MONTEPASCHI GROUP
Consolidated interim results of operations as at 31 March 2014

MONTE
DEI PASCHI
DI SIENA
BANK SINCE 1472

CONSOLIDATED INTERIM RESULTS OF OPERATIONS

AS AT 31 MARCH 2014

Banca Monte dei Paschi di Siena S.p.a.

Share capital: € 7,484,508,171.088 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

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Introduction

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

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

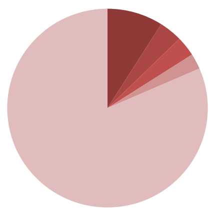
In addition, the Report incorporates non-financial information providing the details on the activities, resources, risks and relations that are significant to the Group's current and future performance. This document highlights the key developments with respect to the year-end Report, to which the reader is referred for a more complete overview of the topics.

Corporate and organisational developments and significant events

Shareholders

As at 31 March 2014, the market capitalisation is equivalent to EUR 3,096 mln.

The major shareholders[1] of the Bank hold a total of 18.48% in ordinary share capital. The breakdown of share capital as at 5 May 2014 and on the basis of reporting provided for the most recent Shareholders' Meeting of 29 April 2014 is shown below.



With respect to the share capital breakdown at the beginning of the year, the graphic shows the reduction in the shareholding of Fondazione MPS, from 33.5% to 9.0%, following a series of sales carried out on the market, and the entrance of large institutional investors. Note that the shareholding of Fondazione MPS currently includes shares equivalent to 6.5% that will be transferred to Fintech Advisory INC and BTG Pactual Europe LLP, in accordance with the sales agreement signed on 31 March 2014, whose effectiveness is subject to the completion of the authorisation process initiated with the Ministry of Economy and Finance and Bank of Italy.

Organisational structure

The Parent Company carried out a significant organisational restructuring, with the aim of strengthening the sales & distribution functions as well as the integrated and coordinated supervision of governance and business support functions. The key changes involved:

- The business functions - 1) the Credit Division was strengthened by establishing a specific General Division; 2) the specialisation of control of the various business segments was increased by establishing a Retail and Network Division (for the Retail and Private segments, as well as the coordination of the Sales & Distribution Network) and the Corporate and Investment Banking Division (for the Corporate, Key Clients, International Activities and Private Equity segments); 3) financial advisory activities were added to the organisational area set up to develop the new Online Bank.
- The functions of governance, control and business support - 1) the General Finance and Operations Division was established, to which the Chief Financial Officer Division and Chief Operating Officer Division will report; 2) Human Resources, Organisation and Communications Division was developed to promote effective interoperability between human resources management, business organisational structures and internal/external

[1] Shareholders with shareholdings of more than 2%

communications; 3) the Risk Division was reorganised with the creation of more cohesive controls of the activities of validation, monitoring and risk reporting.

Significant events

January

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

February

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

March

- The Bank issued a new 5-year senior bond with a value of EUR 1 bn against demand of EUR 3.5 bn.

Events after the reporting period

April

- The Bank issued a new 7-year covered bond, with a value of EUR 1 bn against demand of nearly EUR 4 bn.
- As part of the planned activities for restructuring the Chianti Classico transaction, which began in December 2013, the Bank acquired 92.1% of the shares with voting rights of Perimetro Gestione Proprietà Immobiliari (PGPI) for EUR 5.1 mln. As a result, Montepaschi Group now owns all of the share capital of PGPI, with advantages in terms of strengthening governance and consistency with new business strategies. The effects of this restructuring have already been reflected in the Consolidated Financial Statements as at 31 December 2013.

- The Bank's Board of Directors unanimously approved to propose to the Extraordinary Shareholders' Meeting, scheduled for 20, 21 and 22 May, a share capital increase up to a maximum of EUR 5 bn, to replace the increase of EUR 3 bn approved on 28 December 2013.
- The Ordinary Shareholders' Meeting approved the Parent Company's Financial Statements as at 31 December 2013 and the Remuneration Report required by art. 123-ter of the Consolidated Law on Financial Intermediation. Furthermore, the Extraordinary Shareholders' Meeting approved certain amendments to the Articles of Association, specifically regarding the issue of gender balance in the composition of the Board of Directors and the Board of Statutory Auditors and the increase in the minimum number of independent directors on the BoD.
- On 24 April 2014, Law Decree no. 66 was published in the Official Gazette, which contains two tax measures that will have an impact on the accounts of MPS Group beginning in the next Half-Year Report. Specifically, the first regards IRAP taxes (art. 2 of the aforementioned Law Decree), envisaging a reduction in the relative tax rate (the reduction for banks is 0.45%); the second change regards the substitute tax on revaluation of shares in Bank of Italy (art. 4, para. 12 of Law Decree no. 66), increasing the tax rate from 12% to 26%. Assuming the two measures as they are currently formulated are converted into law, the total negative effect on the MPS Group income statement is estimated at EUR 57 mln (in addition to the negative impact recognised directly in shareholders' equity of EUR 7 mln).

May

- On 5 May, the reverse split of BMPS ordinary shares was carried out, in the ratio of 1 new share for every 100 shares owned, in execution of the resolution approved by the Extraordinary Shareholders' Meeting on 28 December 2013. The share capital, equivalent to EUR 7,484,508,171.08, remains unchanged following the reverse split.

Performance and outcomes

Scenario

During the first quarter of 2014, global economic activity continued to expand despite signs of weakness from certain emerging countries and the level of debt in the Chinese private sector becoming a possible risk factor. Though tensions with Russia over the crisis in Ukraine remained limited in the first quarter, if they are exacerbated in coming months, it could have repercussions in the Eurozone in terms of energy prices and supply and, to a lesser extent, on commercial trading with Russia.

The lessening of fears on the stability of the European Monetary Union as well as the significant flows of capital from emerging countries toward safer investments accentuated the increase in bond prices and the reduction of risk premiums in financial markets. In a growth framework that is still moderate and inconsistent, inflation in the Eurozone is substantially lower than recently developed forecasts. In March, inflation decreased to 0.5% and the ECB Governing Council resolved to use non-conventional tools, such as purchasing securities on the market, to combat the risks of a prolonged period of low inflation.

In Italy, the trend in industrial production, as well as business surveys, indicate that economic activity continued to grow at a moderate pace in the first months of the year, but the recovery remains differentiated based on the type of business and the geographic area. According to surveys, improvements in forecasts for large industrial companies and those focused on foreign markets have been accompanied by initial positive signs from service businesses, while the scenario for companies in the south remains unfavourable.

Yields on ten-year Italian government securities fell to their lowest level, in nominal terms, since their introduction in 1991, with a spread relative to the ten-year Bund of approx. 173 basis points (compared to 350 basis points in March 2013). With regard to interbank rates, on the other hand, the 1M Euribor remained stable at year-end levels, closing at around 0.245% (quarterly average of the 1-month Euribor was 0.23%). On 14 February, Moody's rating agency revised its outlook for Italy from negative to stable.

As regards the banking system, the most recent business surveys indicate a slight easing in restrictions in loan access conditions, but the trend in loans to businesses has not yet reversed. The cost of credit for non-financial companies in Italy is approx. 80 basis points higher than the rest of the Eurozone. Finally, during the quarter the single mechanism for resolving banking crises was approved and the ECB, together with national Supervisory Authorities, began carrying out comprehensive assessments of the largest Eurozone banks (for more information on the banking scenario, refer to the Bank of Italy Economic Bulletin of January 2014).

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/03/14

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP

		(*)	
INCOME STATEMENT FIGURES (EUR mln)	**31/03/14**	**31/03/13**	**%chg**
Income from banking activities	891.0	1,029.0	-13.4%
Income from banking and insurance activities	957.2	1,171.8	-18.3%
Net operating income	(195.0)	(51.7)	n.s.
Parent company's net profit (loss) for the period	(174.1)	(101.2)	n.s.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**31/03/14**	**31/12/13**	**%chg**
Direct funding	128,859	129,836	-0.8%
Indirect funding	105,273	103,397	1.8%
of which: assets under management	*46,656*	*45,106*	*3.4%*
of which: assets under custody	*58,617*	*58,292*	*0.6%*
Loans to customers	132,677	130,598	1.6%
Group net equity	6,251	6,147	1.7%
KEY CREDIT QUALITY RATIOS (%)	**31/03/14**	**31/12/13**	**Abs. chg**
Net doubtful loans/Loans to Customers	7.0	6.8	0.2
Net substandard loans/Loans to Customers	5.8	5.8	0.0
PROFITABILITY RATIOS (%)	**31/03/14**	**31/12/13**	**Abs. chg**
Cost/Income ratio	69.0	71.0	-2.0
Net loan loss provisions / End-of-period loans	1.44	2.11	-0.7
CAPITAL RATIOS (%)	**31/03/14**	**Dec 13 (BIS 3)**	**Dec 13 (BIS 2)**
Solvency ratio	14.9	15.1	15.2
Tier 1 ratio	10.8	10.8	10.6
INFORMATION ON BMPS STOCK	**31/03/14**	**31/12/13**	
Number of ordinary shares outstanding	11,681,539,706	11,681,539,706	
Price per ordinary share:	**from 31/12/13 to 31/03/14**	**from 31/12/12 to 31/12/13**	**%chg**
average	0.20	0.22	-9.5%
low	0.17	0.15	7.1%
high	0.27	0.300	-11.7%
OPERATING STRUCTURE	**31/03/14**	**31/12/13**	**Abs. chg**
Total head count - end of period	27,304	28,417	(1,113)
Number of branches in Italy	2,334	2,334	-
Number of specialised centres	283	287	(4)
Financial advisory branches	121	125	(4)
Number of branches & representative offices abroad	39	39	-

(*) 2013 income statement and balance sheet figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" following the introduction of new accounting standards which came into force as of 1 January 2014.

Results in brief

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

- The Group's **total funding** volumes amounted to **EUR 234 bn**, a slight increase compared to the end of December 2013, mainly due to the upturn in assets under management, offset by a slight decline in direct funding, negatively affected by institutional components.
- Group **loans to customers**, equivalent to **EUR 133 bn** (+1.6% compared to 31/12/2013), reflected the sharp increase in repurchase agreements with Cassa di Compensazione e Garanzia (Central Counterparty Clearing), to which temporary liquidity surpluses were allocated. Excluding these transactions, the figure would have shown a decrease, although to a lesser degree than seen in recent years, mainly attributable to the continued recession and a selective credit-granting policy. **Coverage of non-performing loans** stood at **41.6%**, down slightly from 31/12/2013 (-20 bps), with doubtful loan coverage amounting to 58.5% (-30 bps) and substandard loan coverage of 20.7% (+30 bps).
- With regard to capital ratios, the **Core Tier 1 Ratio** stood at 10.8% and the **Total Capital Ratio** at 14.9% as at 31/03/2014.
- The Group's **net income from banking and insurance activities** totalled **EUR 957 mln, up 30.2%** compared to Q4 2013 (EUR +222 mln), however, down 18.3% compared to the same period in the previous year. **Net interest income** amounted to **EUR 446 million**, down 21% from the previous quarter and 25.4% compared to 31 March 2013. This item was influenced by the recalculation of the NFI repayment value (in relation to the amount provided for in the instrument's contractual clauses), net of which the figure would have been EUR 588 mln (+4.3% compared to Q4 2013). **Net fee and commission income**, amounting to **EUR 445 mln**, showed a considerable increase (+10% over Q4 2013 and +3.2% over Q1 2013) due to positive performance in the Sales Network, which resulted in significant growth in placement commissions for assets under management, payment services and foreign service products.
- With regard to cost of credit, the ratio of loan loss provisions for the year over total customer loans reflects a **provisioning rate** of **144 bps**, compared to 211 bps in 2013.
- **Operating expenses** totalled **EUR 661 mln**, down 3.8% on the previous quarter and 9.4% compared to the same period in the previous year. **Net provisions for risks and charges and other operating expenses/income** totalled was negative for EUR 53 mln, compared to EUR -223 mln in Q4 2013 and EUR +8.5 mln in Q1 2013.
- The **consolidated net result** before Purchase Price Allocation (PPA) shows a **loss of EUR 164.7 mln** (EUR -93 mln as at 31/03/2013). Considering the effects of PPA, the Group's **loss for the period totalled EUR 174 mln** (EUR -101 mln as at 31/03/2013).

Business Plan status

Despite the continued challenging scenario for both the market and the Group, management has taken resolute steps to execute the Business Plan, especially in the areas of credit quality, asset revision, the sales and distribution model and overall efficiency. Specifically, in addition to the projects presented in the Report on Operations as at 31/12/2013, the following is a list of the most important initiatives during the quarter:

- **Credit** - projects for the roll out of the new model for issuing and monitoring credit, as well as the new credit recovery model, were launched.
- **Sales & distribution** - as part of the re-positioning of the Bank's business model, the Online Bank project was launched, known as WIDIBA; the project to transform the Bank's distribution model (Programma Banca 2020) also commenced.
- **Operational excellence** - the new Physical Network Security Model began to be implemented and the Paperless processes were consolidated.
- **Human capital** - projects to rationalise headcount continued and the "People Roadmap" project was developed with the aim of innovating the talent and performance management processes and the strategic planning of human resources.

Prospects and outlook on operations

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

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

In November 2013, the European Central Bank initiated the Comprehensive Assessment covering 130 European institutions, including Monte dei Paschi di Siena Group. These activities – whose results will be reported by November 2014 – primarily consist of the following: a qualitative/quantitative evaluation of the intrinsic risk profile of the Bank (Supervisory Risk Assessment); an in-depth analysis of on-balance and off-balance sheet exposures for all asset classes (Asset Quality Review); an evaluation of the Bank's capacity to absorb exogenous shocks during periods of stress (Stress Test).

Despite an environment that is still uncertain and fragile, by 2017 the Group plans to create solid foundations for long-term growth by achieving the Business Plan objectives, including the share capital increase, which is a central element of the Plan.

As a result of the greater uncertainty and limited visibility in relation to the aforementioned Comprehensive Assessment process, the Bank decided to adjust its capital indicators to the highest market standards. As such, the Board of Directors unanimously approved to propose to the Extraordinary Shareholders' Meeting a share capital increase up to a maximum of EUR 5 bn, to replace the increase of EUR 3 bn approved on 28 December 2013. The objective in augmenting the share capital increase to EUR 5 bn is to provide the Bank with buffer capital to absorb any negative effects of the Comprehensive Assessment and to continue to meet the commitments made in the Plan.

Given the above, and in view of the Group's outlook following the implementation of the Business Plan and the assessments carried out on its current and prospective level of capital adequacy, no elements exist which cast doubt on the ability of the company to continue operating as a going concern.

Key economic-financial indicators

Reclassified accounts

Income statement and balance sheet reclassification principles

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

The following are the reclassifications made to the consolidated income statement as at 31 March 2014:

a) "**Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities**" in the reclassified income statement includes item 80 "Net profit (loss) from trading", item 100 "Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities" and item 110 "Net profit (loss) 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 (EUR 2 mln).

b) "**Dividends, similar income and gains (losses) on investments**" in the reclassified income statement incorporates item 70 "Dividends and similar income" and a portion of item 240 "Gains (losses) on investments" (EUR 26 mln, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity). Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate.

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

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

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

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

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

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

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

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

a) "**Tradable financial assets**" on the assets side of the reclassified balance sheet includes item 20 "Financial assets held for trading", item 30 "Financial assets designated at fair value" and item 40 "Financial assets available for sale".

b) "**Other assets**" on the assets side of the reclassified balance sheet incorporates item 80 "Hedging derivatives", item 90 "Changes in value of macro-hedged financial assets", item 140 "Tax assets", item 150 "Non-current assets held for sale and discontinued operations" and item 160 "Other assets".

c) "**Deposits from customers and 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 "Changes in value of macro-hedged financial liabilities", item 80 "Tax liabilities", item 90 "Liabilities included in disposal groups held for sale and discontinued operations" and item 100 "Other liabilities".

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The accounting statements and the comparative statements of the reclassified consolidated income statement and balance sheet are enclosed in the "Annexes" section.

Reclassified income statement (EUR mln)

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

(*) The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" following the introduction of new accounting standards which came into force as of 1 January 2014.

