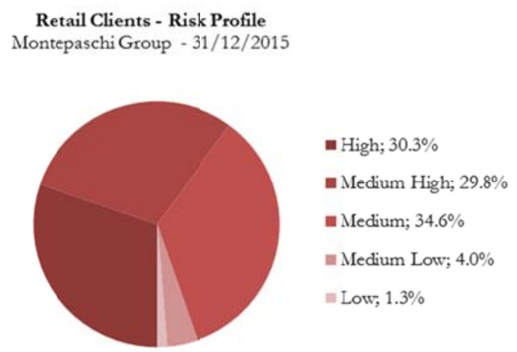
- "Basic" transactional advisory is aimed at verifying the suitability of the individual investments recommended in relation to the risk of the customer's investment portfolio as a whole. In this regard, the new transactional adequacy model was rolled out in early 2015 and adopts a multivariate control logic on the individual risk factors, based on the customer's portfolio risk, including the investment product that is being recommended.

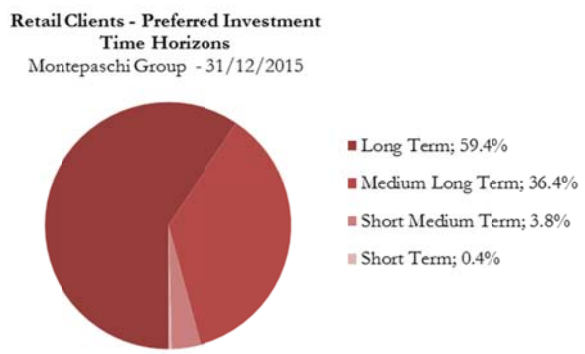
- "Advanced" advisory is instead aimed at verifying the suitability of the overall set of transactions, advising on them based on their impact on a suggested investment portfolio of the customer in order to obtain optimum asset allocation and maximised prospective returns over a certain time horizon, given the customer's risk profile.

Wealth risk management activities cover the entire distribution perimeter of the network of BMPS branches, the investment services operated by Banca Widiba and by MPS Capital Services.

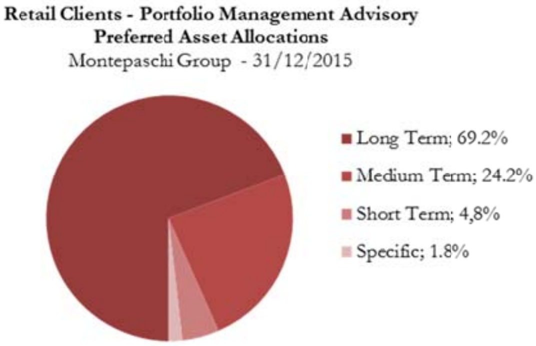
Through the responses provided to the MiFID profiling questionnaire, the customer gives information to the Parent Company on its characteristics and needs (particularly investment objective, knowledge, experience; time horizon), which is used to determine the customer's more general risk profile.

An analysis of the questionnaires completed at the end of 2015 shows that roughly 60% of the Group customers in the "Consumer/Retail" macro-segment, namely retail customers which represent almost the entire customer base of the Group, and which hold investment products, declared a "high" or "consistent" investment objective and the remaining 40% a positioning in lower objective classes. In addition, mainly long-term investment time horizons were preferred.



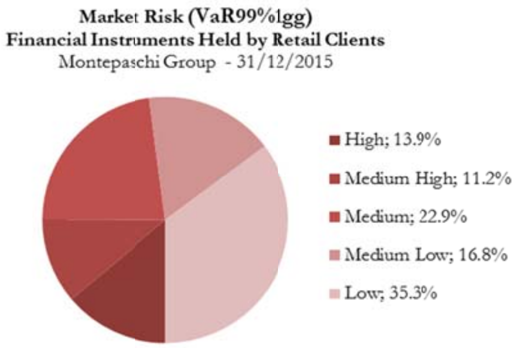


At the end of 2015, the portfolios held by Consumer/Retail customers on the basis of formalised "advanced" advisory proposals to obtain optimum asset allocation, were mainly distributed into the recommended, especially long-term, Asset Allocation macro-classes.



In 2015, the Eurozone benefitted from the ECB's bond buying programme (quantitative easing) approved in January and launched in early March. Long-term interest rate volatility on Eurozone government bonds is up due to uncertainty triggered by extended negotiations between Greece and international creditors and the slowdown in emerging economies. The international environment has become more uncertain due to the further slowdown in the Chinese economy, which resulted in a temporary increase in equity volatility and an increase in bond risk premiums. At the end of the year, particularly with reference to the banking segment, further instability was observed following the transposition of the European Directive on bank recovery and resolution (BRRD) which, inter alia, introduced a new mechanism for the participation of shareholders and creditors in losses (bail-in) in the event of banking crises.

In this market environment, the investment products held by "Consumer/Retail" customers showed, at the end of 2015, a distribution concentrated on average for market risk on medium-low levels.



Part F - Information on consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

A. Qualitative information

The 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 purpose 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. In the context of the RAF it 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 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 and correspond 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

B.1 Consolidated shareholders' equity: breakdown by business areas

31 12 2015

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total	of which Group	of which minority interests
Shareholders' equity	9,015,184	304,317	243,741	(548,058)	9,015,184	9,001,757	13,427
Share premium	6,538	-	53,379	(53,379)	6,538	6,325	213
Reserves	231,699	134,471	67,248	(201,719)	231,699	222,086	9,613
Equity instruments	-	-	-	-	-	-	-
Treasury shares (-)	-	-	-	-	-	-	-
Valuation reserves	(20,583)	100,074	5,897	(105,971)	(20,583)	(21,817)	1,234
- Financial assets available for sale	93,033	-	-	-	93,033	93,037	(4)
- Tangible assets	-	-	-	-	-	-	-
- Intangible assets	-	-	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-	-	-
- Cash flow hedges	(138,602)	-	-	-	(138,602)	(138,603)	1
- Exchange difference	6,800	-	-	-	6,800	6,800	-
- Non-current assets held for sale	19,641	-	-	-	19,641	19,641	-
- Actuarial gains (losses) on defined benefit plans	(109,675)	-	(26)	26	(109,675)	(109,673)	(2)
- Share of valuation reserves of equity investments valued at equity	95,483	96,188	(687)	(95,501)	95,483	95,483	-
- Special revaluation laws	12,737	3,886	6,610	(10,496)	12,737	11,498	1,239
Profit (loss) for the year - Group and minority interests	389,868	90,857	7,101	(97,958)	389,868	388,096	1,772
Net equity	**9,622,706**	**629,719**	**377,366**	**(1,007,085)**	**9,622,706**	**9,596,447**	**26,259**

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	252,341	(38,471)	129,116	-	-	(423)	(129,116)	423	252,341	(38,471)
2. Equity instruments	19,245	(18,157)	2,216	(18,018)	-	-	(2,216)	18,018	19,245	(18,157)
3. Units of UCITS	1,414	(27,733)	14	(17,140)	-	(159)	(14)	17,299	1,414	(27,733)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total 31 12 2015	**273,000**	**(84,361)**	**131,346**	**(35,158)**	**-**	**(582)**	**(131,346)**	**35,740**	**273,000**	**(84,361)**
Total 31 12 2014*	**301,672**	**(312,894)**	**140,227**	**(43,009)**	**1,130**	**(91)**	**(141,357)**	**43,100**	**301,672**	**(312,894)**

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

B.3 Valuation reserves for financial assets available for sale: annual changes

31 12 2015

	Debt securities	Equity instruments	Units of UCITS	Loans
1. Opening balance*	**22,360**	**(16,442)**	**(17,139)**	**-**
2. Increases	**310,023**	**36,794**	**1,113**	**-**
2.1 Inreases in fair value	259,594	18,670	666	-
2.2 Reversal to profit and loss of negative reserves	50,386	17,784	447	-
- due to impairment	685	17,784	400	-
- following disposal	49,701	-	47	-
2.3 Other changes	43	340	-	-
3. Decreases	**118,513**	**19,264**	**10,292**	**-**
3.1 Decreases in fair value	19,845	18,587	9,613	-
3.2 impairment provisions	-	-	-	-
3.3 Reversal to profit and loss of positive reserves: followiong disposal	94,843	159	506	-
3.4 Other changes	3,825	518	173	-
4. Closing balance	**213,870**	**1,088**	**(26,318)**	**-**

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

B.4 Valuation reserves for defined benefit plans: annual changes

	Internal funds	External funds	Provisions for employees severance pay	31 12 2015
Opening balance	**(36,015)**	**(63)**	**(90,344)**	**(126,422)**
Remeasurement of net defined benefit liability (asset):	**1,652**	**500**	**14,529**	**16,681**
Return on plan assets excluding interests	(29)	(8,471)	-	(8,500)
Actuarial gains (losses) arising from changes in demographic assumptions	(774)	(1,067)	-	(1,841)
Actuarily gains (losses) arising from experience adjustments	2,783	4,404	-	7,187
Actuarial gains (losses) arising from changes in financial assumptions	3,527	8,450	14,529	26,506
Changes in effect of limiting net defined benefit asset to asset ceiling	(3,855)	(2,816)	-	(6,671)
Gains (losses) on settlements	-	-	-	-
Others	-	-	75	75
Closing balance	**(34,363)**	**437**	**(75,740)**	**(109,666)**

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 (Basel 3), particularly the European Union's new regulatory and institutional framework for banking supervision.

The regulatory framework in force 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 approach based on three pillars aims to reinforce the quantity and quality of banks' capital base as well as establish counter-cyclical supervisory tools and new standards for liquidity risk management and financial deleveraging.

In particular, Pillar 1 governs capital requirements to reflect the potential risk of activities as well as capital endowment requirements.

In addition to the system of capital requirements aimed at covering credit, counterparty, market and operational risk, there is 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 includes 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 - establishes transparency requirements concerning securitisation exposures and detailed information on the composition of regulatory capital and the methods adopted by the Parent Company to calculate capital ratios.

The Basel 3 framework 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 are 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 Own Funds
A. Qualitative information

Own funds are 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 requirements for the transition period.