Quarterly trend in reclassified income statement (EUR mln)

	2014	2013 (*)			
Montepaschi Group	**1Q**	**4Q**	**3Q**	**2Q**	**1Q**
Net interest income	445.8	564.0	507.3	487.2	597.7
Net fee and commission income	446.2	404.9	404.2	417.3	431.3
Income from banking activities	891.9	968.9	911.5	904.4	1,029.0
Dividends, similar income and gains (losses) on investments	25.7	32.9	31.1	38.0	27.2
Net profit (loss) from trading	45.1	(271.6)	69.6	76.5	119.6
Net profit (loss) from hedging	(4.0)	6.0	7.8	(0.9)	(4.0)
Income from banking and insurance activities	957.2	736.2	1,020.1	1,018.7	1,171.8
Net impairment losses (reversals) on:	(491.7)	(1,252.8)	(519.3)	(556.5)	(494.5)
a) loans	(476.5)	(1,209.7)	(511.0)	(544.8)	(484.2)
b) financial assets	(15.2)	(43.1)	(8.3)	(11.7)	(10.3)
Net income from financial and insurance activities	465.5	(516.6)	510.8	462.1	677.3
Administrative expenses:	(611.9)	(640.9)	(658.8)	(668.7)	(689.7)
a) personnel expenses	(429.3)	(444.3)	(429.0)	(422.6)	(462.9)
b) other administrative expenses	(182.6)	(220.6)	(229.8)	(246.1)	(226.8)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(48.0)	(46.4)	(38.6)	(36.0)	(39.3)
Operating expenses	(659.9)	(688.3)	(687.9)	(704.7)	(729.0)
Net operating income	(194.4)	(1,204.9)	(177.1)	(242.6)	(51.7)
Net provisions for risks and charges and other operating expenses/income	(65.2)	(223.0)	(29.2)	11.5	8.5
Gains (losses) on investments	41.9	(25.9)	(0.5)	(32.0)	1.0
Restructuring costs / One-off costs	(1.1)	(0.7)	(0.2)	(17.0)	-
Gains (losses) on disposal of investments	4.7	1.9	1.2	(1.8)	0.2
Profit (loss) before tax from continuing operations	(202.7)	(1,457.7)	(206.7)	(282.1)	(41.9)
Tax expense (recovery) on income from continuing operations	38.4	563.5	89.8	31.3	(37.4)
Profit (loss) after tax from continuing operations	(164.3)	(894.2)	(116.9)	(250.8)	(79.3)
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	(12.6)	(12.6)	(12.6)	(12.6)
Net profit (loss) for the period including non-controlling interests	(164.3)	(906.8)	(129.5)	(263.4)	(91.9)
Net profit (loss) attributable to non-controlling interests	(0.6)	(0.5)	(0.6)	(0.5)	(0.6)
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	(164.7)	(907.3)	(129.3)	(265.2)	(92.7)
PPA (Purchase Price Allocation)	(9.4)	(9.1)	(9.2)	(13.0)	(8.5)
Parent company's net profit (loss) for the period	(174.1)	(916.3)	(138.5)	(278.2)	(101.2)

(*) The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" following the introduction of new accounting standards which came into force as of 1 January 2014.

Reclassified balance sheet (EUR mln)

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

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

(*)The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" following the introduction of new accounting standards which came into force as of 1 January 2014.

Reclassified balance sheet- Quarterly Trend (EUR mln)

ASSETS	31/03/14	31/12/13 (*)	30/09/13 (**)	30/06/13 (**)	31/03/13 (**)
Cash and cash equivalents	823	877	785	684	697
Receivables :					
a) Loans to customers	132,677	130,598	135,564	138,082	140,510
b) Loans to banks	10,204	10,485	11,439	12,240	13,676
Financial assets held for trading	43,500	42,919	45,777	49,655	46,389
Financial assets held to maturity	-	-	-	-	-
Equity investments	960	970	994	971	1,029
Property, plant and equipment / Intangible assets	4,004	4,046	2,441	2,465	2,496
of which:					
a) goodwill	*670*	*670*	*670*	*670*	*670*
Other assets	8,855	8,566	9,447	9,774	10,086
Total assets	**201,022**	**198,461**	**206,446**	**213,870**	**214,883**

LIABILITIES	31/03/14	31/12/13 (*)	30/09/13 (*)	30/06/13 (*)	31/03/13 (*)
Payables					
a) Deposits from customers and securities issued	128,859	129,836	132,286	137,078	135,311
b) Deposits from banks	40,991	37,279	42,377	41,741	42,753
Financial liabilities held for trading	14,630	16,410	14,909	18,630	19,571
Provisions for specific use	-	-	-	-	-
a) Provisions for staff severance indemnities	273	261	282	269	291
b) Pensions and other post retirement benefit obligations	60	61	47	48	40
c) Other provisions	1,020	1,066	1,185	1,207	1,124
Other liabilities	8,905	7,367	8,922	8,339	9,595
Group net equity	6,251	6,147	6,435	6,555	6,195
a) Valuation reserves	(788)	(1,056)	(1,697)	(1,714)	(2,309)
c) Equity instruments carried at equity	3	3	3	3	3
d) Reserves	(274)	1,175	1,187	1,187	886
e) Share premium	-	-	-	-	255
f) Share capital	7,485	7,485	7,485	7,485	7,485
g) Treasury shares (-)	(0)	(25)	(25)	(25)	(25)
h) Net profit (loss) for the period	(174)	(1,434)	(518)	(380)	(101)
Non-controlling interests	34	33	3	3	3
Total Liabilities and Shareholders' Equity	**201,022**	**198,461**	**206,446**	**213,870**	**214,883**

(*) The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" following the introduction of new accounting standards which came into force as of 1 January 2014.

(**) The previous year's quarterly figures have been restated to reflect the changes resulting from (i) reclassification of the financial instrument "Fresh 2008", amounting to EUR 76 mln, from the item Equity Instruments to the item "Deposits from banks" (for further details, please see the 2013 Consolidated Notes to the Financial Statements) and (ii) the retrospective application of amended IAS 32 "Offsetting financial assets and liabilities" described in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors).

Balance Sheet

Direct funding

As at 31 March 2014, the Group's **total funding** amounted to **EUR 234 bn**, a slight increase compared to the end of December 2013, mainly due to the upturn in assets under management, offset by a slight decline in direct funding, negatively affected by institutional components. Compared to 31 March 2013, however, total funding decreased 4.8%, attributable to both direct funding and assets under custody, which were chiefly affected by movements in shares under custody by some of the Group's Key Clients and other institutional customers.

Background

Although there are weak signs of an economic recovery, the propensity to save in Italian households has increased, approaching the Eurozone average (14% in 2013). Since December, the annual trend in direct funding from customers has shown a slight decrease (March 2014 -1.9% YoY). In particular, bonds were down (-8.3% YoY), while the positive trend for deposits and current accounts continued to grow (+0.9% YoY).

The average return on bank funding continued to decline (1.82% vs. 2.02% in the same period of the previous year), as did bond yields (3.37%).

For the asset management sector, 2013 was a record year, exceeding EUR 1,330 bn, equivalent to one third of the financial assets of Italian households and 85% of the GDP, and the first quarter of 2014 looks promising for achieving new records. Open-end Italian and foreign fund assets posted an increase through February, and funding flows showed positive signs. The decline in Italian funds continued, as foreign funds accounted for 70% of the market.

New life bancassurance grew in the initial months of the year (+20% YoY) in all product categories with the exception of index-linked and IV policies. New sales in the banking channel also increased sharply from the beginning of the year (+27% through February), with excellent results for both multi-branch and traditional products.

Customer funding (EUR mln)	31/03/14	(*) 31/12/13	31/03/13	Chg % vs %	Chg % vs %
Direct funding	**128,859**	**129,836**	**135,311**	**-0.8%**	**-4.8%**
Indirect funding	**105,273**	**103,397**	**110,515**	**1.8%**	**-4.7%**
assets under management	*46,656*	*45,106*	*43,820*	*3.4%*	*6.5%*
assets under custody	*58,617*	*58,292*	*66,695*	*0.6%*	*-12.1%*
Total funding	**234,131**	**233,233**	**245,826**	**0.4%**	**-4.8%**

(*) Direct funding figures as at 31/12/2013 have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

More specifically:

- **Direct funding** for the Group, totalling **EUR 129 bn**, was **down 0.8% compared to the end of 2013**, with a market share[2] of 5.89% (as at January 2014, latest data available), essentially stable compared to December 2013. During the first quarter of 2014, this item benefited from the positive performance in **Current Accounts** (+3.3% vs. 31/12/2013) and **Term Deposits** (+8.8% vs. 31/12/2013), due to the "Conto Italiano di Deposito" product, which received most of the cash outflows from **Bonds** (down 4.7% vs. 31/12/2013). **Reverse repurchase agreements** were also in decline, which are almost entirely made up of guaranteed funding on the institutional market. **Other forms of direct funding**, which includes the New Financial Instruments (NFIs) subscribed by the Ministry of Economy and Finance[3] for EUR 4 bn, increased over December 2013 (+6.7%), mainly attributable to funding transactions with Key Clients.

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

[3] On 28 February 2013, Banca Monte dei Paschi di Siena S.p.A. completed the issue of New Financial Instruments provided for by art. 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no. 135 of 7 August 2012, as

Compared to the same period in the previous year, direct funding decreased by 4.8%, attributable to **Repurchase Agreements** (-16.6%) and, in particular, **Bonds** (-21%). In fact, in 2013 bonds were negatively affected by the suspension for a large portion of the year of issues dedicated to retail customers as a result of the requests for numerous supplements to the base prospectuses and registration documents, related to the highly publicised legal proceedings involving the Group and the loss of access to international funding markets. On the other hand, **the context and climate in which the Group operates has vastly improved. In 2014, two bond issues were successfully carried out aimed at institutional customers for a total amount of EUR 2 bn**, that will, however, be recognised in the financial statements for the next quarter (a senior unsecured bond of EUR 1 bn on 25 March and a covered bond for the same amount on 10 April). Both transactions had significantly more demand than the offer (nearly 4 times), with extremely diversified distribution of the requests, proving the Group's renewed ability to access capital markets as well as the recognition of the MPS brand.

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

Direct funding (EUR mln)							
		(*)		Change Q/Q		Change Y/Y	
Type of transaction	31/03/14	31/12/13	31/03/13	Abs.	%	Abs.	%
Current accounts	56,912	55,076	52,892	1,836	3.3%	4,020	7.6%
Time deposits	8,709	8,003	8,324	705	8.8%	385	4.6%
Reverse repurchase agreements	13,749	16,096	16,482	(2,347)	-14.6%	(2,732)	-16.6%
Bonds	38,022	39,909	48,113	(1,887)	-4.7%	(10,091)	-21.0%
Other types of direct funding (**)	11,466	10,751	9,501	716	6.7%	1,966	20.7%
Total	**128,859**	**129,836**	**135,311**	**(977)**	**-0.8%**	**(6,453)**	**-4.8%**

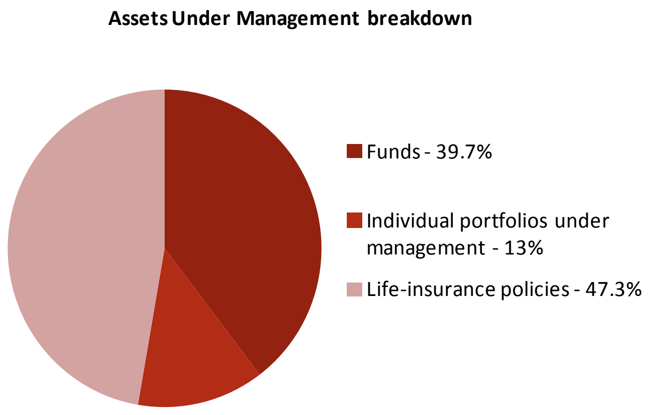
(*) Figures as at 31/12/2013 have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.
Moreover, compared to the values reported in the Financial Statements at 31/12/13, the accounting reclassification of securities in vehicle companies in Item 30 of Liabilities resulted in a decrease in "Other types of direct funding" and an equal increase in "Bonds".
(**) The item includes NFIs amounting to approx. EUR 4.641 bn plus accrued interest not yet paid.

- As at 31/03/2014, the Group's **indirect funding**, totalling **EUR 105 bn**, grew 1.8% during the quarter (-4.7% compared to 31/03/2013). More specifically:
  - **Assets under management** closed the first quarter with volumes totalling **EUR 46.7 bn**, up 3.4% on 31/12/2013 and 6.5% on 31/03/2013. A breakdown of the aggregate shows:
    - **Insurance component** of **EUR 22 bn** (+1.5% compared to 31/12/2013; +1.3% over 31/03/2013), benefitting from insurance premiums collected in the first quarter of 2014 for EUR 1.7 bn, driven by Unit Linked products; The Group's Bancassurance market share was 7.14% (as at December 2013, latest data available);
    - **Mutual investment funds and UCITS**, amounting to **EUR 18.5 bn**, up 6.6% compared to 31/12/2013 (+16.8% over 31/03/2013), as a result of net

subsequently amended (the "New Financial Instruments"). In particular, the Ministry of Economy and Finance underwrote the New Financial Instruments issued by the Bank for a total of EUR 4.071 bn, of which EUR 1.9 bn allocated to full replacement of the Tremonti Bonds issued by the Bank in 2009 (and included, as of the end of December 2012, in "Other forms of direct funding") and EUR 0.171 bn, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 March 2013, in consideration of the Bank's negative results as at 31 March 2013. From a Capital Adequacy standpoint, although included in Direct Funding, the NFIs qualify as Core Tier 1, by reason of their subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumptions.

inflows for the quarter of EUR 1 bn, concentrated in guaranteed capital instruments. The Group's market share was 3.73% (as at December 2013, latest data available);

- **Individual portfolios under management**, totalling **EUR 6 bn**, increased 1.2% from the end of the previous year (-1.8% YoY) with a Group market share of 3.90% (as at December 2013, latest data available).



- **Assets under custody**, amounting to EUR 58.6 bn, registered a slight increase on the previous year end (+0.6%) and a drop of 12.1% from 31/03/2013. The decline in the latter comparison is mainly due to movements in shares under custody by some of the Group's Key Clients and other institutional customers, whose impact, however, was not significant.

Loans to customers

As at 31/03/2014, Group **loans to customers** amounted to **EUR 133 bn**, up 1.6% with respect to the previous quarter but down 5.6% over 31/03/2013. In the first quarter of 2014, this category reflected the sharp increase in **repurchase agreements with Cassa di Compensazione e Garanzia (Central Counterparty Clearing**), nearly double the figure for the end of December, to which temporary liquidity surpluses were allocated. If these transactions are excluded, loans to customers would have shown a decrease, although to a lesser degree than seen in recent years, mainly attributable to the continued recession and a selective credit-granting policy.

Background

There were signs of a slight recovery in loan trends in March, however, the situation continued to reflect weakness in demand, offer policies that are still restrictive, and a significant decrease in investments. Bank loans to businesses and households showed a decline that was, however, an improvement from the negative trend that began in mid-2012 (-3.2% YoY in March).

As the financial crisis and its effects persist, the negative trend in gross doubtful loans in February (more than EUR 162 bn, or 24% YoY) continue to increase, but at a slower rate. The net doubtful loans to total loans ratio stood at 4.27% in February vs 3.23% in February 2013, the highest figure since April 2011.

The weighted average interest rate on total loans to households and non-financial businesses was at an all-time low: declining since the beginning of the year, and in March reached 3.86% (+4 bps since the end of last year). The average cost of new mortgages to households was down from September 2013 (3.43% in February compared to 3.69% in the same period of 2013).

As at January 2014 (latest data available), the Group's market share of total loans, calculated net of repurchase agreements with institutional counterparties, stood at 7.23%, essentially stable compared to the end of 2013.

As regards the individual types of loans, in the first quarter of 2014 **Current Accounts** increased (+4.1%), while **Mortgages** (-2.8%) and Other Loans (-0.8%) continue to decline, of which **Consumer Credit** (-5.5%), **Finance Leases** (-2.4%) and **Factoring** (-11.3%) saw the largest reductions.

Loans to customers (EUR mln)

Type of transaction	31/03/14	(*) 31/12/13	31/03/13	Chg vs 30/09/2013 Abs.	%	Chg vs 31/12/2012 Abs.	%
Current accounts	11,404	10,953	12,626	450	4.1%	(1,222)	-9.7%
Mortgages	62,966	64,757	70,515	(1,791)	-2.8%	(7,549)	-10.7%
Other forms of lending	29,474	29,710	34,262	(236)	-0.8%	(4,787)	-14.0%
Repurchase agreements	5,457	2,737	2,246	2,720	99.4%	3,211	143.0%
Securities lending	1,453	1,449	2,182	3	0.2%	(729)	-33.4%
Non performing loans	21,925	20,992	18,681	933	4.4%	3,244	17.4%
Total	**132,677**	**130,598**	**140,510**	**2,079**	**1.6%**	**(7,833)**	**-5.6%**

(*)Figures as at 31/12/2013 have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

The changes described for the latter components reflect trends in disbursements in special-purpose loans during the quarter, for which:

- MPS Capital Services granted new loans for EUR 68 mln, down 59% compared to Q4 2013 and 43.5% compared to the same period in the previous year;
- Leasing contracts amounted to EUR 118 mln (-27.9% on Q4 2013 and -12.3% on Q1 2013), while Turnover Factoring totalled EUR 1 bn (-5.1% over Q4 2013 and -30.1% on Q1 2013);
- Consumer Credit was disbursed for EUR 240 mln, with the decline (-28.8% from the previous quarter, -56.5% over Q1 2013) explained by the partnership signed with

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

Special purpose loans and corporate finance (EUR mln)	1Q2014	4Q2013	1Q2013	Chg Q/Q		Chg Y/Y	
				Abs.	%	Abs.	%
MPS Capital Services (disbursements)	68.1	166.1	120.6	-98.0	-59.0%	-52.5	-43.5%
MPS Leasing & Factoring	1,249.0	1,356.2	1,752.2	-107.2	-7.9%	-503.1	-28.7%
leases negotiated	*118.4*	*164.2*	*135.0*	*-45.8*	*-27.9%*	*-16.6*	*-12.3%*
factoring turnover	*1,130.6*	*1,192.0*	*1,617.1*	*-61.3*	*-5.1%*	*-486.5*	*-30.1%*
Consumit (disbursements)	240.3	337.5	552.6	-97.3	-28.8%	-312.3	-56.5%

Non-performing loans

As at 31/03/2014, the Group's net exposure to non-performing loans totalled **EUR 22 bn**, an increase of EUR 0.9 bn from the end of the previous year. Compared to 31/12/2013, doubtful loans increased 5.1% while substandard loans increased 2.3%. Restructured loans (+9.5%) and past-due exposures (+5%) also saw increases, reflecting continued difficulties in the economic situation, though recovering.