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 authorization 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;
- the cancellation of distributions does not result in restrictions on the issuer;
- compared to the other issued capital instruments, CET1 instruments absorb losses first and to a proportionally greater extent at the time they occur;
- 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.

Profit for the period can be included in CET1 before final approval of the annual report only with the authorization by the Supervisory Authority and only if the following conditions are met: the profit must be audited by the external auditors and any dividends the Parent Company is going to distribute must be deducted from the profit for the period.

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 and ACE);
- 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 portions that exceed established CET1 thresholds, known as exemptions, according to the specific mechanism described below:

- Not significant investments in CET1 instruments of financial institutions are deducted, for the portion of the aggregate of not significant investments in CET1, AT1 and T2 instruments of financial institutions that exceeds 10% of the CET1, in proportion with the CET1 instruments themselves. The portions referring to AT1 and T2 instruments are instead dedicated from the AT1 and T2 aggregates, respectively. The CET1 on which to calculate the 10% 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 calculated in the CET1.

With regard to events in 2015, in the month of June the Parent Company completed a share capital increase to be offered for a total of EUR 3 bn. Costs incurred for the share capital increase and posted directly to equity amount to EUR 89 mln, after tax. The sale of unsubscribed rights involved recognition in the share premium reserve of an amount of approx. EUR 6 mln.

Due to this capital increase and to the authorisations received by the Bank of Italy and the Ministry of Economy and Finance, the Parent Company redeemed a nominal value of EUR 1,071 mln of New Financial Instruments for EUR 1,116 mln, which includes the effects from the terms and conditions of the prospectus following the sale of shares by Fondazione Monte dei Paschi di Siena.

Moreover, on 1 July, 117,997,241 ordinary shares, equal to 4% of the share capital, were issued in favour of the Ministry of Economy and Finance (MEF) for interest accrued as at 31 December 2014, pursuant to the regulations on NFIs, with a simultaneous increase in share capital of EUR 243 mln.

In conclusion, as at 31 December 2015, CET1 takes into account the effects of the EUR 3 bn share capital increase, the net proceeds from the sale of unsubscribed rights and the direct costs of the transaction as well as the share capital increase in favour of MEF. At the same date, as a result of the last redemption, the NFIs are no longer included in the CET1 calculation.

In addition, the CET1 also benefitted from the winding-up of the Alexandria transaction on 23 September 2015.

As concerns special provisions against the Parent Company Banca Monte dei Paschi di Siena, the Supervisory Authority requested the exclusion 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 Tier 1 due to this exclusion amounted to EUR 76 mln.

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 (40% in 2015 and 100% from 2018); the portion temporarily not deducted from CET1 is calculated as a negative element 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% since 2015 (20% in 2015 and 100% in 2019);
- unrealised gains on financial instruments classified in the AFS portfolio, other than those related to exposures with central governments of EU countries, 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 of EU countries, are calculated in CET1 with a gradual introduction of 20% per year (40% in 2015 and 100% in 2018);

- the option to exclude from CET1 the unrealised profits and losses on exposures with central governments of EU countries classified in the AFS portfolio, until approval by the European Commission of IFRS 9, as a result of the introduction of the national discretion set forth by the CRR as part of the transition requirements by Bank of Italy. In accordance with Circular no. 285 of 17 December 2013, in January 2014 the MPS Group exercised this right;
- deferred tax assets that depend on future profitability and do not derive from temporary differences are deducted at 40% for 2015 (100% from 2018). These are essentially deferred financial assets associated with tax losses and the ACE benefit;
- 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 (40% in 2015 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 (40% in 2015 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 (40% in 2015 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 (40% in 2015 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 following table reports the main characteristics of instruments included in Common Equity Tier 1.

31 12 2015

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	9,001,756,821	8,803,949
Total Equity Instruments (Common Equity Tier 1 - CET1)									**8,803,949**

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 synthetic investments in the Bank's AT1 instruments;
- direct, indirect and synthetic investments in AT1 instruments of financial institutions which it owns a significant stake;
- direct, indirect and synthetic investments in AT1 instruments of financial institutions, which it does not own a significant stake; for the portion that exceeds the exemption of 10%, proportionally attributable to AT1 instruments;
- any adjustments exceeding T2.

As a result of these previsions, some Tier 1 instruments issued in previous years by GMPS do not meet the requirements to be included in AT1.

Transitional requirements

The following are the key aspects of the transition requirements for 2015:

- 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 CET1 and AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from CET1 and 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% and from T2 at 50%

The following tabel reports the mail contractual features of instruments included in the calculation of Additional Tier 1..

31 12 2015

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	197,808,000	181,985
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	54,420
Capital Preferred Securities II^ tranche	Euribor 3m+6.3%	YES	27/06/01	N.A.	(c)	EUR	YES	220,000,000	106,503
Preferred Capital I LLC	Euribor 3m+ 6.3%	YES	07/02/01	N.A.	(d)	EUR	YES	350,000,000	241,133
Total Additional Tier 1 capital instruments (AT-1)									**611,956**

a) F.R.E.S.H. 2008 refers to the EUR 950 mln capital increase reserved to JP Morgan. On 16 April 2008, pursuant to art. 2352 of the Civil Code, the Parent Company and J.P. Morgan entered into a usufruct agreement, according to which J.P. Morgan maintains bare ownership of the shares, while the Parent Company is entitled to usufruct, which may be terminated in advance in a series of cases. As long as the usufruct is in force, the voting right relating to the FRESH 2008 Shares is suspended and no right to dividends is associated with them, while the option rights are held by J.P. Morgan, which will be required to transfer them to The Bank of New York (Luxembourg) S.A. under the terms set forth in the documentation relating to FRESH 2008 for the purpose of transfer to FRESH 2008 holders pursuant to the terms of the instruments themselves. The consideration for the usufruct is equal to the 3M Euribor + 425 basis points, applied to a notional value of EUR 1 bn, under the conditions described below.

That amount should be paid to J.P. Morgan, based on the usufruct agreement, on specific payment dates (16 January, 16 April, 16 July and 16 October of each year), if and only if:

- the Parent Company has realised distributable profits based on the separate financial statements approved before that date; and
- also on the basis of those financial statements, dividends in cash have been paid out to shareholders.

When both of these conditions are met for one year, the amount due for the four payment dates subsequent to the shareholders' meeting approving the financial statements referring to the same year may be paid only to the extent of the difference between distributable profits as set forth in the financial statements and the total amount of cash dividends paid to shareholders.

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 2015 amounts to EUR 182 mln.

b) 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. 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 Parent Company 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 Company, the rights of the investors will be subordinated to all of the Parent Company's creditors who are not equally subordinated, including holders of securities coming under Tier 2 capital and will override the rights of Parent Company's shareholders. 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, starting from 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, starting from 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, starting form 7 February 2013.

3. Additional Tier 2 (T2)

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 synthetic investments in the Bank's T2 instruments;
- direct, indirect and synthetic investments in T2 instruments of financial institutions, which it owns a significant stake;
- direct, indirect and synthetic investments in T2 instruments of financial institutions, which it does not own a significant stake; for the portion that exceeds the exemption of 10%, proportionally attributable to T2 instruments.

Transitional requirements

The following are the key aspects of the transition requirements for 2015:

- 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 (40% in 2015 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 (40% in 2015 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 CET1 and AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from CET1 and 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 T2 at 50% and from AT1 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	49,128
Subordinate bond loan	5,750% fixed	NO	31 05 2006	30 09 2016	N.A.	GBP	NO	200,000,000	13,350
Subordinate bond loan	Euribor 6m+2,50%	NO	15 05 2008	15 05 2018	N.A.	EUR	NO	2,160,558,000	961,343
Subordinate bond loan	5,6% fixed	NO	09 09 2010	09 09 2020	N.A.	EUR	NO	500,000,000	355,425
Subordinate bond loan	Euribor 3m+0,40 % until 30/11/2012, then Euribor 3m+1%	NO	30 11 2005	30 11 2017	N.A.	EUR	NO	500,000,000	141,198
Subordinate bond loan	7% fixed	NO	04 03 2009	04 03 2019	N.A.	EUR	NO	500,000,000	317,360
Subordinate bond loan	5% fixed	NO	21 04 2010	21 04 2020	N.A.	EUR	NO	500,000,000	317,596
Subordinated debt	Euribor 3m + 2,8%	NO	10 10 2006	10 10 2016	10 10 2011	EUR	NO	400,000,000	62,212
Total equity instruments Tier 2 (T2)									**2,217,612**

Transition requirements

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, in 2015 70% of the nominal value 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 2015	31 12 2014*
A. Tier 1 before prudential filters	**9,414,501**	**6,647,773**
of which CET1 instruments subject to transitional provisions	-	1,071,000
B. Tier I prudential filters	(34,704)	(1,183)
C. Tier I capital gross of items to be deducted (A+B)	**9,379,797**	**6,646,590**
D. Items to be deducted from Tier I	1,003,472	1,200,368
E. Transitional regime - Impact on CET1 (+/-)	126,820	1,005,021
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**8,503,145**	**6,451,243**
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	611,956	538,421
of which AT1 instruments subject to transitional provisions	402,056	321,347
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	(13,647)	(538,421)
L. Total additional Tier 1 (AT1) - (G - H +/- I)	**598,309**	**-**
M. Tier2 (T2) gross of items to be deducted and transitional regime effects	2,232,361	3,351,208
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	63,598	68,516
O. Transitional regime - Impact on T2 (+/-)	27,506	38,377
P. Total Tier 2 (T2) (M - N +/- O)	**2,196,269**	**3,321,069**
Q. Total capital (F + L + P)	**11,297,723**	**9,772,312**

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

Unrealised gains relating to exposures to central administrations of the European Union classified as AFS and not included in the Capital calculation amount to EUR 51.5 mln.

The prudential filter to absorb gradually the effects of application of the new IAS 19 amounts to EUR 70 mln, and the values of net liabilities for defined benefits according to the rules of the old and new IAS 19 amount to EUR 20.6 mln and 109.7 mln respectively.

As at 31 December 2014, the official data, without taking into consideration the Alexandria restatement, showed CET1, AT1 and T2 of EUR 6,607.6 mln, zero and EUR 3,292.6 mln, respectively.

2.3 Capital adequacy
A. Qualitative information

Under the prudential regulation, the minimum equity requirements for 2015 are as follows:

- CET1 ratio of at least 4.5% of the Group's total risk exposure;
- AT1 ratio of at least 6% of the Group's total risk exposure;
- 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; at the moment and until the first quarter of 2016, the countercyclical buffer coefficient is equal to zero;
- 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 is not a global systemically important bank (G-SII), but it is another systematically important entity (O-SII), as defined by the Bank of Italy. For each bank or banking group, this identification took into consideration the contribution of the four characteristics (size, relevance for the Italian economy, complexity and interconnection with the financial system) specified in the EBA guidelines to establish the systematic relevance of each entity at the level of individual jurisdiction. The Bank of Italy's decision established an O-SII buffer of zero percent for 2016.

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.

In 2015, the ECB conducted further on-site audits after the 2014 Comprehensive Assessment. These audits brought to light, amongst other findings, supplementary adjustments to credit exposures, which were substantially incorporated in the course of the year, as well as recommendations aiming to improve, in particular, credit exposure management processes.

The ECB also informed the Bank that its target ratios on a consolidated basis for Total Capital and CET1 have been set at 10.9% and 10.2%, respectively. Starting from 31 December 2016, the CET1 target ratio will be raised to 10.75%.

The target ratios required by the ECB 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 to shareholders or pay cash flows to holders of AT1 instruments.

With reference to the liquidity indicators, Liquidity Coverage Ratio and the Net Stable Funding Ratio, the observation period by the Supervisory Authorities began in March 2014. From 1th October 2015, with Delegated Act, the minimum obligatory requirement for the Liquidity Coverage Ratio came into force, with a level that gradually increases over the years: 60% from 1th October 2015; 70% from 1th January 2016; 80% from 1th January 2017; 100% from 1th January 2018. As regards the Net Stable Funding Ratio, the minimum obligatory requirement will come into force on 1 January 2018.

The Liquidity Cover Ratio was 222.15% as at 31 December 2015, well above the minimum of 60% required for the year 2015.

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:

$$\frac{\text{TIER 1}}{(\text{Off balance sheet} * \text{Credit Conversion Factor} + \text{Derivatives} + \text{Securities Financing Transactions}) + \text{Other balance sheet assets} - \text{Regulatory Adjustment}}$$

The exposures must be reported net of regulatory adjustments envisaged in the T1 calculation. In fact, to avoid double calculation within the ratio, items fully deducted from capital in the numerator do not contribute to the Leverage Ratio and are also deducted from the exposure in the denominator. The basis for the calculation is the simple arithmetic average of the monthly leverage ratios for the quarter; during the transitional period between 1 January 2014 and 31 December 2017, the quarter-end figure may be used instead of the simple arithmetic average.

The Group's leverage ratio was 5.23% as at 31 December 2015. Using regulatory capital calculated by applying the rules established for full implementation, the ratio stands at 4.93%.

B. Quantitative Information

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	31 12 2015	31 12 2014*	31 12 2015	31 12 2014*
A. RISK ASSETS				
A.1 Credit and couterparty risk	**178,933,561**	**197,270,606**	**57,804,266**	**62,350,388**
1. Standardized Approach	60,744,295	79,484,334	24,322,177	33,046,224
2. Internal rating-based (IRB) approach	118,175,488	117,732,184	33,430,850	29,140,499
2.1 Foundation	-	-	-	-
2.2 Advanced	118,175,488	117,732,184	33,430,850	29,140,499
3. Securitisations	13,778	54,088	51,239	163,665
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**4,624,341**	**4,988,031**
B.2 Credit valuation adjustment risk			**64,487**	**118,750**
B.3 Settlement risk			**-**	**-**
B.4 Market risk			**274,556**	**289,142**
1. Standardized Approach			274,556	286,106
2. Internal models			-	-
3. Concentration risk			-	3,036
B.5 Operational risk			**702,894**	**708,267**
1. Foundation			18,507	20,212
2. Standardized approach			-	-
3. Advanced			684,387	688,055
B.6 Other prudential requirements			**-**	**-**
B.7 Other calculation elements			**-**	**-**
B.8 Total prudential requirements			**5,666,278**	**6,104,190**
C. RISK ASSETS AND CAPITAL RATIOS			**-**	**-**
C.1 Risk-weighted assets			**70,828,477**	**76,302,378**
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			**12.01%**	**8.45%**
C.3 Tier 1 capital/Risk-weighted assets (Tier1 capital ratio)			**12.85%**	**8.45%**
C.4 Total capital/Risk-weighted assets (Total capital ratio)			**15.95%**	**12.81%**

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

The official ratios as at 31 December 2014, calculated without taking into account the Alexandria restatement, showed a CET1 ratio of 8.67% and a Total Capital ratio of 12.99%

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 2015.

1.1.2 Business combinations between entities under common control

Among business combinations under common control, the following should be noted: the merger of subsidiary Consum.it S.p.A. into the Parent Company.

Like other transactions of this type carried out in previous years, the merger was 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 2015	Total 31 12 2014
Short-term benefits	7,890	6,110
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	-	-
Total compensation paid to key management personnel	**7,890**	**6,110**

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 the Shareholding Structure - Remuneration Report" which contains the data specified below and 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 of the Parent Company established the Committee of Independent Directors which, as of 18 July 2013, was 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 the Parent Company MPS adhered to, and the Consolidated Law on Finance.

The Bank of Italy, 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, updated Circular no. 263/2006 (9th update) as of 31 December 2012 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. 17221/2010 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 representatives, 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 Parent Company'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 is therefore available in full-text version at the following links:

https://www.mps.it/investors/corporate-governance/sistema-di-governance-e-policy/Sistema%20di%20governance%20e%20policy/Operazioni_con_parti_correlate_e_soggetti_%20collegati,_obbligazioni_degli_esponenti_bancari.pdf

Information is provided below regarding related-party transactions carried out by the MPS Group during 2015, which deserve specific mention and were conducted based on reciprocal assessments of economic advantages.

January 2015

- On 12 January 2015, the Credit Committee of the Parent Company authorised the issuing of a Comfort Letter to LE ROBINIE S.P.A., regarding the Parent Company's willingness to sign a debt restructuring agreement in accordance with art. 182-bis of Italian Royal Decree no. 267 of 16 March 1942 (Bankruptcy Law), to be drafted on the basis of a restructuring plan which is currently being prepared by aforementioned company, which makes provision, among other things, for the Parent Company's willingness to disburse new financing also aimed at paying the receivable due to the Municipality of Mantua, the recipient of the Comfort Letter. The Company is exposed to the Parent Company for a total of approximately EUR 20.0 mln. This relates to a transaction of minor importance, concluded at arm's length or under standards applicable, at the present time, to similar transactions in terms of their nature, size or risk in respect of similar customer types, which falls within the field of application of Consob Regulation no. 17221/2010, given that the Company is subject to a significant influence by the Parent Company based on a 20% stake.

March 2015

- On 3 March 2015, the Credit Committee of the Parent Company approved the classification in the non-performing category of the all receivables due from NEW COLLE SRL amounting to EUR 22.6 mln, also as a result of the non-admission by the Court of Siena of the request for a pre-insolvency creditor arrangement pursuant to art. 161, paragraph 6, of Italian Royal Decree no. 267 of 16 March 1942 (Bankruptcy Law). The company NEW COLLE SRL was then declared bankrupt on 17 July 2015. This relates to a transaction of minor importance, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, considering the significant influence of the Parent Company due to its direct stake of 49% in the share capital, as a result of the recognition of the shareholding held previously by MPS Capital Services S.p.A.

- On 5 March 2015, the Credit Committee of the Parent Company authorised, in favour of SIENA BIOTECH S.P.A. SOCIETA' IN LIQUIDAZIONE - for which the Court of Siena declared the bankruptcy proceedings open on 27 March 2015 - the granting of an extension: (i) until 31 July 2015 of a transitional credit line for the issuing of a surety of EUR 1.9 mln - in respect of a community grant for the Farmaci Innovativi contro le Malattie Neurodegenerative (Innovative Drugs for treating Neurodegenerative Diseases) project - issued in 2011 in favour of Azienda Regionale Artea, in order to allow the latter to perform the administrative controls envisaged and (ii) until 31 December 2015 of a credit line relating to a surety already issued to the Revenue Agency for EUR 4.2 mln, in order to technically adjust the expiry of the surety to 31 December 2015 with the credit facility. These are transactions of minor relevance conducted under the proper conditions from a substantive perspective, which fall within the field 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 Parent Company as it owns 2.5% of Banca MPS.

- On 12 March 2015, the Area Grandi Gruppi (Major Groups Area) of the Parent Company authorised, in favour of FABRICA IMMOBILIARE SGR S.P.A., the confirmation of a credit line of EUR 14.0 mln, which can be utilised until revoked, for the issuing of sureties related to the participation in calls for tender for the selection of the Asset Management Company and/or for other purposes also related to company operations. This is an ordinary transaction of minor relevance conducted at arm's length or standard conditions, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that the Company is subject to a significant influence by the Parent Company, which holds a direct stake of 49.99% in the Company.

- On 12 March 2015, the Area Grandi Gruppi (Major Groups Area) of the Parent Company authorised, in favour of A. MENARINI INDUSTRIE FARMACEUTICHE RIUNITE SRL, the extension, with a reduction from EUR 25.0 mln to EUR 15.0 mln of ordinary credit lines in place, as well as the cancellation of some other credit lines currently in place pertaining to related parties totalling roughly EUR 14.0 mln, as not necessary. This is an ordinary transaction of minor importance conducted at arm's length or standard conditions, which falls within the field of application of Consob Regulation no. 17221/2010, given that the company is, as of today, indirectly related to the Parent Company Director Alberto Giovanni Aleotti, in office until the expiry of the mandate on 16 April 2015.