Loans to customers										
Risk category - Net book values		(*)		weight %	weight %	weight %	Change Q/Q		Change Y/Y	
(EUR mln)	31/03/14	31/12/13	31/03/13	31/03/14	31/12/13	31/03/13	Ass.	%	Ass.	%
A) Non performing loans	**21,925**	**20,992**	**18,681**	**16.5**	**16.1**	**13.3**	**932**	**4.4%**	**3,244**	**17.4%**
a1) Doubtful loans	9,332	8,880	7,656	**7.0**	**6.8**	**5.4**	452	5.1%	1,676	21.9%
a2) Substandard loans	7,685	7,511	6,539	**5.8**	**5.8**	**4.7**	174	2.3%	1,146	17.5%
a3) Restructured	1,843	1,683	1,374	**1.4**	**1.3**	**1.0**	160	9.5%	469	34.1%
a4) Past due	3,065	2,918	3,112	**2.3**	**2.2**	**2.2**	146	5.0%	-48	-1.5%
B) Performing loans	**110,753**	**109,606**	**121,829**	**83.5**	**83.9**	**86.7**	**1,147**	**1.0%**	**-11,077**	**-9.1%**
Total customer loans	**132,677**	**130,598**	**140,510**	**100.0**	**100.0**	**100.0**	**2,079**	**1.6%**	**-7,833**	**-5.6%**

(*) Figures as at 31/12/2013 have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

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As at 31 March 2014, the **coverage of non-performing loans stood at 41.6%**, (-20 bps on 31/12/2013), with doubtful loan coverage amounting to 58.5%, a slight decrease from the previous quarter (-30 bps) while substandard loan coverage showed a moderate increase (+30 bps).

Coverage ratios			
	31/03/14	31/12/13	31/03/13
"provisions for NPLs " / "gross NPLs "	41.6%	41.8%	40.4%
"provisions for substandard loans " / "gross substandard loans "	20.7%	20.4%	20.9%
"provisions for doubtful loans " / "gross doubtful loans "	58.5%	58.8%	57.9%

The table below reports the figures for the Group's major companies, within which Parent Company BMPS shows a provisioning to doubtful loans ratio of approximately 60.6% vs. 42.1% for MPS Capital Services, which specialises in medium-long term loan directly supported by collateral.

Npls and Net Substandard loans by business unit

Risk category - Net values at 31/03/2014 (EUR mln)	**Group**	**BMPS**	**MPS Capital Services**	**MPS Leasing & Factoring**	**Consum.it**
Net doubtful loans	9,332	6,510	2,147	515	107
% of total customer loans	7.03%	5.71%	16.64%	7.97%	2.58%
"loan loss provisions" / "gross doubtful loans"	**58.5%**	**60.6%**	**42.1%**	**56.8%**	**88.8%**
Net substandard loans	7,685	6,102	1,042	445	87
% of total customer loans	5.79%	5.36%	8.07%	6.88%	2.11%
"loan loss provisions" / "gross substandard loans"	**20.7%**	**20.7%**	**17.0%**	**22.2%**	**43.8%**

With regard to **performing loans**, coverage continued to stand at 0.6%, in line with the previous year.

The Group's securities and derivatives portfolio

As at 31 March 2014, the Group's securities and derivatives portfolio amounts to EUR 36.3 bn, essentially stable compared to 31/12/2013 and down EUR 1.7 bn compared to 31/03/2013 (-4.4% YoY). The increase in the Held For Trading (HFT) portfolio over December 2013 (EUR +1.6 bn) is due to subscriptions to Treasury bills (BOTs) carried out by the subsidiary MPS Capital Service during the auction in March and, for the most part, resold with a settlement date in the initial days of April. AFS portfolio optimisation activities continued with the sale of government bonds, financial securities and equity investments, for which a realised gain of EUR 47 mln was recognised (refer to the "Income Statement" section). As for bonds classified in L&R, the slight decrease is primarily in connection with some positions coming to natural maturity.

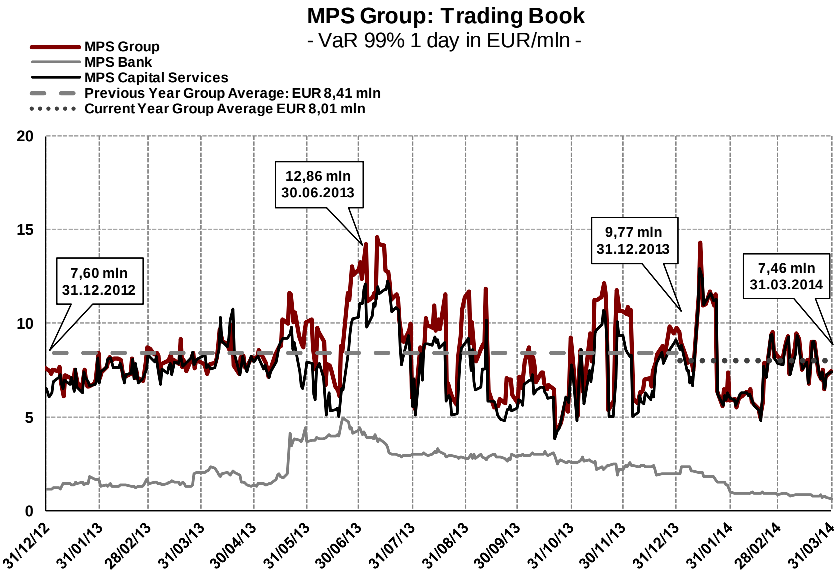
Portfolio of treasury securities and derivatives (exact year-end figures in EUR mln)

MONTEPASCHI GROUP Type of portfolio	**31/03/14**	**31/12/13** (*)	**31/03/13** (**)	**Chg Q/Q** Abs.	%	**Chg Y/Y** Abs.	%
Held For Trading (HFT) [1]	10,739	9,181	9,344	1,558	17.0%	1,395	14.9%
Available For Sale (AFS) [2]	23,096	23,680	25,566	(584)	-2.5%	(2,470)	-9.7%
Loans & Receivable (L&R) [3]	2,476	2,694	3,085	(218)	-8.1%	(609)	-19.7%
Total	**36,310**	**35,555**	**37,995**	**755**	**2.1%**	**(1,685)**	**-4.4%**

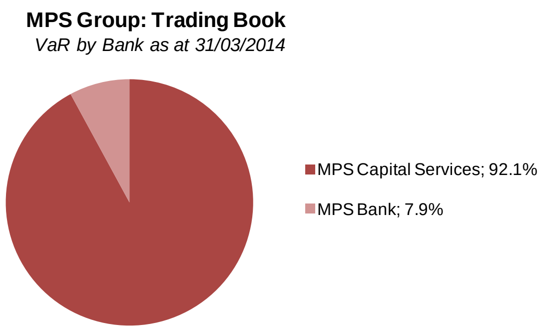
(1) "Financial assets held for trading" excluding "Loans" and net of derivatives recognised in "Financial liabilities held for trading". The aggregate is not net of uncovered short positions classified under "Financial liabilities held for trading".
(2) "Financial assets available for sale" excluding "Loans" inclusive of equity investments.
(3 Securities classified as "Loans & Receivables" recognised in item "Loans to Customers" and "Loans to Banks".
(*)Figures as at 31/12/2013 have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.
(**)The previous year's quarterly figures have been restated to reflect changes following the retrospective application of amended IAS 32 "Offsetting financial assets and liabilities" described in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)".

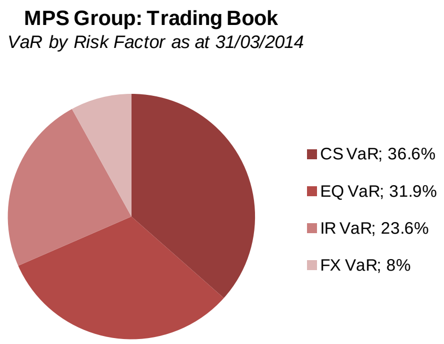
The Group's Regulatory Trading Book

During the quarter, market risk in the Group's Regulatory Trading Book (RTB) showed a significantly volatile trend in VaR as compared to the previous year, standing at EUR 7.48 mln as at 31 March 2014. In absolute terms, VaR was influenced by the IR segment of the subsidiary MPS Capital Services due to its trading activities, primarily in Long Futures and Interest Rate Future Options, activities by MPS Capital Services relating to the structuring and hedging of policies, and changes in market risk factors (credit spreads and interest rates).



VaR breakdown





MPS Capital Services accounts for 92.1% of the overall risk, the Parent Company for 7.9%.

36.6% of the Group's portfolio is allocated to credit spread risk factors (CS VaR), 31.9% is absorbed by equity risk factors (EQ VaR), 23.6% is absorbed by interest rate factors (IR VaR) and the remaining 8% by foreign exchange risk factors (FX VaR).

VaR trendline

In the course of the quarter, the Group's VaR in the RTB ranged between a low of EUR 4.93 mln recorded on 18 February 2014 and a high of EUR 14.33 mln on 14 January 2014, with an average value of EUR 8.01 mln. The Group's RTB VaR stood at EUR 7.46 mln as at 31 March 2014.

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

	VaR	Date
End of Period	7.46	31/03/2014
Min	4.93	18/02/2014
Max	14.33	14/01/2014
Average	8.01	

Interbank position

As at 31 March 2014, the Group's net interbank position stood at EUR 31 bn, a deterioration of EUR 4 bn compared to 31/12/2013 and EUR 1.7 bn with respect to 31/03/2013. The quarterly trend is to be seen mainly in relation to the increase in Deposits from banks (EUR +3.7 bn, +10%), attributable to both the unsecured funding (EUR 1 bn) carried out by the small to medium-sized banks managed by the Sales Network in the Entities and Financial Institutions department, as well as repurchase agreements for the medium term conducted with leading market counterparties. However, Loans to banks remained essentially stable compared to the end of the prior year (-2.7%), while there was a considerable decrease over the same period in the previous year (EUR -3.5 bn, -25.4%).

Interbank balances (end-of-period; EUR mln)

		(*)	(**)	Change Q/Q		Change Y/Y	
	31/03/14	31/12/13	31/03/13	Abs.	%	Abs.	%
Loans to banks	10,204	10,485	13,676	(281)	-2.7%	(3,471)	-25.4%
Deposits from banks	40,991	37,279	42,753	3,712	10.0%	(1,762)	-4.1%
Net position	**(30,787)**	**(26,793)**	**(29,078)**	**(3,993)**	**14.9%**	**(1,709)**	**5.9%**

(*) Figures as at 31/12/2013 have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

(**) The previous year's quarterly figures have been restated to reflect the changes resulting from the reclassification of the financial instrument "Fresh 2008", amounting to EUR 76 mln, from the item Equity Instruments to the item "Deposits from banks" (for further details, please see the 2013 Consolidated Notes to the Financial Statements).

In March, the operational liquidity position showed an **unencumbered Counterbalancing Capacity** of EUR 21 bn, a significant improvement compared to the end of December 2013, when the value was EUR 16 bn.

Shareholders' equity

As at 31/03/2014, the Group's shareholders' equity and non-controlling interests came to EUR 6.3 bn, an increase of EUR 104 mln (+1.7%) compared to the end of 2013. This result is mainly due to the effect on the Valuation Reserve (EUR +268 mln) of the recovery in the AFS portfolio value associated with the shrinking of the Italian credit spread and with the loss for the period.

Reclassified Balance Sheet (EUR mln)

ASSETS	31/03/14	31/12/13 (*)	31/03/13 (**)	Chg vs 31/12/2013 Abs.	%	Chg vs 31/03/2013 Abs.	%
Group net equity	6,251	6,147	6,195	104	1.7%	56	0.9%
a) Valuation reserves	(788)	(1,056)	(2,309)	268	-25.4%	1,521	-65.9%
c) Equity instruments carried at equity	3	3	3	-		-	
d) Reserves	(274)	1,175	886	(1,449)	-123.4%	(1,161)	-131.0%
e) Share premium	-	-	255	-	n.s.	(255)	-100.0%
f) Share capital	7,485	7,485	7,485	-		-	
g) Treasury shares (-)	(0)	(25)	(25)	25	-100.0%	25	-100.0%
h) Net profit (loss) for the period	(174)	(1,434)	(101)	1,260	-87.9%	(73)	72.9%
Non-controlling interests	34	33	3	0	1.3%	31	n.s.
Total Liabilities and Shareholders' Equity	**6,285**	**6,181**	**6,198**	**104**	**1.7%**	**87**	**1.4%**

(*) Figures as at 31/12/2013 have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

(**)The previous year's quarterly figures have been restated to reflect the changes resulting from (i) reclassification of the financial instrument "Fresh 2008", amounting to EUR 76 mln, from the item Equity Instruments to the item "Deposits from banks" (for further details, please see the 2013 Consolidated Notes to the Financial Statements) and (ii) the retrospective application of amended IAS 32 "Offsetting financial assets and liabilities" described in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)".

Capital adequacy

Capital for regulatory purposes and capital ratios

The new regulatory framework (Basel 3) for calculating regulatory capital and capital ratios according to the provisions of CRR/CRD IV became effective 1 January 2014. In order to highlight the effect of Basel 3 on the Group's capital, the table below also shows the pro-forma data as at 31/12/2013, reflecting the new regulations.

Background

At the end of the year, the EU's Economics and Finance Ministers developed a compromise agreement on a single mechanism for resolving banking crises that should be approved by the European Parliament by the end of the legislative period. The mechanism is an essential step in achieving the banking unity.

The ECB's Asset Quality Reviews that began in November are continuing, with the upcoming stress tests that seek to verify the solidity of the largest European banking institutions (involving 124 European banking groups that cover 85% of the European banking system), no later than November 2014, when the ECB will assume the role of single supervisor of the EU banking system.

The new methodologies, described in detail in "Part F" of the Notes to the Financial Statements (to which the reader is referred), are summarised as follows:

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

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

- increase in capital requirements associated with deferred tax assets (DTAs) that are not based on future profitability and that derive from temporary differences, which can be transformed into credits and therefore included in RWA with a weight of 100%;

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

On the basis of these results, the pro-forma CET1 as at 31/12/2013 was EUR 8,926 mln (figure not comparable in Basel 2), the pro-forma T1 is equal to the CET1 and down EUR 47 mln compared to the Basel 2 figure, while the pro-forma T2 shows a decrease of EUR 358 mln, resulting in a total reduction in regulatory capital of EUR 406 mln, which has a pro-forma value of EUR 12,433 mln.

The pro-forma RWA shows a decrease of EUR 2.1 bn compared to the calculation under Basel 2 criteria.

As a result of the above, the pro-forma CET1 ratio and T1 ratio as at 31/12/2013 are equivalent to 10.8% (against a T1 ratio of 10.6% according to Basel 2) and the Total Capital ratio is 15.1%, a decrease from the figure calculated under Basel 2.

Regulatory capital (EUR mln)	*Basel 3*	*proforma Basel 3*	*Basel 2*		
	31/03/14	**31/12/13**	**31/12/13**	**Change (*)**	**Chg % (*)**
Common Equity	8,784	8,926	n.a	-141	**-1.6%**
Tier 1 capital	8,784	8,926	8,973	-141	**-1.6%**
Tier 2 capital	3,318	3,508	3,866	-190	-5.4%
Total regulatory capital	**12,102**	**12,433**	**12,839**	**-331**	**-2.7%**
Risk Weighted Assets	**81,052**	**82,384**	**84,499**	**-1,332**	**-1.6%**
Common Equity Ratio	10.8%	10.8%	n.d.	0.0%	n.s.
Tier 1 Ratio	10.8%	10.8%	10.6%	0.0%	n.s.
Total Capital Ratio	14.9%	15.1%	15.2%	-0.2%	n.s.

(*) Differences refer to 31/03/14 vs proforma 31/12/13 Basel 3

The key changes during the first quarter of 2014, with respect to the pro-forma data as at 31/12/2013, are presented below.

The CET1 as at 31/03/2014 shows a decrease of EUR 141 mln, chiefly due to the negative effects of the loss for period, the increase in the value of prudential filters and higher deductions. This is partially offset by the effect of the sale of treasury shares and a portion of the UCITS securities held in the portfolio.