- On 27 March 2015, as a result of the definitive nature of the decree from the Court of Milan approving the restructuring agreement in accordance with art. 182-bis of Italian Royal Decree no. 267 of 16 March 1942 (Bankruptcy Law), the restructuring transaction was closed with the SORGENIA GROUP. The transaction involved, among other things: (i) the rescheduling of the debt and modification of the economic conditions for around EUR 56.0 mln in relation to SORGENIA S.P.A., roughly EUR 318.0 mln in relation to SORGENIA POWER S.P.A. and approximately EUR 36.0 mln in relation to SORGENIA PUGLIA SPA.; (ii) the transfer to NUOVA SORGENIA HOLDING S.P.A. of part of the credit exposures of the lending banks to SORGENIA S.P.A. in order to release a share capital increase of aforementioned SORGENIA S.P.A. for offsetting (the receivable of BMPS transferred totals around EUR 88.4 mln with the "ex nunc" commitment to convert said receivable to equity instruments (SFP) when certain conditions are met); (iii) the confirmation of cash and unsecured loans of SORGENIA S.P.A.; (iv) the granting of new financing to SORGENIA S.P.A. of around EUR 16.8 mln in cash, EUR 20.4 mln in unsecured loans and EUR 1 mln as a mixed facility; and (v) the subscription (through the conversion of part of the credit exposure to SORGENIA S.P.A.) of a bond loan with mandatory conversion to SORGENIA S.P.A. shares for a portion of around EUR 44.2 mln. The Parent Company's total exposure to the SORGENIA GROUP amounts to around EUR 665 mln, as at the date of resolution of the transaction on 25 October 2014. On closing of the transaction at the end of March 2015, the company Nuova Sorgenia Holding S.p.A. (and its subsidiaries) therefore became a related party of BMPS which, due to the execution of the restructuring agreement resolved by the Board of Directors on 25 October 2014, holds a stake of 16.67% in Nuova Sorgenia Holding S.p.A. as of 20 March 2015.

- On 27 March 2015, the Board of Directors of the Parent Company authorised the granting of a credit line of EUR 54.0 mln targeted at the disbursement of a loan granted to the vehicle company SIENA CONSUMER 2015 SRL, as part of a programme for the securitisation of loans originated by CONSUM.IT S.P.A.. This is a transaction subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that SIENA CONSUMER 2015 SRL is a related party of the Parent Company, which holds a stake of 10% in the latter and exercises de facto control over it.

April 2015

- On 8 April 2015, the Credit Committee of the Parent Company authorised, in favour of INTEGRA S.P.A., annual renewal of the existing credit facilities, reducing the financial credit line to a total of EUR 8.0 mln. This was an ordinary transaction of minor relevance conducted at arm's length, falling within the scope of application of Consob Regulation no. 17221/2010, insofar as the company is subject to direct joint control by the Parent Company, which holds a 50% stake in it.

- On 22 April 2015, reduction of the credit lines in favour of SORGENIA SPA was authorised, respectively from EUR 10.9 mln to EUR 8.1 mln and from EUR 44.9 mln to EUR 33.3 mln since, as envisaged by the Restructuring Agreement endorsed by the Court of Milan in March 2015, part of the proceeds from the sale of the Sorgenia Green asset were designated to prepayment of the pool transactions. This was a technical resolution falling within the scope of application of Consob Regulation no. 17221/2010, given the significant influence exercised by the Parent Company over NUOVA SORGENIA HOLDING SPA (through a 16.67% stake in the share capital and appointment of two Directors, including the Chairman), which directly controls SORGENIA SPA with a 99% stake.

May 2015

- On 25 May 2015, the Loan Disbursement Area of the Parent Company authorised, with regard to FONDAZIONE MONTE DEI PASCHI DI SIENA, extension of a credit line for EUR 10.3 mln. This is an ordinary transaction of minor importance, conducted at arm's length, which falls within the field of application of Consob Regulation no. 17221/2010, given that as at the date of the transaction, Fondazione MPS was a significant shareholder of the

Parent Company, given its 2.5% stake in the share capital, pursuant to the “Global Policy” adopted by BMPS.

June 2015

- On 17 June 2015, the Board of Directors of the Parent Company approved, in favour of TRIXIA S.R.L., rescheduling of the terms and conditions of the mortgage-based credit facilities from the original EUR 88.4 mln to a total of EUR 80.7 mln. This transaction falls within the scope of application of Consob Regulation no. 17221/2010, in consideration of the Parent Company’s significant influence due to its 15% stake in the share capital and its appointment of one member of the Board of Directors and Board of Statutory Auditors.

- On 22 June 2015, rescheduling of the EUR 1.0 mln credit line of SORGENIA S.P.A. was authorised, in addition to revocation of the counter-guarantee of EUR 13.5 mln, in line with the provisions in the aforementioned Restructuring Agreement. This was a technical resolution falling within the scope of application of Consob Resolution no. 17221/2010, given the significant influence exercised by the Parent Company over NUOVA SORGENIA HOLDING S.P.A., which directly controls SORGENIA S.P.A.. Moreover, on 17 June 2015, the Board of Directors of the Parent Company resolved to approve the debt restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law in favour of TIRRENO POWER S.P.A., which envisages, among other things - subject to the definitive approval of the relative decree - conversion of the loan into equity instruments, rescheduling of loans and granting of a new loan for a total of EUR 91.6 mln. From a formal standpoint, TIRRENO POWER S.P.A. is not a related party of the Parent Company; however, in virtue of the principle of priority of substance over form, often referred to by Consob, the transaction was not determined to be exempt from application of the authorisation requirements envisaged for transactions with related parties, considering the conversion of loans into equity instruments by BMPS and the capital increase envisaged by the plan, which will be implemented by SORGENIA S.P.A., related party of BMPS and shareholder of TIRRENO POWER S.P.A., through its 78% stake in Energia Italiana SpA, which in turn holds 50% of TIRRENO POWER S.P.A..

July 2015

- On 2 July 2015, the Large Groups Loan and Administration Service of the Parent Company adopted a resolution with respect to SORGENIA S.P.A. relating to the use of a credit line in the amount of EUR 13.5 mln only - as set forth in the SORGENIA S.P.A. Restructuring Agreement of 14 November 2014 - after the issue of a new specific counter-guarantee in favour of BMPS, as a result of the revocation of the counter-guarantee provided by a third-party bank for an expired surety. This was a technical resolution falling within the scope of application of Consob Regulation no. 17221/2010, given the significant influence exercised by the Parent Company over NUOVA SORGENIA HOLDING S.P.A. (through a 16.67% stake in the share capital and appointment of two Directors, including the Chairman), which directly controls SORGENIA S.P.A. with a 99% stake.

- On 14 July 2015, the Credit Committee of the Parent Company adopted a Framework Resolution for lending transactions for a total maximum amount of EUR 98.0 mln with respect to customers of the Parent Company, backed by guarantees provided by FIDI TOSCANA S.P.A.. This relates to a transaction of minor importance and for an insignificant amount, carried out at arm’s length or standard conditions, which is subject to Consob Regulation no. 17221/2010, as BMPS holds 25.8% of the shares with voting rights of FIDI TOSCANA S.P.A., which is therefore subject to the significant influence of the Parent Company.

August 2015

- On 3 August 2015, the Credit Committee of the Parent Company passed a resolution with respect to BMPS's adhesion to the Recovery Agreement pursuant to art. 67, paragraph 3, letter d) of the Bankruptcy Law, of the company TERME DI CHIANCIANO S.P.A., the overall risk of which is approximately EUR 6.0 mln. The plan envisages, along with other measures, the re-scheduling of medium-term lending and the granting of new loans totalling EUR 2.4 mln. This relates to a transaction of minor importance, concluded at arm's length and subject to related parties procedures pursuant to Consob Regulation no. 17221/2010, considering the significant influence exercised over TERME DI CHIANCIANO S.P.A., based on the total shareholding of 47.77%, of which 19.7% held directly by the Parent Company and 28.07% through MPS Capital Services S.p.A., of which BMPS controls 99.92%.

- On 6 August 2015, the Board of Directors of the Parent Company passed a resolution with reference to LE ROBINIE S.P.A. concerning the adherence of BMPS to an Agreement pursuant to art. 182-bis of the Bankruptcy Law, regarding the rescheduling of long-term mortgage loans and the simultaneous granting of new loans totalling EUR 1.5 mln, for a total exposure of EUR 21.5 mln. This transaction, of minor relevance and executed at arm's length conditions, is subject to related parties procedures pursuant to Consob Reg. no. 17221/2010, as the Parent Company exercises significant influence over the Company in light of its 20% holding of shares with voting rights.

- On 6 August 2015, the Board of Directors of the Parent Company approved its adhesion to the Restructuring Agreement pursuant to art. 182-bis of the Bankruptcy Law regarding SANSEDONI SIENA S.P.A. which envisages, inter alia: (i) the transformation of the mortgage loan repayment schedule with the maintenance of the current guarantees; (ii) the rescheduling of unsecured exposures; (iii) the closing at the effective date of the Restructuring Agreement of transactions on derivatives with the consolidation of the relative mark to market; (iv) the conversion of credit claims into equity instruments issued by SANSEDONI SIENA S.P.A. with reference to a portion of debt of SVILUPPO ED INTERVENTI IMMOBILIARI S.R.L. IN LIQUIDAZIONE owed to BMPS. The plan is based on the Company's gross financial position as at 31 March 2015, amounting to EUR 159.8 mln, and authorises the Credit Committee of the Parent Company to decide on all aspects during the Agreement finalisation phase, including changes in amounts, in any event up to 10% of the exposure reported. This transaction, of minor relevance and executed under standard economic conditions, is subject to the related parties procedures pursuant to Consob Reg. no. 17221/2010, as the Company is subject to the significant influence of the Parent Company, which holds a 21.8% stake.

- Also on 6 August 2015, the Board of Directors of the Parent Company passed a resolution to adhere to the Restructuring Agreement pursuant to art. 182-bis of the Bankruptcy Law regarding SVILUPPO ED INTERVENTI IMMOBILIARI S.R.L. IN LIQUIDAZIONE, which establishes, inter alia, (i) consent to the discharging assumption of debt by SANSEDONI SIENA S.P.A., already guaranteed by the surety of the latter, which issued the equity instruments referred to previously; (ii) the waiver to interest accrued until the effective Agreement date; (iii) the rescheduling of the remaining exposure after the assumption of debt; (iv) the granting of new loans; (v) consent to proceed with mortgage restrictions. The plan is based on the Company's gross financial position at July 2015, amounting to EUR 54.5 mln, and authorises the Credit Committee of the Parent Company to decide on all aspects during the Agreement finalisation phase, including any changes in amounts, up to the limit of 10% of the exposure reported. This relates to a transaction of minor importance carried out at standard conditions, which is subject to Consob Regulation no. 17221/2010, as the Company is a 100% subsidiary of SANSEDONI SIENA S.P.A., which is in turn subject to significant influence of the Parent Company, which holds 21.8% of its shares with voting rights.

September 2015

- On 10 September 2015, the Board of Directors of the Parent Company authorised in favour of INTERMONTE SIM S.P.A. the renewal and increase of existing facilities, which results in a total exposure of EUR 418.1 mln. This relates to a transaction of minor importance carried out at arm's length conditions, which is subject to Consob Regulation no. 17221/2010, as the Parent Company exercises significant influence based on its 17.41% holding of shares with voting rights of INTERMONTE SIM S.P.A., and also appointed a Board Member, a Statutory Auditor and an Alternative Auditor within the Company.

December 2015

- On 2 December 2015, the Credit Committee of the Parent Company authorised granting a mortgage loan in favour of FONDO ETRUSCO DISTRIBUZIONE, in addition to a transitional credit line, for a total of EUR 84 mln, in relation to Fund investment programmes that plan for the disposal and acquisition of real estate. This ordinary transaction, of minor relevance and executed under arm's length conditions, is subject to the related parties procedures pursuant to Consob Reg. no. 17221/2010, as FONDO ETRUSCO DISTRIBUZIONE and Fabrica Immobiliare SGR S.p.A., which manages it, are subject to the significant influence of the Parent Company based on its holding of 48% of the Fund units and its 49.99% equity investment held in Fabrica Immobiliare SGR S.p.A..

- On 4 December 2015, the Credit Committee of the Parent Company decided to authorise the discharging assumption of debt with respect to its portion totalling EUR 54.0 mln of two mortgage loans originally granted to FONDO ETRUSCO DISTRIBUZIONE, following the acquisition of real estate owned by the Fund by a third, non-related party company; the buyer has therefore taken over the mortgages, with discharging effect for the previous borrower FONDO ETRUSCO DISTRIBUZIONE. This ordinary transaction, of minor relevance and executed under arm's length conditions, is subject to the related parties procedures pursuant to Consob Reg. no. 17221/2010, as FONDO ETRUSCO DISTRIBUZIONE and Fabrica Immobiliare SGR S.p.A., which manages it, are subject to the significant influence of the Parent Company based on its holding of 48% of the Fund units and its 49.99% equity investment held in Fabrica Immobiliare SGR S.p.A..

- On 17 December 2015, the Board of Directors of the Parent Company authorised signing the Agreement amending the original agreement amongst certain banks, including BMPS, with NUOVA SORGENIA HOLDING S.P.A. (the Banks-Holdco Agreement), connected with the Restructuring Agreement approved by the Court of Milan on 27 March 2015, which establishes, amongst other measures, the conversion to be completed by 31 December 2015 of Parent Company receivables into equity instruments for up to a maximum amount of EUR 88.4 mln. This transaction, of minor relevance and executed at arm's length conditions, is subject to Consob Regulation no. 17221/2010 as NUOVA SORGENIA HOLDING S.P.A. has been classified as a related party due to the 16.67% stake acquired by the parent company in that company in execution of the provisions of the restructuring agreement.

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, it should be noted that in 2015 the Board of Directors and the Credit Committee of the Parent Company approved the following transactions with subsidiaries:

- on 06 February 2015, it was authorised a recapitalisation initiative in favour of MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., 99.92% owned, and MPS LEASING & FACTORING S.P.A. and MONTEPASCHI LUXEMBOURG S.A., both wholly-owned by the Parent Company, for EUR 900.0 mln, EUR 500.0 mln and EUR 3.0 mln respectively;

- on 19 March 2015 the merger by incorporation into the Parent Company of CONSUM.IT S.p.A. was resolved, as the former already wholly owned the latter; the deed of merger was completed on 11 May 2015;

- on 6 August 2015, the Board of Directors of the Parent Company authorised some capital strengthening initiatives regarding MPS CAPITAL SERVICES BANCA PER LE IMPRESE SPA, 99.92% owned, and MPS LEASING & FACTORING S.P.A., wholly-owned by the Parent Company, for a total of EUR 1,700.0 mln, equal to EUR 500.0 mln for MPS LEASING & FACTORING S.P.A. (confirming the resolution already passed) and EUR 1,200.0 mln for MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A. (for an additional EUR 300.0 mln compared to what was previously resolved in February);

- on 2 November 2015, the Credit Committee of the Parent Company authorised in favour of IMMOBILIARE CENTRO MILANO S.P.A. as well as its wholly-owned subsidiaries CARPATHIA R.E. SRL and STARDUST R.E. S.R.L., the adhesion of MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A. to a restructuring plan pursuant to art. 67, paragraph 3 of the Bankruptcy Law, and the simultaneous attribution of a credit facility totalling EUR 98.0 mln. This is a transaction conducted under the proper conditions from a substantive perspective and at arm's length conditions, which falls within the field of application of Consob Regulation no. 17221/2010, insofar as MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., 99.92% held by the Parent Company, holds 33% of the share capital of IMMOBILIARE CENTRO MILANO S.P.A., which in turn holds 100% of CARPATHIA R.E. S.R.L. and STARDUST R.E. S.R.L.;

- on 15 December 2015, the Credit Committee of the Parent Company authorised MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., as lending bank, to grant a moratorium period in favour of BEATRICE S.R.L. IN LIQUIDAZIONE until 31 March 2016, which may possibly be extended to 30 June 2016, for a total exposure of EUR 48.4 mln. This moratorium will be used to evaluate any offers received to acquire assets and to prepare a restructuring plan pursuant to article 182-bis of the Bankruptcy Law, as well as to authorise the liquidator to make payments for current operations. This is a transaction of minor relevance conducted under the proper economic conditions from a substantive perspective, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that the Company BEATRICE SRL is wholly-owned by SANSEDONI SIENA S.P.A. which in turn is subject to the significant influence of the Parent Company based on its 21.8% stake in the share capital;

- on 17 December 2015, the Board of Directors of the Parent Company passed a resolution with respect to MPS BANQUE S.A., a wholly-owned investee of the Parent Company, for a capital strengthening initiative totalling EUR 15.0 mln;

- on 23 December 2015, the Credit Committee of the Parent Company approved the proposal submitted by MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., with reference to VALORIZZAZIONI IMMOBILIARI S.P.A. IN LIQUIDAZIONE, to grant a moratorium period until 31 March 2016, with the discharging of the sums seized for a maximum amount of EUR 1.2 mln to allow for the Company's ordinary operations. This is a transaction conducted under the proper conditions from a substantive perspective, consistent with those applied for similar transactions, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that VALORIZZAZIONI IMMOBILIARI S.P.A. IN LIQUIDAZIONE is a related party of the Parent Company based on the full control exercised over the Company by SANSEDONI SIENA S.P.A., which is in turn subject to the significant influence of the Parent Company, which holds 21.8% of its share capital.

§ * § * § * §

The following tables summarise the Group's relationships with its Associates and other related parties as at 31 December 2015, 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;
- in the case of financial liabilities, the denominator consisted in the total of items 10 to 60 on the Liabilities side of the Balance Sheet (balance-sheet financial liabilities),
- for other assets and liabilities, the denominator reflected the items "Other assets" and "Other Liabilities" in the Balance Sheet;
- for interest income and interest expense, the denominator reflected the Parent Company's "Interest income and similar revenues" and "Interest expense and similar charges";
- for fee and commission income/expense, the denominator reflected the "Fee and commission income" and "Fee and commission expense", respectively;
- for "other revenues", "revenues" "costs", "other costs" and "operating costs", the denominator is represented by the item "Profit (loss) before tax from continuing operations".

2.1 Associated companies

31 12 2015

Items	Amounts	% on Consolidated
Total financial assets	1,071,705	0.68%
Total other assets	11	0.00%
Total financial liabilities	617,325	0.40%
Total other liabilities	171	0.00%
Guaranties issued	125,314	
Guaranties received	522,566	
Loan commitments	962,952	
Costs	6,104	1.60%
Revenues	239,693	62.65%

2.3 Transactions involving Key Management Personnel and other related parties

31 12 2015

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	1,359	12,027	0.01%
Total financial liabilities	1,616	10,885	0.01%
Total functioning costs	7,890	-	
Guarantees issued	-	-	
Guarantees received	494	10,988	
Loan commitments	39	14,422	
Costs	5	11,779	3.08%
Revenues	37	3,239	0.86%

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). The remuneration policies also establish a bonus threshold of EUR 40,000, below which every payment is made entirely in cash/up front; this threshold is applied only where the amount of the bonus to be disbursed does not exceed 50% of the Gross Annual Salary received by the "identified staff member".

In March, the Parent Company approved the 2015 incentive system for all Group resources with the exception of Top Management, first-level management reporting directly to the CEO and second-level management (Area Managers of the Parent Company, Regional Area Managers, General Manager and Deputy General Manager).

Please notice that as the above materiality threshold is not being exceeded, the settlement will be entirely in cash.

Part L - Segment reporting

Introduction

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.