Tier 2 posts a reduction of EUR 190 mln due to the regulatory amortisation of subordinated securities. As a result, regulatory capital recorded a total decline of EUR 331 mln.

RWA shows a decline for the period of EUR 1.3 bn, mainly attributable to the reduction in absorption of credit, market and operational risks.

Capital strengthening processes and alignment with EBA requirements

On 27 November 2013, the European Commission approved Montepaschi Group's Restructuring Plan, drafted under the procedure for issuance of the New Financial Instruments and within the European framework for State Aid. The strategic guidelines of the Plan can essentially be summarised as follows:

- quantitative and qualitative strengthening of capital;
- structural re-balancing of liquidity;
- attainment of sustainable levels of profitability.

The Group is currently carrying out the Plan, which includes a share capital increase during 2014 to repay the NFIs. For this purpose, the Extraordinary Shareholders' Meeting will be convened at the end of May to approve the augmentation of the share capital increase from EUR 3 bn (approved 28 December 2013) up to a maximum of EUR 5 bn.

The objective of the share capital increase is to provide the Bank with additional buffer capital to absorb any negative effects of the Comprehensive Assessment so that the commitments made in the Plan can continue to be met. Furthermore, the higher level of the share capital increase will allow the Group to accelerate the implementation of the 2013-2017 Business Plan, by being able to better exploit the opportunities from a possible recovery in macro-economic conditions and banking activities and to potentially accelerate, based on the results of the Comprehensive Assessment, the full repayment of the New Financial Instruments with respect to the timing agreed with the European Commission.

Income statement

Trends in operating revenues: generation of net income from banking and insurance activities

As at 31 March 2014, the Group's **net income from banking and insurance activities** totalled EUR 957 mln, up 30.2% compared to Q4 2013 (EUR +222 mln), however, down 18.3% compared to the same period in the previous year.

Financial and insurance income (EUR mln)

		(*)	(*)	(*)	(*)	Chg 4Q2013 vs 3Q2013		Chg Y/Y	
	1Q2014	4Q2013	3Q2013	2Q2013	1Q2013	Abs.	%	Abs.	%
Net interest income	445.8	564.0	507.3	487.2	597.7	(118.2)	-21.0%	(151.9)	-25.4%
Net fee and commission income	445.2	404.8	404.2	417.3	431.3	40.4	10.0%	13.9	3.2%
Income from banking activities	**891.0**	**968.8**	**911.5**	**904.4**	**1,029.0**	**(77.8)**	**-8.0%**	**(138.1)**	**-13.4%**
Dividends, similar income and gains (losses) on equity investments	25.7	32.9	31.1	38.6	27.2	(7.2)	-21.9%	(1.5)	-5.4%
Net trading income (loss) / valuation of financial assets	45.1	(271.6)	89.6	76.5	119.5	316.7	n.s.	(74.4)	-62.3%
net profit (loss) from hedging	(4.6)	5.0	7.0	(0.9)	(4.0)	(9.6)	n.s.	(0.6)	13.9%
Financial and insurance income	**957.2**	**735.2**	**1,039.1**	**1,018.7**	**1,171.8**	**222.0**	**30.2%**	**(214.5)**	**-18.3%**

(*) The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

A closer look at the aggregate reveals the following:

- **Net interest income** amounted to EUR 446 million, down 21% from the previous quarter and 25.4% from 31 March 2013. This item reflects the recalculation of the NFI repayment value in relation to their contractual clauses, which is linked to the amount that Fondazione

Monte dei Paschi di Siena announced that it received for the sale of the ordinary shares of Banca Monte dei Paschi[4], with a negative one-off effect in Q1 2014 of EUR 143 mln.

Excluding this amount, the net interest margin as at 31 March 2014 would have been EUR 588 mln, up 4.3% (EUR +24.3 mln) compared to Q4 2013. These changes were the result of the following factors: positively, the funding cost containment actions taken by management, particularly with corporate customers having marginal conditions, and the recovery of interest rates that began in December 2013, which had a particularly beneficial effect on mortgages. Hence, the funding/lending spread increased 14 bps compared to Q4 2013. On the negative side, interest-bearing loan volume declined and the "calendar effect" (2 fewer days in the period had a negative effect of EUR 12 mln).

Excluding the effects associated with securities subscribed by the government (NFIs), the net interest margin would have shown an increase of 4.1% over the same period in the previous year (EUR +24.3 mln), mainly due to the increase in the average funding/lending spread (+43 bps), only partially offset by the reduction in interest-bearing assets (loans and securities)5.

- **Net fee and commission income**, equivalent to EUR 445 mln, showed considerable growth, up 10% compared to Q4 2013 (EUR +40 mln) and 3.2% compared to the same period in the previous year. This result is due to positive performance in the Sales Network, which resulted in significant growth in placement commissions for assets under management, payment services and foreign service products. Loan fees (essentially stable compared to the previous quarter, but down from the same period in the previous year) benefitted from proceeds related to the distribution of consumer finance products, following the agreement signed with Compass (refer to the "Loans to customers" section).
- **Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities** as at 31/03/2014 totalled EUR 45.1 mln, a marked improvement over the previous quarter (EUR +317 mln) and included the negative effect of the recognition of certain non-recurring items. More specifically:
  - **Net profit (loss) from trading** positive for EUR 43.8 mln (EUR -111.4 mln in Q4 2013), mainly due to structuring of investment products and hedging financial risks for the Group's customer by MPS Capital Services – Banca per le Imprese;
  - **Gains (losses) on disposal/repurchase of loans, financial assets available-for-sale and financial liabilities** of EUR 47 mln (EUR -119 mln in Q4 2013), due to realised gains from the planned optimisation of the AFS securities portfolio;

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[4] The prospectus of the New Financial Instruments envisages that they are repaid based on the greater of:
(i) a percentage of the Initial Nominal Value equivalent to: 100% if they are redeemed by 30 June 2015; subsequently, the percentage is increased by 5 percentage points every two years up to 160% (105% if they are redeemed between 1 July 2015 and 30 June 2017; 110% if they are redeemed from 1 July 2017 to 30 June 2019, etc.); and
(ii) the product of shares underlying the NFIs and the price paid by the offeror in the event of a takeover bid on the Issuer's ordinary shares at any time after the subscription date;
(iii) the product of shares underlying the NFIs and the amount that Fondazione Monte dei Paschi di Siena announces that it received for the sale of the Issuer's ordinary shares, at any time after the subscription date, notwithstanding the following specifications. Sales of ordinary shares that represent as a whole less than 10% of the share capital over a period of 12 months shall not be considered for purposes of this clause. If Fondazione Monte dei Paschi di Siena undertakes several transactions that are relevant for the purposes of this clause, the amount will be calculated based on the average weighted price per share realised by Fondazione Monte dei Paschi di Siena.

[5] In addition to the negative one-off effect on Q1 2014, there was also less interest expense on the lower average stock of NFIs compared to Q1 2013, (EUR 34 mln). Note that at the end of February 2013, the government-backed New Financial Instruments were issued for a total of EUR 4,071 mln and Tremonti Bonds were repaid for an amount of EUR 1,900 mln.

- **Net profit (loss) from financial assets and liabilities designated at fair value** of EUR -45.7 mln (EUR -41 mln in Q4 2013), chiefly attributable to the increase in value of certain bond issues placed with retail and institutional customers, following the considerable improvement of the Banca MPS credit standing (the CDS of Banca MPS for subordinated bonds at 5 years decreased 190 bps during the quarter, the senior CDS by 113 bps).

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

	1Q2014	(*) 4Q2013	(*) 3Q2013	(*) 2Q2013	(*) 1Q2013	Chg 4Q2013 vs 3Q2013 Abs.	%	Chg Y/Y Abs.	%
Net profit (loss) from trading	43.8	(111.4)	77.3	59.7	62.3	155.2	n.s.	(18.4)	-29.6%
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	47.0	(118.9)	(16.5)	27.5	24.0	165.9	n.s.	23.0	96.1%
Net profit (loss) from financial assets and liabilities designated at fair value	(45.7)	(41.3)	28.8	(10.6)	33.3	(4.4)	10.7%	(79.0)	n.s.
Net profit (loss) from trading	**45.1**	**(271.6)**	**89.6**	**76.5**	**119.5**	**316.7**	**n.s.**	**(74.4)**	**-62.3%**

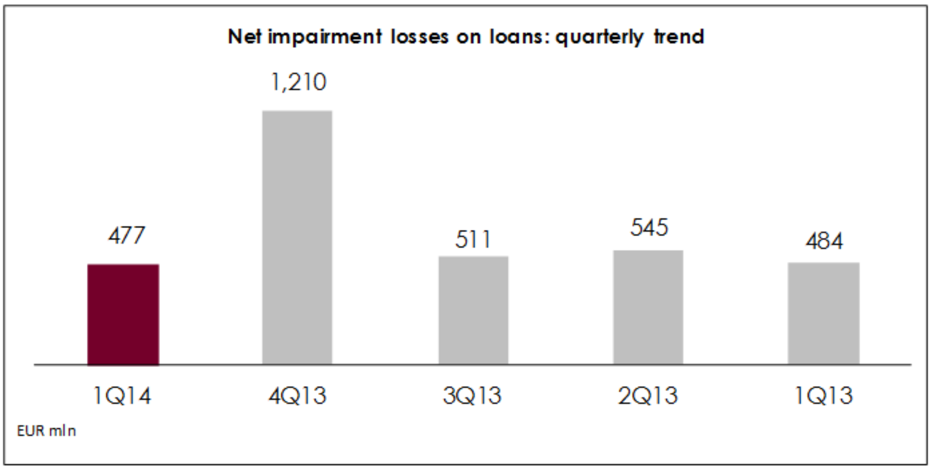
(*)The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains (losses) on equity investments**: the result of **EUR 25.7 mln** (EUR 32.9 mln in Q4 2013) is almost entirely related to the AXA-MPS contribution (consolidated using the equity method);
- **Net income from hedging**: negative balance of **EUR 4.6 mln** (positive balance of EUR 5 mln in Q4 2013).

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

In the first quarter of 2014, the Group **booked net impairment losses (reversals) on loans** for approximately EUR 477 mln, a decrease of EUR 733 mln compared to the previous quarter and slightly down from the value recorded as at 31/03/2013 (-1.6%). The quarter's result was mainly influenced by the gross amount of non-performing loans that was less than the amount posted in the fourth quarter of 2013. The ratio of loan loss provisions for the period over total customer loans reflects a **provisioning rate of 144 bps**, compared to 211 bps in 2013.



Net impairment losses (reversals) on financial assets showed a **negative balance of EUR 15.2 mln** (EUR -43.1 mln in Q4 2013; EUR -10.3 mln as at 31/03/2013) almost entirely due to the writedown of the equity investment in Istituto per il Credito Sportivo, included in the AFS securities portfolio.

As a result, **income from banking and insurance activities totalled EUR 466 mln**, an improvement over Q4 2013, which had a negative balance of EUR 518 mln, but down 31.3% from Q1 2013.

Operating expenses

As at 31 March 2014, **operating expenses** totalled **EUR 661 mln**, down 3.8% on the previous quarter and 9.4% compared to 31/03/2013.

Operating expenses (EUR mln)									
	1Q2014	(*) 4Q2013	(*) 3Q2013	(*) 2Q2013	(*) 1Q2013	Chg 4Q2013 vs 3Q2013 Abs.	%	Chg Y/Y Abs.	%
Personnel expenses	429.3	414.3	429.0	422.6	452.9	15.0	3.6%	(23.6)	-5.2%
Other administrative expenses	182.6	226.6	229.8	246.1	236.8	(44.0)	-19.4%	(54.2)	-22.9%
Administrative expenses	**611.9**	**640.9**	**658.8**	**668.7**	**689.7**	**(29.0)**	**-4.5%**	**(77.7)**	**-11.3%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	48.6	45.4	38.0	36.0	39.3	3.2	7.1%	9.3	23.8%
Operating expenses	**660.5**	**686.3**	**696.9**	**704.7**	**728.9**	**(25.8)**	**-3.8%**	**(68.4)**	**-9.4%**

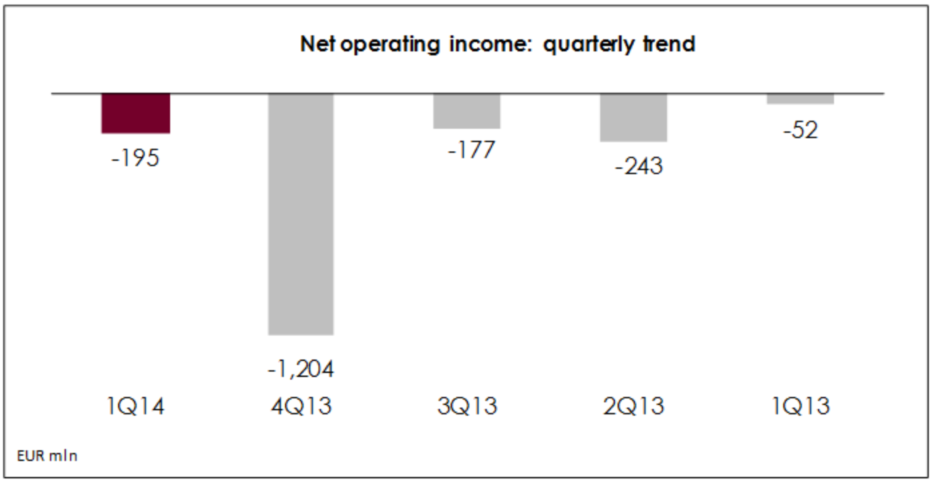
(*) The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

In particular:

- **Administrative expenses** were EUR 612 mln, down 4.5% from Q4 2013, and 11.3% compared to the same period in the previous year. In particular:
  - **Personnel expenses**, totalling **EUR 429 mln**, were up 3.6% on the previous quarter, but down 5.2% compared to 31/03/2013, due to headcount reduction and the positive effects from agreements with trade unions signed at the end of 2012 which, overall, absorbed the higher 2013 costs arising from the latest renewal of the National Collective Labour Agreement;
  - **Other administrative expenses** (net of customer expense recovery), totalling **EUR 183 mln**, were down 19.4% QoQ and 22.9% YoY, due to structural cutbacks in spending, particularly on rental expenses, advertising, sponsorships and events,

business trips and facility management and office supplies. However, expenses for the quarter are not fully representative of the forecasted expenditures for 2014, as certain services, specifically professional services, will accelerate in the 2nd quarter, with related effects on the income statement in subsequent periods.

- **Net value adjustments to tangible and intangible assets** were **EUR 49 mln**, up 7.1% compared to Q4 2013 and 23.8% compared to the same period of the previous year. This item is mainly influenced by higher amortisation of intangible assets due to the consolidation of Perimetro carried out at the end of 2013.



As a result of the above factors, **Net Operating Income** totalled EUR -195 mln (vs. EUR -1,204 mln in Q4 2013, and EUR -51.7 mln as at 31/03/2013), with a cost/income ratio of 69% (71% as at 31/03/2013).

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

The result for the period included:

- **Net provisions for risks and charges and other operating expenses/income** totalled EUR -53.2 mln as at 31/03/2014 (compared to EUR -223 mln in Q4 2013 and EUR +8.5 mln in Q1 2013). The aggregate consists of:
  - **Net provisions for risks and charges** of EUR -54.5 mln, almost entirely due to lawsuits and claw-back actions;
  - **Other operating expenses (income)**, net of expenses recoveries reclassified in Other administrative expenses, with a positive balance of EUR 1.3 mln. This was positively affected by revenues from the "fast-track facility fee" (EUR +15 mln) but negatively affected by charges in connection with lawsuit settlements and writedowns on improvements of leasehold properties;
- **Gains (losses) on equity investments**, showing a net positive balance of EUR 42 mln for the gains from the Sorin sale (EUR +19 mln) and, for the remainder, the 50% adjustment to the sale price of the life insurance business to AXA;
- **Restructuring costs/One-off charges**, amounting to EUR -1 mln, associated with revised early-retirement incentives put in place following the trade union agreement of 19 December 2012;

- **Gains on disposal of investments**, for EUR 4.7 mln, related to the gain on the sale of the administrative and back-office activities to Fruendo.

As a result of the above, a **loss before tax from continuing operations of EUR 203 mln** was posted as at 31/03/2014 (vs. a loss of EUR 41.9 mln as at 31/03/2013).

Profit (loss) before tax from continuing operations (EUR mln)

	1Q2014	(*) 4Q2013	(*) 3Q2013	(*) 2Q2013	(*) 1Q2013	Chg 4Q2013 vs 3Q2013 Abs.	%	Chg Y/Y Abs.	%
Net operating income	**(195.0)**	**(1,204.0)**	**(177.1)**	**(242.5)**	**(51.7)**	**1,008.9**	**-83.8%**	**(143.4)**	**n.s.**
Net provisions for risks and charges and other operating expenses/income	(53.2)	(223.0)	(29.2)	11.5	8.5	169.9	-76.2%	(61.7)	n.s.
Gains (losses) from Investments	41.9	(25.9)	(0.5)	(32.6)	1.0	67.8	n.s.	40.9	n.s.
Restructuring charges / One off charges	(1.1)	(6.7)	(0.2)	(17.6)	-	5.6	-83.3%	(1.1)	n.s.
Gains (losses) on disposal of investments	4.7	1.9	1.2	(1.9)	0.2	2.8	n.s.	4.5	n.s.
Profit (Loss) before tax from continuing operations	**(202.7)**	**(1,457.7)**	**(205.7)**	**(283.1)**	**(41.9)**	**1,255.0**	**-86.1%**	**(160.8)**	**n.s.**

(*) The previous year's figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014.