Group operations by business segment

The Group operates in the following areas of business:

- Retail and commercial banking: includes lending activities, traditional banking services, financial advisory and digital banking services, the offering of banking and insurance products through the strategic partnership with AXA, wealth management and investment products;
- Leasing and Factoring: includes the offering of leasing and factoring packages for businesses, artisans and professionals;
- 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 the Parent Company Banca Monte dei Paschi di Siena;
- Banca Widiba SpA, which includes the business of the Financial Advisory Network and Digital Banking;
- product factories[7], i.e. Group banks and companies expressly dedicated to developing specialised financial instruments to be offered to the market, particularly including: 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 the Parent Company Banca Monte dei Paschi di Siena (4 operational branches, 10 representative offices) and 2 banks under foreign law (MP Belgio: 8 branches; MP 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 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.

[7] Please recall that on 1 June 2015, the merger by incorporation of Consum.it SpA (Group consumer credit company) into Banca Monte dei Paschi di Siena SpA became effective, the accounting and tax effects of which are applicable as of 1 January 2015.

Effective as of April 2015, the Group launched the new top corporate service model, which includes more than 3,000 businesses that are offered - based on the "bank of choice" model - new and qualified services, taking an approach of continuous business interaction with credit, the network of specialists and the specific skills of the Product Companies. This strategic decision aims to base the Group's commercial offering on quick decision-making, proximity to the customer and a corporate approach based on advisory services and partnerships with customers. It was accompanied by a revision of the Head Office organisational structure, involving the transfer of the management of the new top corporate service to the Corporate and Investment Banking Division, while the SME and Institutions models are now functionally and hierarchically located directly under the Retail and Network Division.

In the 3rd quarter of 2015, the Group's organisational structure underwent additional changes which, inter alia, involved a different hierarchical allocation of some of the main subsidiaries which previously reported directly to the CEO. In particular:

- Banca Widiba S.p.A. was required to report to the Retail and Network Division;
- the foreign banks, MP Banque and MP Belgio, were merged in the Corporate & Investment Banking Division.

Based on the aggregation criteria specified above, which guide reporting at the highest decision-making level, the breakdown of the Group's Operating Segments as at 31 December 2015 is therefore the following:

- Retail Banking: includes income statement and balance sheet results pertaining to clusters of Retail customers, Small and Medium-Sized Enterprises and Institutions and Public Administration, and the results of the subsidiaries Banca Widiba SpA and MPS Fiduciaria;
- Corporate Banking includes income statement and balance sheet results pertaining to clusters of Top Corporate and Major Groups of Banca Monte dei Paschi di Siena, the results of activities by MPS Capital Services and those provided by MPS Leasing & Factoring as well as the foreign banks MP Banque and MP Belgio. The results of Banca Monte dei Paschi di Siena's foreign branches are also included in this Operating Segment;
- Corporate Centre: in addition to cancellations of intragroup entries, this Operating Segment incorporates the results of the following business centres:
  - ✓ service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Group Operating Consortium);
  - ✓ 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 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 has proven to be 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

Starting from the 1st quarter of 2015, the income statement results of the Group's Operating Segments are represented with a new reclassified layout which includes, in the revenues aggregate, also the balance of the item "Other Operating Income/Expenses", previously reported under Net Operating Income. The new representation also highlights the Gross Operating Income of each Operating

Segment, obtained by excluding the impact of the net adjustments/recoveries due to impairment of receivables and financial assets.

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** is determined by direct allocation of commissions to the operating segments.
- **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.
- **Net impairment losses/reversals on loans** are allocated to the operating segments which generated them.

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 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 2015, developed according to the Operating Segments defined above:

SEGMENT REPORTING	Business segments			
Primary segment	Retail banking	Corporate banking	Corporate Center	Total MPS Group
(million of Euro)	31/12/15	31/12/15	31/12/15	31/12/15
PROFIT AND LOSS AGGREGATES				
Income from banking and insurance	4,558.4	747.6	(90.4)	5,215.5
Operating expenses	(2,378.1)	(272.2)	21.8	(2,628.6)
E.B.I.T.D.A.	2,180.3	475.3	(68.7)	2,587.0
Net impairment losses (reversals) on loans and financial assets	(1,599.2)	(347.7)	(46.3)	(1,993.1)
Net operating income	581.1	127.6	(114.9)	593.8
BALANCE SHEET AGGREGATES				
Interest-bearing loans to customers	73,378	22,945 0	5,311	101,634
Deposits from customers and debt securities issued	74,536	17,159 0	27,579	119,275

The values for the year 2014 specified in the table below have been restated to reflect the changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. In addition, profit and loss figures have been aggregated according to the new layout of the reclassified Group Income Statement (adopted as of the 1st quarter of 2015), which includes, in the revenues aggregate, also the balance of the item "Other Operating Income/Expenses" and introduces "Net Operating Income", as the difference between the Gross Operating Income and net adjustments/recoveries due to impairment of receivables and financial assets.

SEGMENT REPORTING	Business segments				
Primary segment	Retail banking	Corporate banking	Financial advisory and digital banking	Corporate Center	Total MPS Group
(million of Euro)	31/12/14	31/12/14	31/12/14	31/12/14	31/12/14
PROFIT AND LOSS AGGREGATES					
Income from banking and insurance	3,602.9	1,711.4	30.8	(1,162.4)	4,150.7
Operating expenses	(2,098.8)	(606.5)	(27.8)	(22.1)	(2,755.2)
EBITDA	1,504.1	1,104.9	3.0	(1,184.5)	1,395.6
Net impairment losses (reversals) on loans and financial assets	(2,279.8)	(5,660.2)	(0.4)	(84.9)	(8,025.3)
Net operating income	(775.6)	(4,555.3)	2.6	(1,269.4)	(6,629.7)
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	50,918	51,003	64 0	9,246	111,231
Deposits from customers and debt securities issued	61,609	22,854	573 0	37,834	122,870

For a like-for-like comparison of operations between 2014 and 2015, see section “Segment reporting” in the Consolidated Report on Operations as at 31 December 2015.

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 Group, with reference to the situation as at 31 December 2015.

The term "Turnover" refers to the total banking income as recorded in item 120 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.

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 service	Representative office in Algeria	-	1	-	-	-
Belgium	BANCA MONTE PASCHI BELGIO S.A.	Retail & Corporate banking service	Retail & Corporate banking services	34,137	112	12,648	(459)	-
China	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Shanghai and Hong Kong branches, representative offices in Guangzhou and Beijing	10,770	45	6,040	(637)	-
Egypt	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Representative office in Cairo	-	4	-	-	-
France	MONTE PASCHI BANQUE S.A.	Retail & Corporate banking services		44,000	302	(8,223)	(190)	-
Germany	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Representative office in Frankfurt	-	2	-	-	-
India	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Representative office in Mumbai	-	2	-	-	-
Ireland	AXA MPS FINANCIAL LIMITED (Company under significant influence, valued at equity)	Assurance		-	-	61,796	-	-
Italy	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking services		4,435,143	23,473	271,636	(7,258)	-
Italy	AIACE REOCO S.r.l.	Real estate		(7)	-	(88)	43	-
Italy	CASAFORTE S.r.l.	Financial services for businness		(87,672)	-	3,124	1,157	-
Italy	CIRENE FINANCE S.r.l.	Financial services for businness		-	-	6	(6)	-
Italy	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE SPA	Real estate		-	-	4,172	(1,342)	-
Italy	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Servizi informatici		(150)	943	4,423	(4,339)	-
Italy	CONSUM.IT SECURITISATION S.R.L.	Financial services for businness	Special Purpose Entity (SPE)	-	-	-	-	-
Italy	ENEA REOCO S.r.l.	Real estate		-	-	(121)	48	-
Italy	G.IMM ASTOR S.r.l.	Real estate leasing		-	-	269	(107)	-
Italy	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Warehousing		-	10	292	(68)	-
Italy	MANTEGNA FINANCE 2 S.R.L.	Financial services for businness	Special Purpose Entity (SPE)	-	-	4	-	-
Italy	MONTE PASCHI FIDUCIARIA S.p.a.	Trust management		2,479	25	360	(36)	-
Italy	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Retail & Corporate banking services		463,899	360	(2,984)	10,403	-
Italy	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Winery		(2)	20	360	152	190
Italy	MPS COVERED BOND 2 s.r.l.	Financial services for businness	Special Purpose Entity (SPE)	(131)	-	(327)	(3)	-
Italy	MPS COVERED BOND S.R.L.	Financial services for businness	Special Purpose Entity (SPE)	(1,997)	-	(2,465)	(2)	-
Italy	MPS LEASING & FACTORING BANCA PER I SERVIZI FINANZIARI	Retail & Corporate banking services	Leasing e factoring	163,171	204	(65,072)	16,756	-
Italy	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Real estate		-	2	(8,252)	3,355	-
Italy	SIENA CONSUMER 2015 S.R.L.	Financial services for businness	Special Purpose Entity (SPE)	(300)	-	(917)	(1)	-
Italy	SIENA CONSUMER S.r.l.	Financial services for businness	Special Purpose Entity (SPE)	(108)	-	(189)	(1)	-
Italy	SIENA MORTGAGES 10-7 S.r.l.	Financial services for businness	Special Purpose Entity (SPE)	(485)	-	(543)	(3)	-
Italy	SIENA LEASE 11-1 SRL	Financial services for businness	Special Purpose Entity (SPE)	30	-	2	-	-
Italy	SIENA LEASE 2015 2 SRL	Financial services for businness	Special Purpose Entity (SPE)	2	-	(4)	1	-
Italy	SIENA MORTGAGES 07-5 S.P.A.	Financial services for businness	Special Purpose Entity (SPE)	(713)	-	(962)	(3)	-
Italy	SIENA MORTGAGES 09-6 S.R.L.	Financial services for businness	Special Purpose Entity (SPE)	(908)	-	(1,157)	(5)	-
Italy	SIENA PMI 2015 SRL	Financial services for businness	Special Purpose Entity (SPE)	(1,785)	-	(1,214)	-	-
Italy	WISE DIALOG BANK S.p.a. - WIDIBA	Retail & Corporate banking services	On-line bank	3,819	164	(19,011)	5,608	-
Italy	Company under significant influence (valued at equity)	Various		-	-	76,235	-	-
Luxembourg	MONTEPASCHI LUXEMBOURG S.A.	Financial services for businness	Special Purpose Entity (SPE)	(25,638)	-	(633)	12	-
Luxembourg	PATAGONIA FINANCE SA	Financial services for businness	Special Purpose Entity (SPE)	111	-	298	(1,569)	-
Morocco	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Representative office in Casablanca	-	3	-	-	-
Russia	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Representative office in Moscow	-	3	-	-	-
Tunisia	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Representative office in Tunis	-	2	-	-	-
Turkey	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	Representative office in Istambul	-	3	-	-	-
U.K.	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	London branch	9,499	27	5,099	(860)	-
U.S.A.	ANTONVENETA CAPITAL L.L.C. I	Financial services for businness	Special Purpose Entity (SPE)	-	-	-	-	-
U.S.A.	ANTONVENETA CAPITAL L.L.C. II	Financial services for businness	Special Purpose Entity (SPE)	-	-	-	-	-
U.S.A.	ANTONVENETA CAPITAL TRUST II	Financial services for businness	Special Purpose Entity (SPE)	(220)	-	(220)	-	-
U.S.A.	ANTONVENETA CAPITAL TRUST I	Financial services for businness	Special Purpose Entity (SPE)	(928)	-	(928)	-	-
U.S.A.	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Retail & Corporate banking service	New York branch	9,331	24	4,199	(4,519)	-
U.S.A.	MPS PREFERRED CAPITAL I LLC	Financial services for businness	Special Purpose Entity (SPE)	44,946	-	44,909	(8,850)	-
U.S.A.	MPS PREFERRED CAPITAL II LLC	Financial services for businness	Special Purpose Entity (SPE)	(34)	-	21	-	-
U.S.A.	JPP EURO SECURITIES (Company under significant influence, valued at equity)	Financial services for businness		-	-	8	-	-
Total				**5,100,259**	**25,731**	**382,591**	**7,277**	**190**

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, Massimo Tononi, 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 2015.

2. The verification of the adequacy and effective application of administrative and accounting procedures for the preparation of the consolidated financial statements during 2015 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, 25 February 2016

On behalf of the Board of Directors	*The Financial Reporting Officer*
Signed by The Chairman	*Signed by*
Massimo Tononi	*Arturo Betunio*

Auditors' review report on the consolidated financial statements

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Reconta Ernst & Young S.p.A.
Via della Chiusa, 2
20123 Milano

Tel: +39 02 722121
Fax: +39 02 72212037
ey.com

INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH 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.

Report on the consolidated financial statements

We have audited the consolidated financial statements of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries (the "Montepaschi Group"), which comprise the balance sheet as at December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and the related explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Montepaschi Group as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree 38/05.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po, 32
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Emphasis paragraph

We draw attention on the following matters:

- the parent company modified the accounting treatment of the "Alexandria" transaction entered into with Nomura International plc in 2009 and settled in 2015. The reasons for this modification and the related effects on the consolidated financial statements are disclosed in the Section "Restatement of prior period accounts in compliance with IAS8 (Accounting policies, changes in accounting estimates and errors)" of the explanatory notes;

- in the explanatory notes and in the Report on Operations the Directors inform about the conclusion of the Supervisory Review and Evaluation Process for the year 2015 (SREP Decision) by the European Central Bank (ECB), which sets the minimum capital requirement in terms of Common Equity Tier 1 Ratio. With the same SREP Decision the ECB requested, among others, that initiatives to address non-performing loans are continued along with restructuring initiatives, including business combinations. In light of the actions undertaken in respect of the ECB requirements and the update of the Montepaschi Group multi-year projections, which confirms compliance with the regulatory capital requirements, the Directors have prepared the financial statements on a going concern basis.

Our opinion is not qualified in respect of the above matters.

Report on other legal and regulatory requirements

Opinion on the consistency with the consolidated financial statements of the Report on Operations and of specific information of the Report on Corporate Governance and the Shareholding Structure

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Shareholding Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the consolidated financial statements, as required by the law. The Directors of Banca Monte dei Paschi di Siena S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Shareholding Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Shareholding Structure are consistent with the consolidated financial statements of the Montepaschi Group as at December 31, 2015.

Milan, March 15, 2016
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 representation of the "Alexandria" transaction as a long-term repo, in continuity with previous reports

Foreword

As described extensively in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of these consolidated notes, which should be referred to for more information, the Parent Company, in implementation of what was laid out by Consob in resolution no. 19459 of 11 December 2015, adjusted the accounting representation of the "Alexandria" transaction in the 2015 financial statements by bringing it into line with that of a CDS and retrospectively restating the previous financial statements (referred to as the "2015 restatement") according to the rules laid out in IAS 8.

With a view to guaranteeing adequate public disclosure with respect to accounting criteria, dedicated pro-forma statements are provided below in order to highlight, similar to what it has done in previous reports, the income and financial position impacts of the Alexandria transaction if it is accounted for as a long-term repo.

Therefore, below are the pro-forma balance sheet, income statement and statement of comprehensive income (the "Pro-forma statements") as at 31 December 2015 and 31 December 2014, which report the estimated pro-forma accounting effects had the Parent Company continued to classify the "Alexandria" transaction as a long-term repo.

Reported in the pro-forma statements below are:

- in the first column ("31 12 2015" and "31 12 2014*"): balance sheet, income statement and statement of comprehensive income as at 31 December 2015 and 31 December 2014, after the 2015 restatement;
- in the second column ("pro-forma adjustments for classification as long-term repo"): pro-forma adjustments estimated to be made to the accounts, had the Parent Company continued to classify the "Alexandria" transaction as a long-term repo;
- in the third and final column ("31 12 2015 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 2015 and 31 December 2014.

In more detail, accounting representation as a long-term repo entails the following pro-forma adjustments and reclassifications (please note that the "Alexandria" transaction was closed via a settlement agreement this year and therefore it has no balance sheet balances as at 31 December 2015):

- balance sheet:
  - elimination of the fair value of the CDS from "Financial assets held for trading";
  - recognition of the security (BTP) under "Financial assets available for sale" in conjunction with the corresponding valuation reserves, gross of the hedge accounting component;
  - recognition of the liability representing the long-term repo under "Deposits from customers";
  - reclassification of interest rate swaps from "Financial liabilities held for trading" to "Hedging derivatives";
  - ensuing tax effects.

- income statement:
  - recognition in "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 on the long term repo classified as "Deposits from customers", both posted by using the effective interest rate method;

- recognition in "Interest income and similar revenues" or "Interest expense and similar charges" of amounts accrued on interest rate hedging swaps;
- recognition in "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;
- elimination from "Net profit (loss) from trading" of: the result deriving from the closure of the transaction in 2015, in addition to cash flows (coupons and floating spreads) paid on government bonds and long term repos and fair value changes in IRSs and CDSs;
- recognition under item 100 "Gains (losses) on disposals or repurchases" of the profit and loss deriving from the winding up of the transaction in 2015,
- ensuing tax effects;

- statement of comprehensive income:
    - recognition of changes in "Financial assets available for sale" following adjustment to valuation reserves.

Pro-forma consolidated balance sheet

	Assets	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma	31 12 2014*	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2014* pro-forma
10	Cash and cash equivalents	1,188,761	-	1,188,761	1,006,586	-	1,006,586
20	Financial assets held for trading	18,017,359	-	18,017,359	17,563,088	(634,300)	16,928,788
40	Financial assets available for sale	17,191,196	-	17,191,196	18,776,038	4,071,544	22,847,582
60	Loans to banks	8,242,056	-	8,242,056	7,722,753	-	7,722,753
70	Loans to customers	111,366,383	-	111,366,383	119,676,132	-	119,676,132
80	Hedging deviratives	556,425	-	556,425	612,957	-	612,957
90	Change in value of macro-hedged financial assets (+/-)	139,582	-	139,582	178,613	-	178,613
100	Equity investments	908,365	-	908,365	1,013,899	-	1,013,899
120	Property, plant and equipment	2,741,723	-	2,741,723	2,787,083	-	2,787,083
130	Intangible assets	400,103	-	400,103	441,693	-	441,693
	of wich: goodwill	*7,900*	-	*7,900*	*7,900*	-	*7,900*
140	Tax assets	5,542,518	76,162	5,618,680	7,473,368	89,051	7,562,419
150	Non-current assets and groups of assets held for sale and discontinued operations	29,267	-	29,267	21,805	-	21,805
160	Other assets	2,688,239	-	2,688,239	2,643,513	-	2,643,513
	Total Assets	169,011,977	76,162	169,088,139	179,917,528	3,526,295	183,443,823

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

	Liabilities and Shareholders' Equity	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma	31 12 2014*	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2014* pro-forma
10	Deposits from banks	17,493,110	-	17,493,110	27,647,671	-	27,647,671
20	Deposits from customers	87,806,329	-	87,806,329	89,791,380	3,353,601	93,144,981
30	Debt securities issued	29,394,436	-	29,394,436	30,455,439	-	30,455,439
40	Financial liabilities held for trading	15,921,727	-	15,921,727	15,306,788	(1,604,999)	13,701,789
50	Financial liabilities designated at fair value	2,073,915	-	2,073,915	2,623,620	-	2,623,620
60	Hedging derivatives	1,205,267	-	1,205,267	2,507,109	1,604,999	4,112,108
80	Tax liabilities	91,456	(43,079)	48,377	186,926	(23,416)	163,510
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-
100	Other liabilities	4,039,948	-	4,039,948	4,183,569	-	4,183,569
110	Provision for employee severance pay	246,170	-	246,170	271,434	-	271,434
120	Provisions for risks and charges	1,116,913	-	1,116,913	1,151,049	-	1,151,049
140	Valuation reserves	(21,817)	-	(21,817)	(262,337)	(423,123)	(685,460)
160	Equity instruments carried at equity	-	-	-	3,002	-	3,002
170	Reserves	222,086	619,234	841,320	(1,059,574)	563,454	(496,120)
180	Share premium	6,325	-	6,325	2,291	-	2,291
190	Share Capital	9,001,757	-	9,001,757	12,484,207	-	12,484,207
200	Treasury shares (-)	-	-	-	-	-	-
210	Non-controlling interests (+/-)	26,259	-	26,259	23,625	-	23,625
220	Profit (loss) (+/-)	388,096	(499,993)	(111,897)	(5,398,671)	55,779	(5,342,892)
	Total liabilities and Shareholders' Equity	169,011,977	76,162	169,088,139	179,917,528	3,526,295	183,443,823