Taxes on profit (loss) for the period from continuing operations shows a positive balance of EUR 38 mln (compared to a negative balance of EUR 37 mln in Q1 2013).

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

***

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

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

EUR Thousands	**Shareholders' equity**	**Net profit (loss)**
Balance as per Parent Company's Accounts	4,582,810	(231,997)
including Parent Company's valuation reserves	*(896,493)*	-
Impact of line-by-line consolidation of subsidiaries	1,032,049	39,416
Impact of associates	415,456	25,307
Reversal of dividends from subsidiaries	-	-
Other adjustments	112,192	(6,833)
Subsidiaries' valuation reserves	108,838	-
Consolidated balance	**6,251,345**	**(174,107)**
including valuation reserves	*(787,656)*	

Results by operating segment (to be updated with values for operating expenses)

Identification of operating segments

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

The following Operating Segments, reporting to the highest decision-making level were identified, and therefore, reflect the organisational criteria currently in place: Retail Banking, Corporate Banking, Financial Advisory and Digital Banking, and the Corporate Centre.

As such, note that, in comparison to the financial statements as at 31/12/2013, the breakdown by operating segments was updated to include recent organisational changes (refer to the section "Corporate and organisational developments and significant events") that led to the elimination of the Retail and Corporate Division and the creation of the following, reporting directly to the Chief Executive Officer:

- **Corporate and Investment Banking Division**, which coordinates the sales activities for the Corporate segment, Key Clients, Foreign Branches and the subsidiaries MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring. The results of the Corporate Division are included in the "Corporate Banking" operating segment, which remained unchanged with respect to 31/12/2013.
- **Retail and Network Division**, which coordinates the sales activities of the Retail and Private segments and the subsidiaries Consum.it and Mps Fiduciaria. The results for the Retail Division are included in the "Retail Banking" operating segment, which has changed from the financial statements as at 31/12/2013 for the figures related to the Financial Advisory Network, whose results will now be shown in the "Financial Advisory and Digital Banking" operating segment (refer to subsequent point);
- New organisation structure which includes both the Financial Advisory Network (previously included in Retail Banking) as well as the subsidiary WIDIBA, the Group's newco in the online banking sector, which will begin operations in the second half of 2014.

Based on these changes, the results by operating segment for all of the comparison periods were retrospectively adjusted.

Results in brief

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

SEGMENT REPORTING	Business Segments									
Primary segment	Retail banking		Corporate banking		Financial advisory and digital banking		Corporate Center		Total MPS Group	
(EUR mln)	31/03/14	Chg % Y/Y	31/03/14	Chg % Y/Y	31/03/14	Chg % Y/Y	31/03/14	Chg % Y/Y	31/03/14	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Income from banking and insurance	949.0	-6.2%	460.8	-0.8%	8.5	0.6%	(461.1)	47.3%	957.2	-18.3%
Net impairment losses (reversals) on loans and financial assets	(202.2)	10.8%	(286.9)	-6.0%	0.0	n.s.	(2.6)	-62.5%	(491.7)	-0.6%
Operating expenses	(508.3)	-6.8%	(145.8)	-5.9%	(3.2)	n.s.	(3.1)	-89.5%	(660.5)	-9.4%
Net operating income	238.4	-16.0%	28.0	n.s.	5.3	-45.6%	(466.8)	33.5%	(195.0)	n.s.
BALANCE SHEET AGGREGATES										
Interest-bearing loans to customers	54,228	-8.4%	56,646	-8.7%	131	-21.7%	12,340	7.9%	123,345	-7.2%
Deposits from customers and debt securities issued(*)	65,481	-7.4%	24,435	14.3%	677	-3.7%	38,266	-10.0%	128,859	-4.8%
Indirect funding	61,929	6.3%	24,758	-8.3%	5,338	-7.3%	13,248	-32.1%	105,273	-4.7%
Assets under management	*37,844*	*8.1%*	*1,247*	*-6.6%*	*4,752*	*-6.9%*	*2,813*	*18.6%*	*46,656*	*6.5%*
Assets under custody	*24,085*	*3.7%*	*23,510*	*-8.4%*	*586*	*-10.4%*	*10,435*	*-39.1%*	*58,617*	*-12.1%*

(*) Retail Banking and Corporate Banking data refers to the Distribution Network alone. Note that these figures do not include intercompany balances for the legal entities reporting to their respective business segments (typically intragroup funding)

N.B.: Y/Y changes are in line in that 2013 income statement and balance sheet figures have been restated to reflect the changes illustrated in the chapter "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", following the introduction of new accounting standards which came into force as of 1 January 2014. It should also be noted that the comparative data for 2013 has also been restated to include the merger (in the second quarter of 2013) of MPS Gestione Crediti Banca into the Parent Company. As a result, the cost of debt collection management activities has been transferred from fee and commission expense to operating expenses.

Commercial segments

Retail Banking

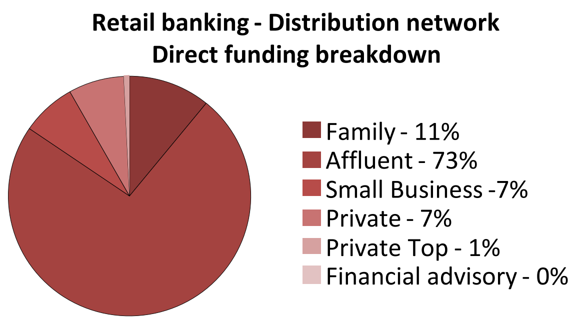
Profit & loss and balance sheet results

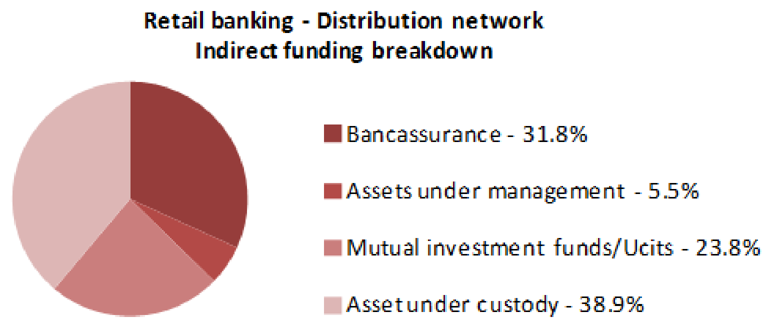
As at 31/03/2014, **total funding** for Retail Banking was **EUR 127 bn**, up 1.2% from the end of 2013, due to the positive results of the initiatives and projects for the commercial re-launch (e.g., Regata), which reversed the unfavourable trend seen in 2013, heavily influenced by the media coverage related to the highly publicised legal proceedings involving the Group. **Direct funding**, totalling **Euro 65 bn**, was essentially unchanged from December 2013 (-0.2%), although there was a re-balancing from bonds to current accounts and term deposits.

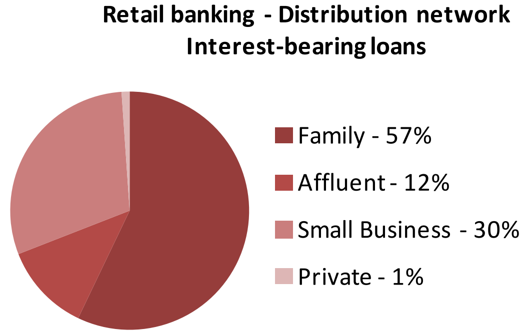
Indirect funding, equivalent to **EUR 62 bn**, grew 2.9% in Q1 2014 due to assets under custody (+1.7%) and, particularly, assets under management (+3.6%), which benefitted from the net positive funding flows, especially in mutual funds and insurance policies.

With regard to credit management, **interest-bearing loans**, which stood at **EUR 54 bn**, were down 1.5%, though with a decelerating trend compared to previous periods, due to the inability to replace maturing loans with new credit medium/long term credit disbursements.

RETAIL BANKING - BALANCE SHEET AGGREGATES					
(Eur mln)	31/03/14	31/12/13	31/03/13	Chg %Q/Q	Chg %Y/Y
Deposits from customers and debt securities issued - Distribution Network	**65,481**	**65,635**	**70,712**	**-0.2%**	**-7.4%**
Assets under management	*37,844*	*36,530*	*35,011*	*3.6%*	*8.1%*
Assets under custody	*24,085*	*23,674*	*23,233*	*1.7%*	*3.7%*
Indirect Funding - Distribution Network	**61,929**	**60,203**	**58,244**	**2.9%**	**6.3%**
Total Funding - Distribution Network	**127,410**	**125,838**	**128,956**	**1.2%**	**-1.2%**
Interest-Bearing Loans to Customers	**54,228**	**55,031**	**59,218**	**-1.5%**	**-8.4%**







With regard to profit and loss, Retail Banking achieved **total revenues** of **EUR 949 mln** in the first quarter of 2014, down 6.2% with respect to 31/03/2013. The aggregate includes:

- a decrease in net interest income (-9.8%), due mainly to the contraction in brokered volumes compared to the same period in the previous year (direct funding: -7.4%, loans: -8.4%);
- an increase in net fee and commission income (+8.4%), boosted by positive trends in revenues from the placement of wealth management products, only partially offset by the decline in the credit sector;
- a reduction of 74% in "other revenues".

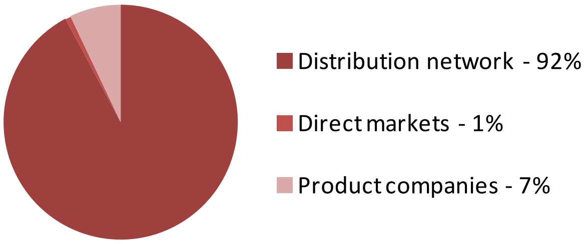
As for cost components, there was an increase in both net impairment losses (reversals) on loans and financial assets (+10.8%) and a decrease in operating expenses (-5.9%) with respect to the previous year.

As a result of the above components, as at 31 March 2014 the Retail Banking posted a **Net Operating Income of EUR 238.4 mln** (-17.4% YoY), with a **cost-to-income ratio of 53.6**%.

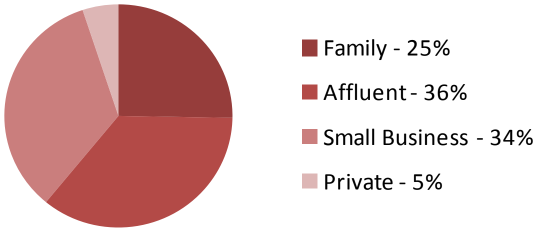
RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/14	(*) 31/03/13	Chg %Y/Y
Net interest income	*572.0*	*634.4*	*-9.8%*
Net fee and commission income	*367.0*	*338.7*	*8.4%*
Other income	*10.0*	*38.5*	*-74.0%*
INCOME FROM BANKING AND INSURANCE	**949.0**	**1,011.6**	**-6.2%**
Net impairment losses (reversals) on loans and financial assets	*(202.2)*	*(182.6)*	*10.8%*
Operating expenses	*(508.3)*	*(540.5)*	*-5.9%*
NET OPERATING INCOME	**238.4**	***288.6***	**-17.4%**

(*) Figures restated in line with criteria adopted for debt collection activities in 2013.

Consumer banking
Breakdown of revenues



Consumer banking - Distribution network
Breakdown of revenues



PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/03/14	31/03/13	Chg %Y/Y
Consum.it	(3.7)	9.9	-137.7%
MPS Fiduciaria	0.1	0.2	-34.9%

Main initiatives

Marketing activities for the network involved different objectives across three target markets: family, small business, and affluent.

Family market

- Marketing launch for Compass "Tuttofare Extra" personal loans.
- Expansion of the Insurance offer with the marketing of three new guarantees for the "Mia Protezione" policy.
- Launch of a pilot project to promote the "Scatola Nera" for RCA policies.
- Release of the Advice Previdenza platform, an operating infrastructure for advisory services related to insurance.

Small business market

- Launch of a promotional campaign dedicated to new account holders.
- Growth in short-term loans, supported by campaigns with pre-accepted conditions for the best ratings.
- Increase in new POSs, through the launch of a campaign dedicated to customers who activate the service.

- Continued attention to issues related to Protection.

Affluent market

- Funding management through close attention to issues of volume and customer retention, as well as recovery of funding.
- Continued attention to issues related to Protection.
- New customer promotion and acquisition initiatives in local markets.
- Offer of window products and in the Bancassurance and assets under management departments in mutual funds.
- Introduction of the new "Conto Italiano di Deposito" dedicated to retired customers.

Marketing

Launch of promotional initiatives that led to the transfer of new assets and the acquisition of new customers. In particular:

- "Un Monte di Valore" ("A Mountain of Value"), aimed at encouraging the transfer of securities, UCITS, and liquidity from other banks.
- "Un Monte di Hi Tech" ("A High Tech Mountain"), which provides new customers with a Samsung smartphone or tablet for opening a bank account and investing liquid funds in a time deposit account, with remuneration at competitive rates.
- "Uno di Noi" ("One of Us"), which provided employees of the Group the possibility to provide "non customers" with vouchers that allow them to have favourable conditions for opening a bank account.
- "RendiMonte", with promotional rates for transferring new funds into existing accounts.

Bancassurance

- Restyling of "AXA MPS Mia protezione" with the addition of 3 new guarantees (loan loss, cyber risk and renewable energies) in order to cover the protection insurance needs of individuals and assets.
- Launch of the "AXA MPS Pronto Protezione Casa" product, which offers fire (factory and its contents) and theft guarantees.
- Launch of the placement of credit protection hedges associated with Compass loans and financing for loans on future wages.
- Release of a service for health certifications, known as "AXA MPS Easy Check UP", with which the customer can easily obtain the medical certifications required for life insurance policies, including through the use of dedicated auxiliary services (transportation with a driver, dedicated toll-free number, etc.).
- Commencement of an online renewal service, on Paskey, for AXAMPS Guidare Protetti policies.
- Issue of 4 additional principal-protected Unit Linked products in the "AXA MPS Valore Performance" line. These products allow the subscriber to combine the advantages of an insurance product with the investment objective of his/her savings in financial markets, by protecting the premium paid at maturity.
- Launch of the "AXA MPS Multi Selection" Unit policy that allows the customer to invest in 50 different foreign UCITS chosen from the best investment firms in the market.

- Launch of a new Class I revaluable policy, known as "AXA MPS Valore Risparmio", which, in addition to protecting savings, offers coverage in the event of accidental death in the first ten years.

Loans

- The sales partnership with Compass for placement of personal loans was activated through the Network. In addition, in March sales of salary-/pension-backed loans and payment delegation products were launched.

E-money, Payments and Collections

- Completion of mandatory functional upgrades for SEPA End Date and the migration of customer transactions from RID to SDD (SEPA Direct Debit) and from Bonifico Italia (BON) to SCT (SEPA Credit Transfer).
- Launch of initial innovation and development activities in the payments area: digital wallet masterpass, mybank, m-pos, postal payments with results online and C-bill.
- Installation of new, advanced terminals that can accept contactless cards.
- Release of CUP functionality (acceptance of China Union Pay cards) on POS.
- Migration of CartaSi credit cards to the new Issuing platform and implementation of new functionality (e.g., sending PIN via SMS) to improve security and service quality.
- Preferential partnership agreement (non-exclusive) with MasterCard, that will allow additional advances in the offer.

Asset management

- Launch of 2 new coupon funds, known as "Traguardo", characterised by a predominant bond component in European government securities (which allows the distribution of coupons throughout the life of the products) and an equity, bond and/or flexible fund component, with the objective of producing additional returns compared to more prudent investments.
- Launch of a new fund, known as "Evoluzione 2019", that innovates the related product offering: a planned investment that grows over time in the riskiest asset classes, allowing customers to invest their savings in equity markets with optimal timing.

Advice

Advisory activities were further strengthened for investment services through the Advice platform, as indicated from data available for the first two months of the year:
- number of proposals grew 110% compared to the same period in the previous year;
- volumes handled by Advice represented 41.6% of total placements;
- average yield on Advice portfolios was 0.5% higher than those of portfolio administered without advisory services.

Private Banking

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

- Introduction of new methodologies and tools for enhancing synergies with other business segments, particularly the SME market, with an acquisition-oriented objective (e.g., the so-called Private-SME Community).
- Current account solutions designed for Private and Private Top customers, to allow customers to manage their liquidity in the manner that best meets their needs.
- The “Un Monte di Valore” (“A Mountain of Value”) promotion, aimed at encouraging the transfer of securities, UCITS, and liquidity from other banks.
- Activation of competitive conditions in certain segments, to meet the specific needs of customers and support customer acquisition.
- Development of the multi-brand model, by expanding the available product range through distribution agreements with Invesco, a leading international investment firm.
- Consolidation of the bancassurance service offering, with the new “Axa MPS Multiselection” Unit Linked policy.
- Developing new ways of interacting with customers, such as direct email marketing campaigns and SMS.
- Promotion of advisory services, through the Advisory Specialist teams located throughout our local markets, in support of the Private Banking network.
- Activation of an advisory initiative to support portfolio diversification, that allowed customers to spread risk and reap the benefits in terms of overall performance (risk/return), through diversification.

Corporate Banking

Profit & loss and balance sheet results

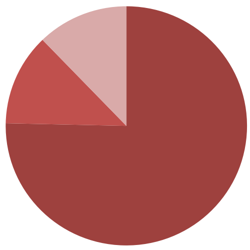
As at 31 March 2014, **total funding** from Corporate Banking stood at **EUR 49 bn**, up 8.3% from the end of 2013. **Direct funding**, totalling **EUR 24 bn**, grew 12.8% during the quarter, boosted by deposits on demand from Institutional customers.

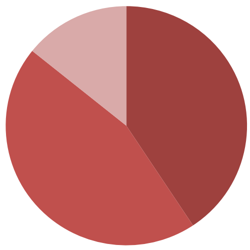
Indirect funding, consisting largely of assets under custody, was **EUR 25 bn** as at 31/03/2014, (+4.1% from the end of 2013), having been affected to a considerable extent by the changes in deposits from some of the Group’s Key Clients, however, the impact was not significant.

With regard to lending, as at 31 March 2014, **interest-bearing loans** stood at **EUR 57 bn**, just under the level at the end of 2013 (-0.5%).

CORPORATE BANKING - BALANCE SHEET AGGREGATES

(EUR mln)	31/03/14	31/12/13	31/03/13	Chg %Q/Q	Chg %Y/Y
Deposits form customers and debt securities issued - Distribution Network	**24,435**	**21,661**	**21,375**	**12.8%**	**14.3%**
Assets under management	*1,247*	*1,245*	*1,335*	*0.2%*	*-6.6%*
Assets under custody	*23,510*	*22,535*	*25,660*	*4.3%*	*-8.4%*
Indirect Funding - Distribution Network	**24,758**	**23,779**	**26,995**	**4.1%**	**-8.3%**
Total Funding - Distribution Network	**49,193**	**45,440**	**48,370**	**8.3%**	**1.7%**
Interest-Bearing Loans to Customers	**56,646**	**56,921**	**62,038**	**-0.5%**	**-8.7%**





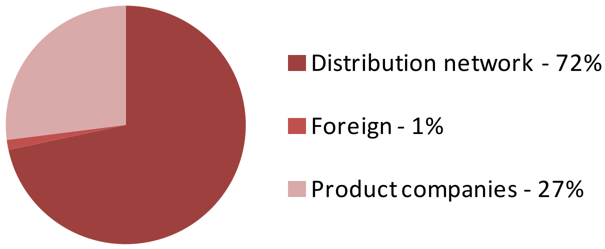
With regard to profit and loss aggregates, as at 31 March 2014 **total revenues** for Corporate Banking came to **EUR 461 mln** (-0.8% compared to 31/03/2013), with net interest income falling 3.4% as a result of both a decrease in interest-bearing loans (-8.7% from 31/03/2013), offset by the positive effect from funding growth (+14.3%). Net fee and commission income was down 7.7%, mainly due to fewer lending transactions. The contribution from other revenues grew 35.8%, mainly due to structuring of investment products and hedging of financial risks for the Group's customers by MPS Capital Services – Banca per le Imprese;

Net operating income was positive for EUR 28 mln, attributable to the reductions in net impairment losses on loans and financial assets and operating expenses, down 6% and 5.9%, respectively, compared to the same period in the previous year. The **Corporate Banking cost-income ratio stands at 31.6%**.

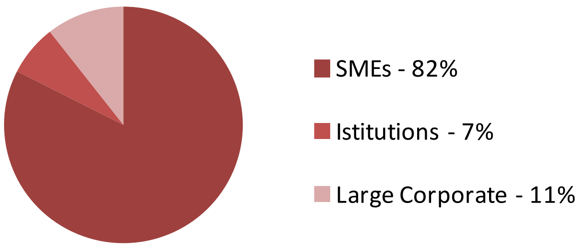
CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/14	(*) 31/03/13	Chg %Y/Y
Net interest income	*278.5*	*288.4*	*-3.4%*
Net fee and commission income	*120.9*	*131.0*	*-7.7%*
Other income	*61.4*	*45.2*	*35.8%*
INCOME FROM BANKING AND INSURANCE	**460.8**	**464.6**	**-0.8%**
Net impairment losses (reversals) on loans and financial assets	*(286.9)*	*(305.1)*	*-6.0%*
Operating expenses	*(145.8)*	*(155.0)*	*-5.9%*
NET OPERATING INCOME	**28.0**	**4.5**	**n.s.**

(*) Values have been restated to reflect the effects from the merger by absorption of MPS Gestione Crediti Banca into the Parent Company with the cost of bad debt collection management activities transferred from fee and commission expense to operating costs.

Corporate banking
Breakdown of revenues



Corporate banking - Distribution network
Breakdown of revenues



PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/03/14	31/03/13	Chg %Y/Y
MPS Capital Services	39.3	27.9	40.9%
MPS Leasing & Factoring	(4.6)	(0.7)	n.s.

Main initiatives

SME Market

- Launch of sales initiatives aimed at selectively increasing short-term loans.
- Activities to requalify assets through a gradual and selective strategy of improving the portfolio risk profile.
- Strengthening of the capacity to support investments of small-medium business with the launch of the new "Finanziamento CDP – Ponderazione Zero" product.
- Re-launch of the SME segment and updating of the related service model: start-up of the pilot phase in the Reggio Emilia and Modena areas.
- Development of activities to optimise pricing management and reinforcement of IT procedures to support unilateral pricing actions.
- Activities to increase the acquisition rate.
- Development of synergies between the SME and Private markets, with the activation of an ad hoc reporting platform, "Community Private/PMI".

Institutions market

- Conversion of demand deposits to short/medium-term funding.
- Pricing control activities on demand deposits.
- Expansion of collection services.
- Launch of new agreements aimed at customers in the service sector.

Foreign market

Development of a new support model for business globalisation projects. The model was enhanced during the quarter by a new product developed with the subsidiary MPS Leasing & Factoring (refer to subsequent pages), and includes solid international relationships (ICE, SACE, SIMEST, the Chamber of Commerce system) and foreign collaborations that ensure an integrated offer of banking, technical and advisory services.

MPS Capital Services

Corporate finance

- **Project Financing** - activities continued relative to mandates signed in 2013, including those for the construction and management of the thermo-electric plant in Sedegliano (Udine) and the construction and management of a vegetable biomass waste incinerator in Terni, which are both nearly complete.

  As regards new projects, a financial advisory mandate was signed for a hospital and research facility in Sesto San Giovanni (Milan). Furthermore, 5 asseverations were implemented for transactions to be carried out in the sectors of infrastructure and renewable energy.

- **Structured Finance** - structuring of medium to long-term transactions continued, in accordance with specific mandates previously signed, relative to: 1) development and management of the gas distribution network in certain zones in Sardinia; 2) development of a logistics infrastructure in southern Italy; 3) implementation and management of investment plans for the Integrated Water System.

- **Syndication** - the syndication of a pool transaction was initiated and structuring is underway for a loan related to a large requalification project in the hospitality/tourism sector in Sicily by a foreign investor. As regards arranging, a pool transaction was placed on the market for Fileni Spa, the third largest Italian company in the sector of producing, processing and transforming poultry products, carried out on behalf of the Parent Company. In addition, a loan is being structured for the development of a shopping mall near Verona.

- **Acquisition Financing** - MPSCS, together with other leading Italian banks, assumed the role of Mandated Lead Arranger in the acquisition of Forno d'Asolo, one of the key Italian companies in the production and sales of frozen bakery products, by the private equity company 21 Investimenti.

Investment banking

- Lead Manager in the issue of a 5-year Senior Unsecured bond, which represented Banca MPS's return to global markets after a long absence.

- Dealer in 4 Covered Bonds issued by the Parent Company, for a total of EUR 1.8 bn, to improve the Group's counterbalance capacity.

- Placement Arranger for the Fondo Immobiliare Socrate real estate fund, in relation to opening the sixth and last window for underwritings and reimbursements.
- Co-Lead Manager in a syndicated issue by the Republic of Italy, for a total of EUR 4 bn.
- Underwriter for the public share offering of Moncler.
- Financial Advisor for the Parent Company on the disposal of the private equity portfolio and for Finanziaria Internazionale regarding investments in Fondo Minibond PMI Italia.
- Financial Advisor to the BoD of Meridiana SpA in preparing the Fairness Opinion in relation to the consistency of the all-inclusive, voluntary tender offer on ordinary shares of Meridiana Spa offered by Arly Holding SA.
- In the role of Nominated Advisor on the AIM Italia - MAC market of the Italian Stock Exchange, the company acquired a new mandate from Società Poligrafici Printing.

Subsidised financing

- Management of main national public aid for research and industrialisation on behalf of the Ministry of Economic Development and the Ministry of Education, Universities and Research.
- Promotion and development of the Guarantee Fund for SMEs, the subsidised financing tool of Mediocredito Centrale-Banca del Mezzogiorno.
- Completion and management of a group of subsidised transactions pertaining to the "Technological Innovation Fund – negotiated procedure".

Global Markets

The quarter was characterised by transactions that stabilised the 2013 risk levels, as a result of an extremely low risk premium and the commitments the Group made to the European Commission. Thus, the financial result was satisfactory, attributable to the activities of bancassurance investment products, and to a lesser extent, the activities as primary dealer in government securities, hedging derivatives for SME customers and secondary dealer in securities from corporate and financial issuers. Where market conditions were favourable, it was possible to take tactical market positions or positions that would benefit from current trends, particularly in peripheral markets.

MPS Leasing & Factoring

In collaboration with the Parent Company, MPS Leasing and Factoring developed a product to support the globalisation of Italian businesses: a short-term export loan that may be subscribed as a non-recourse credit concession and allows requesting businesses to insure themselves against the risk of foreign counterparty bankruptcy, while at the same time, benefitting from an advance.

Financial Advisory and Digital Banking

Profit & loss and balance sheet results

As at 31 March 2014, **total funding** for the Financial Advisory and Digital Banking operating segment was **EUR 6 bn**, down 3.7% from the end of 2013. **Direct funding**, totalling **EUR 0.7 bn**, increased 2.7% during the quarter, while **indirect funding** posted a decline of 4.5%, both in assets under management (-4.4%) and assets under custody (-5.1%).

FINANCIAL ADVISORY - BALANCE SHEET AGGREGATES					
(Eur mln)	31/03/14	31/12/13	31/03/13	Chg %Q/Q	Chg %Y/Y
Deposits from customers and debt securities issued - Distribution Network	**677**	**659**	**703**	**2.7%**	**-3.7%**
Assets under management	*4,752*	*4,970*	*5,102*	*-4.4%*	*-6.9%*
Assets under custody	*586*	*618*	*654*	*-5.1%*	*-10.4%*
Indirect Funding - Distribution Network	**5,338**	**5,587**	**5,756**	**-4.5%**	**-7.3%**
Total Funding - Distribution Network	**6,015**	**6,246**	**6,458**	**-3.7%**	**-6.9%**
Interest-Bearing Loans to Customers	**131**	**138**	**167**	**-5.0%**	**-21.7%**

With regard to profit and loss aggregates, as at 31 March 2014 **total revenues** for Financial Advisory and Digital Banking amounted to **EUR 8.5 mln**, a slight increase over March 2013 (+0.6%), with net interest income increasing 14.5% and net fee and commission income growing 13.8%.

Net operating income was positive for EUR 5.3 mln, with a **cost-income ratio of 38.9**% for the segment.

FINANCIAL ADVISORY - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/14	(*) 31/03/13	Chg %Y/Y
Net interest income	*5.0*	*4.4*	*14.5%*
Net fee and commission income	*3.5*	*3.1*	*13.8%*
Other income	*0.0*	*1.0*	*-101.9%*
INCOME FROM BANKING AND INSURANCE	**8.5**	**8.4**	**0.6%**
Net impairment losses (reversals) on loans and financial assets	*0.0*	*0.0*	*n.s.*
Operating expenses	*(3.2)*	*(3.6)*	*-9.5%*
NET OPERATING INCOME	**5.3**	***4.9***	**8.5%**

(*) Figures restated in line with criteria adopted for debt collection activities in 2013.

Main initiatives

Background

WIDIBA, the Group's new on-line bank

WIDIBA Bank is one of the foundational pillars for re-launching and re-positioning the Group's business model. It will combine a simple and complete self-service offer with the know-how and interpersonal skills of the Group's network of financial advisors.

During the quarter, the following project activities were carried out:

- Development of the service and the associated marketing activities aimed at enhancing the visibility of the new bank in the market, with the official launch in the coming months;
- Interaction with users, particularly within the proprietary "Say&Play" community and through social networks.

- Data confirm one of the trends in the banking sector: 80% of customers are multi-channel. A recent study showed additional growth in the use of remote channels in 2013, specifically for internet banking, which is now used by nearly half of customers (48%, equivalent to 14 mln customers). In addition, the percentage of customers that use banking services through the telephone has increased, both in the so-called "telephone banking" version, as well as the "mobile banking" version with the support of smart phones (11%, 3 mln users for each channel). Moreover, the use of ATMs has increased sharply, used by 85% of customers; in particular, 33% use the self-service areas for more advanced transactions.
- Substantial growth was also seen in the use of financial advisory (7% of customers state that they have taken advantage of this channel vs. 4% in 2012). We are at the beginning of a gradual evolution in the way of banking: branches may evolve toward complex systems with different types of branches to meet the specific needs of customer aggregations, in which the branches are specialised, multi-service, agile, automated or with specific forms for high impact communications. This trend is confirmed by the fact that 90% of customers continue to visit branches, but are using them for assistance and advisory rather than routine transactions.

The Corporate Centre

ALM and Capital Management

Objectives

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

Optimal management of liquidity

A growth plan for the aggregates has been initiated, maintaining financial stability in the long-term and guaranteeing compliance with liquidity requirements.

In March, the Bank was once again able to access institutional markets, issuing a bond as part of the Euro Medium Term Notes programme, for EUR 1 bn, with a duration of 5 years. In addition, secured financing activities continued, focused on collateralised funding transactions and/or collateral swap transactions, primarily utilising ABSs that it issued, or securities that it issued with government backing, as underlying assets

Subsequent to the reporting date, in April a 7-year Covered Bond was issued for EUR 1 bn.

Finally, in April EUR 4 bn of LTRO was reimbursed.

Interest risk management

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

Equity investment management

The Group continued to rationalise its equity investment portfolio. The following is a list of the Bank's most significant transactions:

- Merger by absorption of the subsidiary Monte Paschi Ireland, with legal effectiveness from 11 February 2014;
- Disposal of 11,245,265 shares of Prelios Spa, equivalent to 4.05% of share capital;
- Disposal of the equity investment in Società Aeroporto Toscano G. Galilei Spa, equivalent to 3.96% of share capital;
- Disposal of the equity investment in Sorin Spa, equivalent to 5.74% of share capital.

Furthermore, the public share offering of Anima Holding Spa was completed on 10 April 2014. As part of the initial public offering of the issuer, whose shares were admitted for listing on the Electronic Market operated by the Italian Stock Exchange beginning on 16 April 2014, the Bank, which was already a large shareholder in Anima with 21.63% of share capital, placed 10.05% on the market. If the "Greenshoe Option" is fully exercised, the residual portion of the Bank will be equivalent to 9.90% of the share capital.

The customer base

Our customers

As at 31 March 2014, the Group had 5,426,243 customers, down 31 thousand from the beginning of the year.

- 5,261,358 are managed by the sales & distribution networks of Banca MPS and the Financial Advisory network;
- 164,885 customers are managed exclusively by Consum.it, the Group company specialised in consumer loans.

The quarter saw a downward trend in customer retention and acquisition that, in consideration of the media coverage of the Group during 2013, is evidence of our customers' loyalty.

Distribution channels

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

Physical channels

As at 31 March 2014, the Group had a network of 2,334 branches in Italy (as reported by Bank of Italy) that included 23 specialised, non-traditional centres. The figure remains unchanged from the beginning of the year.

There are a total of 283 specialised centres (down 4 from the beginning of the year): 128 dedicated to SME customers, 90 to Private/Top Private customers, and 65 to Institutions.

In addition, there are: 12 branches of the subsidiary company, MPS Leasing & Factoring, 646 Financial Advisors and 121 local support offices, resources dedicated to "Key Clients".

There are 3,036 ATMs, down 7 from the beginning of the year.

The organisational structure of the Foreign Network remains unchanged and includes: 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 (17 branches in France).

Remote channels

As at 31 March 2014, there were 1,847,912 contracts related to remote channels (nearly 40 thousand higher than the beginning of the year) for 951,879 active users (+3.2% from the beginning of the year).