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

Pro-forma consolidated income statement

	Items	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma	31 12 2014*	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2014* pro-forma
10	Interest income and similar revenues	4,087,480	113,685	4,201,165	5,063,190	150,097	5,213,287
20	Interest expense and similar charges	(1,858,013)	(90,983)	(1,948,996)	(2,950,352)	(128,664)	(3,079,016)
30	Net interest income	2,229,467	22,702	2,252,169	2,112,838	21,433	2,134,271
40	Fee and commission income	2,153,837	-	2,153,837	2,087,059	-	2,087,059
50	Fee and commission expense	(343,940)	-	(343,940)	(389,328)	-	(389,328)
60	Net fee and commission income	1,809,897	-	1,809,897	1,697,731	-	1,697,731
70	Dividends and similar income	18,638	-	18,638	36,944	-	36,944
80	Net profit (loss) from trading	752,048	(608,602)	143,446	18,291	62,447	80,738
90	Net profit (loss) from hedging	14,099	4,116	18,215	(13,199)	(2,560)	(15,759)
100	Gains/losses on disposal/repurchase	225,834	(131,977)	93,857	159,001	-	159,001
110	Net profit (loss) from financial assets and liabilities designated at fair value	50,276	-	50,276	1,832	-	1,832
120	Net interest and other banking income	5,100,259	(713,761)	4,386,498	4,013,438	81,320	4,094,758
130	Net impairment losses (reversals)	(1,993,140)	-	(1,993,140)	(8,025,266)	-	(8,025,266)
140	Net income from banking activities	3,107,119	(713,761)	2,393,358	(4,011,828)	81,320	(3,930,508)
180	Administrative expenses	(2,975,333)	-	(2,975,333)	(3,220,412)	-	(3,220,412)
190	Net provisions for risks and charges	(64,038)	-	(64,038)	(176,551)	-	(176,551)
200	Net adjustments to (recoveries on) property, plant and equipment	(126,942)	-	(126,942)	(158,220)	-	(158,220)
210	Net adjustments to (recoveries on) intangible assets	(116,631)	-	(116,631)	(149,137)	-	(149,137)
220	Other operating expenses/income	345,121	-	345,121	333,845	-	333,845
230	Operating expenses	(2,937,823)	-	(2,937,823)	(3,370,475)	-	(3,370,475)
240	Gains (losses) on investments	210,440	-	210,440	194,328	-	194,328
260	Impairment on goodwill	-	-	-	(661,792)	-	(661,792)
270	Gains (losses) on disposal of investments	2,855	-	2,855	84,701	-	84,701
280	Profit (loss) before tax from continuing operations	382,591	(713,761)	(331,170)	(7,765,066)	81,320	(7,683,746)
290	Tax expense (recovery) on income from continuing operations	7,277	213,768	221,045	2,362,020	(25,541)	2,336,479
300	Profit (loss) after tax from continuing operations	389,868	(499,993)	(110,125)	(5,403,046)	55,779	(5,347,267)
320	Profit (loss)	389,868	(499,993)	(110,125)	(5,403,046)	55,779	(5,347,267)
330	Profit (loss) for the period attributable to non-controlling interests	1,772	-	1,772	(4,375)	-	(4,375)
340	Parent company's net profit (loss)	388,096	(499,993)	(111,897)	(5,398,671)	55,779	(5,342,892)

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

Pro-forma consolidated statement of comprehensive income

	Items	31 12 2015	pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma	31 12 2014*	pro-forma adjustments for classification "Alexandria transaction" as LTR	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 in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

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 2015

Type of services	Service provider	Total
Auditing	Reconta Ernst & Young Spa	2,392
Other attest services	Reconta Ernst & Young Spa	1,952
Other services	Tax and legal Firm	41
Other services	Ernst & Young Financial Business Advisory S.p.a.	1,339
Total		**5,724**

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 2015	(in units of Eur)
Opening balance as at 01 01 2015	**26,213,215**
Increases	202,327
- provisions for the year	202,327
- Other	-
Decreases	2,625,053
- Benefit paid	1,860,755
- Other	764,298
Closing balance as at 31 12 2015	**23,790,489**

Supplementary Pension Fund for personnel of former Banca Operaia di Bologna

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**7,803,908**
Increases	70,753
- provisions for the year	70,753
- Other	-
Decreases	1,325,670
- Benefit paid	419,951
- Other	905,719
Closing balance as at 31 12 2015	**6,548,991**

Supplementary Pension Fund for personnel of former Banca di Credito Popolare e Cooperativo di Reggio Emilia

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**828,110**
Increases	9,905
- provisions for the year	9,905
- Other	-
Decreases	113,478
- Benefit paid	40,687
- Other	72,791
Closing balance as at 31 12 2015	**724,537**

Supplementary Pension Fund for personnel of former Banca Popolare Veneta

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**1,343,264**
Increases	77,483
-provisions for the year	5,293
- Other	72,190
Decreases	196,281
- Benefit paid	196,281
- Other	-
Closing balance as at 31 12 2015	**1,224,466**

Supplementary Pension Fund for personnel of former General Managers

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**4,510,755**
Increases	33,602
-provisions for the year	33,602
- Other	-
Decreases	853,183
- Benefit paid	305,790
Other	547,393
Closing balance as at 31 12 2015	**3,691,174**

Supplementary Pension Fund for personnel of former MPS Capital Services Banca per l'imprese S.p.A.

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**5,902,070**
Increases	37,688
- provisions for the year	37,688
- Other	-
Decreases	573,939
- Benefit paid	542,628
- Other	31,311
Closing balance as at 31 12 2015	**5,365,819**

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

(in units of Eur)

	Assets	31 12 2015	31 12 2014	Changes
10	**Direct investments**	**26,941,214**	**28,003,805**	**(1,062,591)**
	a) Deposits	404,547	431,763	(27,216)
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international institutions	-	-	-
	d) Listed debt securities	26,315,820	27,344,713	(1,028,893)
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	-	-	-
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	220,847	227,329	(6,482)
	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	**26,941,214**	**28,003,805**	**(1,062,591)**
	Liabilities	**31 12 2015**	**31 12 2014**	**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**	**55,961**	-	**55,961**
	b) tax payables for current period	(17,309)	-	(17,309)
	a) tax credit for prior period	73,270	-	73,270
	TOTAL LIABILITIES	**55,961**	-	**55,961**
100	**Net assets available for payment of benefits**	**26,885,253**	**28,003,805**	**(1,118,552)**
	Net assets availabe for payment of benefits in previous year	27,805,769	27,602,507	203,262
	Changes in net assets available payment of benefits	**(920,516)**	**401,298**	**(1,321,814)**

INCOME STATEMENT

(in units of Eur)

		31 12 2015	31 12 2014	Changes
10	**Balance of social security management**	**(1,294,854)**	**(1,320,748)**	**25,894**
	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	(1,294,854)	(1,320,748)	25,894
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**447,608**	**1,722,045**	**(1,274,437)**
	a) Interest and profit on bondsand government securities	1,156,273	1,181,463	(25,190)
	b) Interest on cash equivalents	(708,665)	1,176	(709,841)
	c) Profits and losses from financial transactions	-	539,406	(539,406)
	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)**	**447,608**	**1,722,045**	**(1,274,437)**
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)**	**(847,246)**	**401,297**	**(1,248,543)**
80	**Substitute tax**	**(73,270)**	**(198,035)**	**124,765**
	Changes in net assets available for payment of benefits (70+80)	**(920,516)**	**203,262**	**-**

Supplementary Pension Fund for personnel of former Banca Toscana - Defined benefit section

BALANCE SHEET

(in units of Eur)

	Assets	31 12 2015	31 12 2014	Changes
10	**Direct investments**	**114,787,736**	**110,590,505**	**4,197,231**
	2.1 Issuances	100,088,571	95,010,289	5,078,282
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international institutions	-	-	-
	d) Listed debt securities	14,425,574	15,305,876	(880,302)
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	-	-	-
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	273,591	274,340	(749)
	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	**114,787,736**	**110,590,505**	**4,197,231**
	Liabilities	**31 12 2015**	**31 12 2014**	**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**	**114,787,736**	**110,590,505**	**4,197,231**
	Net assets availabe for payment of benefits in previous year	110,590,505	115,602,886	(5,012,381)
	Changes in net assets available payment of benefits	**4,197,231**	**(5,012,381)**	**9,209,612**

INCOME STATEMENT

(in units of Eur)

		31 12 2015	31 12 2015	Changes
10	**Balance of social security management**	**3,561,987**	**(10,024,549)**	**13,586,536**
	a) Contributions for benefits	13,108,983	-	13,108,983
	b) Advances	-	-	-
	c) Transfers and redemptions	-	-	-
	d) Transfers to annuities	-	-	-
	e) Payments in capital	-	-	-
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	(9,546,996)	(10,024,549)	477,553
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**641,798**	**5,023,904**	**(4,382,106)**
	a) Interest and profit on bondsand government securities	1,522,099	2,776,410	(1,254,311)
	b) Interest on cash equivalents	(880,301)	2,247,494	(3,127,795)
	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**	**(6,554)**	**(11,736)**	**5,182**
	a) Management companies	-	-	-
	b) Custodian bank	-	-	-
	c) Insurance policy	-	-	-
	d) "State supervision" contribution	(6,554)	(11,736)	5,182
50	**Financial and insurance income (loss) (20+30+40)**	**635,244**	**5,012,168**	**(4,376,924)**
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)**	**4,197,231**	**(5,012,381)**	**9,209,612**
80	**Substitute tax**	-	-	-
	Changes in net assets available for payment of benefits (70+80)	**4,197,231**	**(5,012,381)**	**9,209,612**