The main initiatives for the quarter were:

- Platform for postal payments (Fastbank) - this functionality will soon be available for all customers;
- New functionality of the RCA Renewal Policies, with payment via Internet Banking during branch hours;
- New home page for PasKey Internet Banking that will be available soon to all customers;
- Advanced Electronic Signature, with completion of the relative internal testing;
- New version of the FTSE MIB intraday graphic based on Google Chart technology, available for PasKey Mercati Online users;

- Marketing campaign for multi-channel services aimed at customers.

Customer Satisfaction (CS):

During the initial months of the year, customer satisfaction surveys were conducted for Retail, Private and Corporate customers relative to 2013.

CS Retail

The survey was carried out on the internet. An email was sent to 205 thousand customers, requesting that they complete an online questionnaire. The return rate was 10%.

In summary, the CS indicator was 64.9 on a scale from 20 to 100 (-5.3 points compared to the 2012 indicator). In more detail, the customer opinions covered:

- Satisfaction, or the customer's overall perception of quality: 69.8;
- Loyalty, or the propensity to select the Bank again: 65.6;
- Buzz marketing/word-of-mouth, or the propensity to recommend the Bank to friends/acquaintances: 65.1;
- Price/Quality ratio, or the product value for money vs. quality of service: 56.5.

CS Private

The survey was carried out over the telephone on a sample of 4,500 customers. One thousand useful questionnaires were collected.

In summary, the CS indicator was 67.8 on a scale from 20 to 100 (-7 points compared to the 2011 indicator).

The breakdown of the figure is as follows: 76.2 (satisfaction); 65.9 (loyalty); 63.2 (buzz marketing/word-of-mouth); 63.4 (price/quality ratio). The data show a high level of satisfaction with regards to customer relations and advisory, although it remains important to provide constant attention to customers in reference to following up with investments made over time. As regards products offered, asset management and bancassurance showed excellent levels of satisfaction, higher than those for mutual funds, UCITS and bonds issued by the Bank. The virtual channels offered are highly appreciated, despite the resistance to using more complex virtual tools (e.g., videochats). As evidence of the segment's distinctiveness, in which customers are more aware of competitors' proposals, there was a high percentage of multi-bank customers who, in large part, consider Banca MPS to be their reference bank, rating it above other banks.

CS Corporate

The data for Corporate customers are being assessed and will be provided in the next interim report.

Human capital

Headcount changes

The Group employed 27,304 people as at 31 March 2014. Since the start of the year, there have been 31 new hires (of which 6 are executives) and 80 dismissals (of which 49 resignations and 5 consensual employment termination for executives). Furthermore, since 1 January 2014, 1,064 employees left the Group as a result of the sale of the business unit related to back-office services and accounting and administrative activities.

The breakdown of the workforce showed further improvements: as at 31 March 2014, personnel in departments with direct customer contact was 75.8% of total headcount (compared to 74.1% at the end of 2013).

Headcount optimisation actions resulted in significant relocation in local offices that involved 25% of the Network staff. In addition, 30% of the transfer requests made directly by employees were granted and resources were selected internally to fill the 100 professional roles necessary to strengthen certain Head Office structures.

Human resource development and training

During the quarter, development and training activities involved:

- Implementation of the new Talent&Performance Management system, with the launch of performance appraisals carried out in 2013 by employees and the definition of the resulting action plans for 2014;
- Development Plans, with initiatives for recruiting and selecting from internal job postings to cover open positions in MPS Capital Services and for the growth of the new Online Bank;
- Development Assessment Centre initiative, designed to ensure an adequate pool to replace branch resources as well as to provide continuity for middle management positions in the Head Office;
- Private Performance Building project, to certify the Private Banker job profile, consistent with the Bank’s value system and DNA;
- Training in the necessary business skills and to support the key business projects inherent in commercial relations (the so-called Regata project), continued development of the Protection and Private departments, and managing problem loans.

Operational efficiency

Cost reduction initiatives

The innovation plan for the operating model continued in order to support cost reduction objectives in the Business Plan. The plan focused on the following areas:

- **Real estate** - actions underway seek to optimise the use of office space, both for the Sales Network as well as for the Head Office, as well as reduce rental expenses, through renegotiating an additional 450 contracts, with total expected benefits of 7% for 2014.
- **Security** - a new security management model is being implemented, which is expected to reduce the risks of robbery and theft in the branches by 50%, as well as reduce operating expenses largely connected with the removal of security guards in the branches, in order to support the development of new sales models and achieve cost reductions of 20% beginning in 2014.
- **ICT** - initiatives underway involve simplifying the software and hardware architecture and renegotiating contracts with suppliers, with expected savings of 7% in 2014.
- **Logistics** - actions focused on optimising processes to achieve a "Paperless" office, and optimising service contracts, with expected savings of 4% for 2014.

Real estate

- **Optimisation of the use of properties** - actions aimed at reducing the space used and related costs (rental, utilities, maintenance) through space management projects. During the quarter, 4 real estate units rented by third parties were released in 2013 and cancellations to release an additional 6 leasing contracts were sent during the course of 2014. The analyses for the offices in Padua, Milan and Brescia were completed. The analysis of the Rome offices is underway. Furthermore, as regards financial advisory, offices were centralised into areas already available to the Bank, and proposals for new offices that would allow costs savings, with favourable business cases, were reviewed.
- **Project for closure of 150 branches** - preliminary real estate analysis was carried out for the closing of the first 50 branches.
- **Consumption containment plan** - activities continued to contain energy consumption costs, with the collaboration of maintenance companies, in compliance with the overall savings plan objectives.

Security

The new security management model is in the testing phase. The project will be implemented in 2015 and envisages the following actions:

- Installation of branch cash in-cash out and video surveillance to replace security guards, in 500 branches;
- Installation of Roller Cash in 1,000 branches (with the removal of security guards where present),
- Installation of an alarm system in the branches that do not have one, with a centralised single monitoring system at the Bank level.

ICT

All of the most important ICT initiatives in support of Business Plan projects and the measures to increase the quality, security and overall efficiency of the information systems were carried out.

Specifically, during the quarter the new disbursement and monitoring model and the new credit recovery model were implemented; activities continued for the e-money, collection and payment systems and to optimise branch operating processes in order to allow more time with customers; work continued to activate the information supports for the new online bank, etc.

Initiatives to improve internal service quality

- A new organisational department was created, "Specialised Business Services", to manage the administrative, accounting, ancillary and logistics processes of specialised functional services and to support business growth. The department will take advantage of all possible operational and management levers that assist in obtaining the best results in terms of effectiveness/efficiency and cost containment.
- The project to rationalise the operating management of ATMs continued, in relation to the planned changes in the channel. The objective is to improve internal service levels, comply with transformation times, and make the associated expenses more efficient.
- The finance business support activities (middle office, risk management and internal reporting) were centralised.

Reputation

Key initiatives to protect and enhance the Group's image and brands

During the quarter, a significant commitment was undertaken to promote the Bank's brand and ensure its presence in local markets, in particular through meetings with trade associations and customers.

In addition:

- Communications actions were taken to support the key sales initiatives and to enhance the Bank's positioning in strategic businesses, including private banking;
- The project to develop the branch of the future continued its progress;
- The Bank's presence in social networks was strengthened, with the associated web monitoring for reputation.

Main awards and recognition received

- Milano Finanza Guido Carli Award for "Retail Bank of the Year".
- Milano Finanza Innovation Award in the category of financial services for businesses, for the MPSponsor Minibond product.
- Recognition by the EMF Group (consultancy specialised in marketing financial services in Italy) as best bank for placing protection policies.

Governance & Control systems

This section provides a summary of the Group's approach to governance, compliance, risk management and compensation of managers, which are important factors in ensuring sound and prudent banking and are the foundation of processes that generate value both within and outside the company.

Corporate Governance

The corporate governance policies, systems and practices and the related developments are described in the "Report on Corporate Governance and Ownership Structure". The Report is drafted in compliance with the recommendations contained in the Corporate Governance Code of listed companies issued by the Italian Stock Exchange and specific provisions from Bank of Italy.

The 2013 Report was approved by the BoD on 11 March 2014 and is available on the Bank's web site: http://www.mps.it/Investor+Relations/.

Remuneration policies

For further information on the Group's remuneration/incentive policies and practices, please refer to the "Remuneration Report", prepared under Article 123-ter of the Consolidated Law on Financial Intermediation. The 2013 Report was approved by the Shareholders' Meeting on 29 April 2014 and is available on the Bank's web site: http://www.mps.it/Investor+Relations/.

The compliance management system

As envisaged in the 15th update to Bank of Italy Circular no. 263, the Bank performed a self-assessment of its internal control systems, identifying the steps to be taken to achieve the necessary additional improvements.

Specifically, with respect to compliance, the objective of extending controls to all business operations will be pursued through a risk-based approach appropriate for balancing the responsibilities of the central compliance department with those of any internal specialised departments.

For that reason, the following activities were performed during the quarter:

- Creation of a "legal inventory" that includes both the regulations with the greatest impact as well as the additional regulations applicable to the Bank's activities;
- Evaluation of the existence and status of any specialised internal controls on the non-core regulations, and the relative internal control and reporting systems in place (activities underway).

Legal proceedings

For a description of the main legal and arbitration proceedings in progress, see Part E of the Notes to the Financial Statements.

With respect to the annual report as at 31 December 2013, note the following developments:

- As part of the proceedings related to Legislative Decree no. 231/01, pending since 2008 before the Public Prosecutor of the Court of Forlì (regarding transactions for the period 2005-2008 between the Bank's Forlì branch and the Cassa di Risparmio di S. Marino), at the hearing on 24 January 2014, the preliminary hearing judge committed for trial all of the accused parties, including the Bank, setting a hearing date of 15 October 2014;
- On 28 March 2014, the Criminal Court of Cassino issued a summons to appear at a hearing on 22 May 2014, for the Bank's sentence, as civilly liable, for damages quantified at EUR 800,000, to the civil party Prylene Srl on the charge of "aggravated usury". The managers of the Isola del Liri branch of the absorbed Banca Antonveneta during the 2002-2008 period were charged. The Bank will take all appropriate actions to protect its rights.
- On 25 March 2014, the BoD resolved that the Bank should bring a civil action in the criminal proceedings against one of its former employees and 11 other individuals, in order to ascertain the criminal liability of the defendants for the offences for which they have been charged (fraud and complicity in receiving stolen goods), as well as compensation for material and non-material damages caused to the Bank;
- In reference to the acquisition of Banca Antonveneta, the Bank submitted a petition to bring a civil action as part of the criminal proceedings pending with the Court of Milan;
- In March 2014, in compliance with the BoD's previous related resolutions, three actions of recourse were taken against former company employees in relation to the disciplinary sanctions provided for by Bank of Italy in 2013 regarding "Management of financial risks and weighted assets", "Compensation payment of General Manager, Antonio Vigni", and the "Fresh transaction". The cases are pending before the Court of Florence.
- In March 2014, the Court of Florence declared the collective action brought by ADUSBEF inadmissible, as a result of the presumed inaccuracy of the disclosure provided by the Bank as part of the 2011 share capital increase. The deadline for the communication by ADUSBEF for the complaint and the corresponding court order setting the hearing date in the Court of Appeals is pending.

Integrated risk and capital management

During the quarter, the principal developments in the area of risk management involved a reorganisation of the Risk Division, within which the following Areas operate:

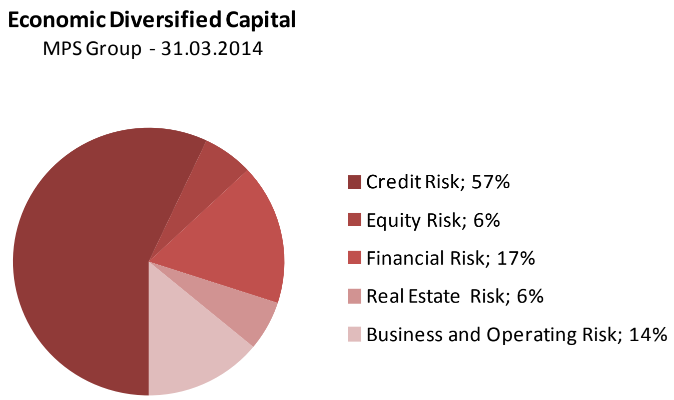
- The Risk Management Area defines the integrated methods of risk measurement/analysis and ensures they are constantly monitored. It develops the internal risk models used for regulatory management purposes and monitors compliance with the operational limits established by the BoD.
- The Validation, Monitoring and Risk Reporting Area verifies the continuous reliability of the results of the risk measurement system and ensures they are consistent with regulatory instructions. It validates the models, including those not used for regulatory purposes. This Area also prepares the mandatory disclosures and management reporting on risks.

Further developments are underway and in the evaluation phase according to the 15th update of Bank of Italy Circular no. 263 and changes in international supervisory regulations (Basel 3, ECB Single Supervisory Mechanism).

For a complete overview on this topic, refer to the Pillar 3 Public Disclosure available on the Bank's website: http://www.mps.it/Investor+Relations/.

An analysis of the Group's Economic Capital

The Overall Economic Capital (or Overall Absorbed Capital) is the minimum amount of capital resources required to cover economic losses resulting from unforeseen events caused by the simultaneous exposure to different types of risk. The graphic below provides a breakdown of Overall Economic Capital as at 31 March 2014:



Financial Risk includes risks inherent in the trading portfolio and the ALM Banking Book.
Liquidity and reputational risks are not included in the calculation of Overall Economic Capital, as they are mitigated through organisational policies and processes.

Information on the measurement systems for each risk type is reported in Part E of the Explanary Notes.

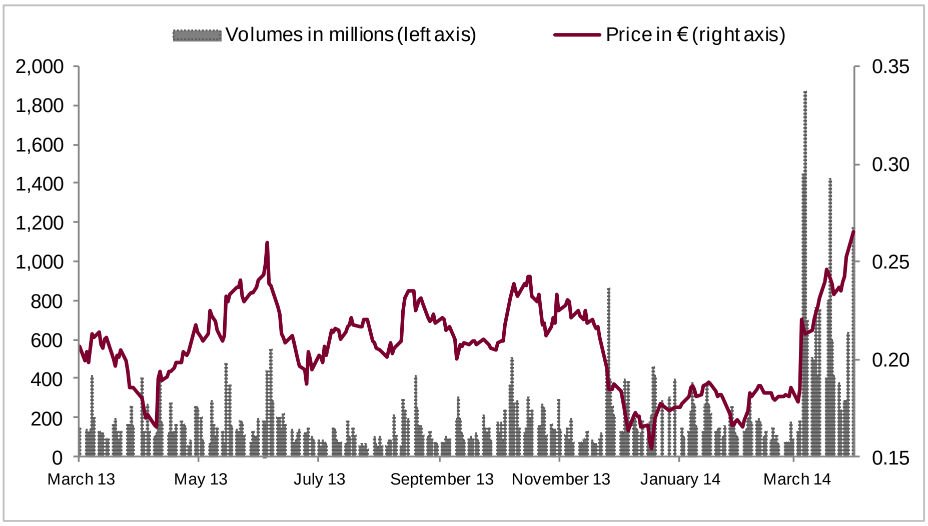
BMPS share price

Share price and trends

The FTSE MIB posted the best performance of all European stock exchanges (+14.4% for the quarter), followed by Madrid (+4.3%), Paris (+2.2%), Frankfurt (0.0%) and London (-2.2%). The indices for the banking sector also posted positive results: FTSE IT BANKS (+32.3%) and DJ EURO STOXX BANKS (+9.8%), and the yield differential between Italian and German government bonds declined to 172.6 bps as at 31 March 2014.

BMPS stock closed at EUR 0.265 (+51%, from the beginning of the year).

BMPS SHARE PRICE (from 31/03/2013 to 31/03/2014)



STATISTICAL SUMMARY (from 31/12/2013 to 31/3/2014) - Euro

Average	0.20
Lowest	0.17
Highest	0.27

The number of BMPS shares traded on a daily basis averaged 329.2 million, with a peak of 1,868.9 million in March and a low of 65.8 million in February.

MONTHLY VOLUMES OF SHARES TRADED
2014 volumes summary (EUR mln)

January	4,226
February	2,676
March	13,895

BMPS SHARE RATINGS AS AT 31/03/2014

Positive/neutral rating	42%
Negative rating	58%

Rating

Rating Agency	Short-term debt	Outlook	Long-term debt	Outlook	Latest update
DBRS	R-2(mid)	Under review	BBB	Under review	09/01/2014
Moody's	NP	-	B2	Negative	09/05/2013
Fitch Ratings	F3	-	BBB	Negative	28/11/2013

On 9 January 2014, DBRS confirmed BMPS's rating as "under review".

Investor relations

During the quarter, the Investor Relations team continued to proactively focus on its relations with the financial community. From the beginning of the year, top management has met with 100 institutional investors (14% debt investors). Meetings were held at the Bank, during road shows in Italy and the UK, international conferences, and conference calls requested by the investors.

The financial community focused its attention particularly on the Business Plan, on the capital strengthening transaction announced in the press release of 28 November 2013, and on the Group's new corporate governance structure.

Annexes - Reconciliation between reclassified accounts and mandatory reporting schedules

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

	Accounts in the Profit and Loss Statement - Montepaschi Group	31/03/2014 Accounting	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Restructuring costs	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	31/03/2014 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	1,400.0	-	-	-	-	7.1	-	
20	Interest expense and similar charges	(961.3)	-	-	-	-	-	-	
30	**Net interest income**	**438.7**	-	-	-	-	7.1	445.8	Net interest income
40	Fee and commission income	530.7	-	-	-	-	-	-	
50	Fee and commission expense	(85.5)	-	-	-	-	-	-	
60	**Net fee and commission income**	**445.2**	-	-	-	-	-	445.2	Net fee and commission income
								891.0	**Income from banking activities**
70	Dividends and similar income	3.3	(3.3)	25.7	-	-	-	25.7	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	41.6	3.3	-	-	-	-	-	
100	Gains/losses on disposal/repurchase of:	67.0	-	-	-	-	-	-	
	a) loans	(0.1)	-	-	-	-	-	-	
	b) financial assets available for sale	67.3	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	
	d) financial liabilities	(0.2)	-	-	-	-	-	-	
110	Net profit (loss) from financial assets and liabilities designated at fair value	(45.7)	-	-	-	-	-	-	
		-	-	-	-	-	-	65.1	Net profit (loss) from trading
90	Net profit (loss) from hedging	(4.6)	-	-	-	-	-	(4.6)	Net profit (loss) from hedging
120	**Net interest and other banking income**	**924.4**	-	25.7	-	-	7.1	**957.2**	**Income from financial and insurance activities**
130	Net impairment losses (reversals) on	(491.7)	-	-	-	-	-	(491.7)	Net impairment losses (reversals) on:
	a) loans	(476.6)	-	-	-	-	-	(476.6)	a) loans
	b) financial assets available for sale	(17.6)	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	
	d) other financial transactions	2.6	-	-	-	-	-	-	
			-	-	-	-	-	(15.2)	b) financial assets
140	**Net income from banking activities**	**432.7**	-	25.7	-	-	7.1	465.5	
150	Net premiums	-	-	-	-	-	-	-	
160	Other income/expenses (net) from insurance activities	-	-	-	-	-	-	-	
170	**Net income from financial and insurance activities**	**432.7**	-	25.7	-	-	7.1	**465.5**	**Net income from financial and insurance activities**
180	Administrative expenses:	(690.3)	-	-	1.1	77.2	-	(611.9)	Administrative expenses
	a) personnel expenses	(430.5)	-	-	1.1	-	-	(429.3)	a) Personnel expenses
	b) other administrative expenses	(259.8)	-	-	-	77.2	-	(182.6)	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	(28.8)	-	-	-	-	-	-	
210	Net adjustments to (recoveries on) intangible assets	(36.6)	-	-	-	-	6.9	-	
			-	-	-	-	-	(58.6)	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets
230	**Operating expenses**	**(745.8)**	-	-	1.1	77.2	6.9	**(660.5)**	**Operating expenses**
		-	-	-	-	-	-	**(195.0)**	**Net operating income**
190	Net provisions for risks and charges	(56.5)	-	-	-	-	-	-	
220	Other operating expenses/income	78.6	-	-	-	(77.2)	-	-	
		-	-	-	-	-	-	(55.2)	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	67.7	-	(25.7)	-	-	-	41.9	Gains (losses) on investments
		-	-	-	(1.1)	-	-	(1.1)	Restructuring charges
260	Impairment on goodwill	-	-	-	-	-	-	-	Impairment on goodwill
270	Gains (losses) on disposal of investments	4.7	-	-	-	-	-	4.7	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**(216.7)**	-	-	-	-	14.0	**(202.7)**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	43.1	-	-	-	-	(4.6)	38.4	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**(173.6)**	-	-	-	-	9.4	**(164.3)**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-	-	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**(173.6)**	-	-	-	-	9.4	**(164.3)**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	(0.5)	-	-	-	-	-	(0.5)	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**(174.1)**	-	-	-	-	9.4	**(164.7)**	**Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown of investment in AM Holding**
		-	-	-	-	-	(9.4)	(9.4)	PPA (Purchase Price Allocation)
								(174.1)	**Parent company's net profit (loss) for the period**

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

	Accounts in the Profit and Loss Statement - Montepaschi Group	31/03/2013 Accounting	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Reclassification of L&R securities to Financial Assets	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)	Economic effects from allocation of BAV acquisition costs (PPA)	31/03/2013 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	1,552.7	-	-	-	-	5.3	3.0	-	
20	Interest expense and similar charges	(963.3)	-	-	-	-	-	-	-	
30	**Net interest income**	**589.4**	-	-	-	-	5.3	3.0	597.7	Net interest income
40	Fee and commission income	530.9	-	-	-	-	-	-	-	
50	Fee and commission expense	(99.6)	-	-	-	-	-	-	-	
60	**Net fee and commission income**	**431.3**	-	-	-	-	-	-	431.3	Net fee and commission income
									1,029.0	**Income from banking activities**
70	Dividends and similar income	7.0	(6.7)	26.9	-	-	-	-	27.2	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	55.6	6.7	-	-	-	-	-	-	
100	Gains/losses on disposal/repurchase of:	24.0	-	-	-	-	-	-	-	
	a) loans	0.9	-	-	-	-	-	-	-	
	b) financial assets available for sale	26.5	-	-	-	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	-	
	d) financial liabilities	(3.4)	-	-	-	-	-	-	-	
110	Net profit (loss) from financial assets and liabilities designated at fair value	33.3	-	-	-	-	-	-	-	
									119.5	Net profit (loss) from trading
90	Net profit (loss) from hedging	(4.0)	-	-	-	-	-	-	(4.0)	Net profit (loss) from hedging
120	**Net interest and other banking income**	**1,136.6**	-	**26.9**	-	-	**5.3**	**3.0**	**1,171.8**	**Income from financial and insurance activities**
130	Net impairment losses(reversals) on	(494.5)	-	-	-	-	-	-	(494.5)	Net impairment losses (reversals) on:
	a) loans	(488.1)	-	-	3.9	-	-	-	(484.2)	a) loans
	b) financial assets available for sale	(3.5)	-	-	(3.9)	-	-	-	-	
	c) held to maturity investments	-	-	-	-	-	-	-	-	
	d) other financial transactions	(2.9)	-	-	-	-	-	-	-	
									(10.3)	b) financial assets
140	**Net income from banking activities**	**642.1**	-	**26.9**	-	-	**5.3**	**3.0**	-	
150	Net premiums	-	-	-	-	-	-	-	-	
160	Other income/expenses (net) from insurance activities	-	-	-	-	-	-	-	-	
170	**Net income from financial and insurance activities**	**642.1**	-	**26.9**	-	-	**5.3**	**3.0**	**677.3**	**Net income from financial and insurance activities**
180	Administrative expenses	(755.7)	-	-	-	66.1	-	-	(689.7)	Administrative expenses
	a) personnel expenses	(452.9)	-	-	-	-	-	-	(452.9)	a) Personnel expenses
	b) other administrative expenses	(302.8)	-	-	-	66.1	-	-	(236.8)	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	(19.7)	-	-	-	-	-	-	-	
210	Net adjustments to (recoveries on) intangible assets	(23.9)	-	-	-	-	4.3	-	-	
									(39.3)	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible
230	**Operating expenses**	**(799.3)**	-	-	-	-	**4.3**	-	**(728.9)**	**Operating expenses**
		-	-	-	-	-	-	-	**(51.7)**	**Net operating income**
190	Net provisions for risks and charges	(20.9)	-	-	-	-	-	-	-	
220	Other operating expenses/income	95.5	-	-	-	(66.1)	-	-	-	
		-	-	-	-	-	-	-	8.5	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	27.9	-	(26.9)	-	-	-	-	1.0	Gains (losses) on investments
		-	-	-	-	-	-	-	-	Restructuring charges
		-	-	-	-	-	-	-	-	P&L figures for branches sold
250	Net gain (losses) on tangible and intangible assets measured at fair value	-	-	-	-	-	-	-	-	Net result of the tangible and intangible assets measured at fair value
260	Impairment on goodwill	-	-	-	-	-	-	-	-	Impairment on goodwill
270	Gains (losses) on disposal of investments	0.2	-	-	-	-	-	-	0.2	Gains (losses) from disposal of investments
280	**Profit (loss) before tax from continuing operations**	**(54.5)**	-	-	-	-	**9.7**	**3.0**	**(41.9)**	**Profit (loss) before tax from continuing operations**
290	Tax expense (recovery) on income from continuing operations	(33.3)	-	-	-	-	(3.2)	(1.0)	(37.4)	Tax expense (recovery) on income from continuing operations
300	**Profit (loss) after tax from continuing operations**	**(87.8)**	-	-	-	-	**6.5**	**2.0**	**(79.3)**	**Profit (loss) after tax from continuing operations**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	(12.9)	-	-	-	-	-	-	(12.9)	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	**Profit (loss) for the period**	**(100.7)**	-	-	-	-	**6.5**	**2.0**	**(92.2)**	**Net profit (loss) for the period including non-controlling interests**
330	Profit (loss) for the period attributable to non-controlling interests	(0.5)	-	-	-	-	-	-	(0.5)	Net profit (loss) attributable to non-controlling interests
340	**Parent company's net profit (loss) for the period**	**(101.2)**	-	-	-	-	**6.5**	**2.0**	**(92.7)**	**Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown of investment in AM Holding**
		-	-	-	-	-	(6.5)	(2.0)	(8.5)	PPA (Purchase Price Allocation)
		-	-	-	-	-	-	-	-	Impairment on goodwill, intangibles and writedown of investment in AM Holding
		-							**(101.2)**	**Parent company's net profit (loss) for the period**

Balance-sheet Items - Assets	31/03/14	31/12/13	Reclassified balance-sheet items - Assets
	823	**877**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	823	877	
			Loans and receivables
	132,677	**130,598**	**a) Loans to customers**
Item 70 – Loans to customers	132,677	130,598	
	10,204	**10,485**	**b) Loans to banks**
Item 60 – Loans to banks	10,204	10,485	
	43,500	**42,919**	**Held to maturity investments**
Item 20 – Financial assets held for trading	20,404	19,239	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	23,096	23,680	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-	-	
	960	**970**	**Investments**
Item 100 – Equity investments	960	970	
	-	-	**Reinsurers' technical reserves**
Item 110 – Reinsurers's technical reserves	-	-	
	4,004	**4,046**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	2,857	2,884	
Item 130 – Intangible assets	1,147	1,162	
	8,855	**8,566**	**Other assets**
Item 80 – Hedging Derivatives	406	398	
Item 90 – Change in value of macro-hedged financial assets (+/-)	162	160	
Item 140 – Tax assets	5,421	5,515	
Item 150 – Non-current assets held for sale and discontinued operations	116	80	
Item 160 – Other assets	2,749	2,412	
Total Assets	**201,022**	**198,461**	**Total Assets**

Balance-sheet Items - Liabilities	31/03/14	31/12/13	Reclassified balance-sheet items - Liabilities
			Deposits
	128,859	**129,836**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	85,893	85,286	
Item 30 – Debt securities issued	35,988	36,562	
Item 50 – Financial liabilities designated at fair value	6,978	7,988	
	40,991	**37,279**	**b) Deposits from banks**
Item 10 – Deposits from banks	40,991	37,279	
	14,630	**16,410**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	14,630	16,410	
			Provisions for specific use
Item 110 – Provision for employee severance pay	273	261	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	60	61	
Item 120 - Provisions for risks and charges - b) other provisions	1,020	1,066	
	8,905	**7,367**	**Other liabilities**
Item 60 – Hedging Derivatives	3,577	3,422	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Item 80 – Tax liabilities	175	186	
Item 90 – Liabilities associated to disposal groups held for sale	-	18	
Item 100 – Other liabilities	5,154	3,742	
	-	**-**	**Insurance reserves**
Item 130 – Insurance Reserves	-	-	
	6,251	**6,147**	**Group portion of shareholders' equity**
Item 140 – Valuation reserves	(788)	(1,056)	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	3	3	c) Capital instruments
Item 170 – Reserves	(274)	1,175	d) Reserves
Item 180 – Share premium reserve	-	-	e) Share premium reserves
Item 190 – Share Capital	7,485	7,485	f) Share capital
Item 200 – Treasury shares (-)	(0)	(25)	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	(174)	(1,434)	h) Profit (loss) for the period
	34	**33**	**Non-controlling interests in shareholders' equity**
Item 210 – Non-controlling interests (+/-)	34	33	
Total liabilities and shareholders' equity	**201,022**	**198,461**	**Total liabilities and shareholders' equity**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated balance sheet

(in units of EUR)

	Assets	31 03 2014	31 12 2013*
10	Cash and cash equivalents	822,982,320	877,275,504
20	Financial assets held for trading	20,404,230,618	19,238,566,108
40	Financial assets available for sale	23,095,776,846	23,680,248,891
60	Loans to banks	10,204,142,397	10,485,195,184
70	Loans to customers	132,677,166,457	130,597,727,086
80	Hedging derivatives	405,962,113	397,933,500
90	Change in value of macro-hedged financial assets (+/-)	161,989,358	159,889,125
100	Equity investments	959,866,111	970,377,916
120	Property, plant and equipment	2,856,718,346	2,883,819,678
130	Intangible assets	1,147,007,431	1,162,056,201
	of which: goodwill	669,691,855	669,691,855
140	Tax assets	5,421,174,481	5,515,357,065
	a) current	*1,337,697,397*	1,347,310,635
	b) deferred	*4,083,477,084*	4,168,046,430
	under Law 214/2011	*3,214,101,288*	3,113,519,064
150	Non-current assets and groups of assets held for sale and discontinued operations	116,264,233	80,108,168
160	Other assets	2,749,188,383	2,412,250,682
	Total Assets	**201,022,469,094**	**198,460,805,108**

**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.*

Non-current assets held for sale and discontinued operations as at 31.03.2014 include the investment in Anima Holding S.p.A. for the amount of EUR 63.6 mln (specifically, 10% of share capital which, in April 2014, was subject to a Global Offering for the listing of the company's shares on the Italian Electronic Stock Market), SIA Spa for EUR 38.4 mln, a number of properties owned by the subsidiary MPS Immobiliare and the Parent Company as well as the disposal of equity investments of the Parent Company (Acque Blu Arno Basso, Ombrone Spa, Acque Blu Fiorentine for a total of EUR 7.6 mln) and the subsidiary MPS Capital Services – Banca per le imprese S.p.a (MP Venture Sgr Spa in the amount of EUR 2.8 mln).

follows: Consolidated balance sheet

(in units of EUR)

	Liabilities and Shareholders' Equity	31 03 2014	31 12 2013*
10	Deposits from banks	40,990,894,785	37,278,667,067
20	Deposits from customers	85,892,587,654	85,286,115,477
30	Debt securities issued	35,987,751,422	36,561,566,489
40	Financial liabilities held for trading	14,630,016,877	16,409,678,058
50	Financial liabilities designated at fair value	6,978,203,559	7,988,198,696
60	Hedging derivatives	3,576,860,505	3,421,634,920
80	Tax liabilities	174,694,070	185,520,835
	a) current	*21,855,229*	*26,562,057*
	b) deferred	*152,838,841*	*158,958,778*
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	17,820,869
100	Other liabilities	5,153,814,025	3,742,303,599
110	Provision for employee severance pay	273,120,201	261,389,515
120	Provisions for risks and charges:	1,079,555,667	1,127,311,970
	a) post-employment benefits	*59,579,196*	*61,063,121*
	b) other provisions	*1,019,976,471*	*1,066,248,849*
140	Valuation reserves	(787,655,743)	(1,055,909,969)
160	Equity instruments carried at equity	3,002,406	3,002,406
170	Reserves	-274,402,953	1,174,651,079
190	Share capital	7,484,508,171	7,484,508,171
200	Treasury shares (-)	(450)	(24,532,421)
210	Non-controlling interests (+/-)	33,625,591	33,194,899
220	Profit (loss) for the period (+/-)	(174,106,693)	(1,434,316,552)
	Total Liabilities and Shareholders' Equity	**201,022,469,094**	**198,460,805,108**

**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.*

Consolidated income statement

(in units of EUR)

	Items	31 03 2014	31 03 2013**
10	Interest income and similar revenues	1,399,970,240	1,552,699,899
20	Interest expense and similar charges	(961,301,706)	(963,262,583)
30	**Net interest income**	**438,668,534**	**589,437,316**
40	Fee and commission income	530,684,428	530,922,037
50	Fee and commission expense	(85,488,235)	(99,607,798)
60	**Net fee and commission income**	**445,196,193**	**431,314,239**
70	Dividends and similar income	2,213,437	6,998,921
80	Net profit (loss) from trading	41,616,472	55,602,060
90	Net profit (loss) from hedging	(4,589,934)	(4,030,794)
100	Gains/losses on disposal/repurchase of:	47,007,545	23,975,725
	a) loans	*(100,048)*	*868,005*
	b) financial assets available for sale	*47,301,457*	*26,471,284*
	d) financial liabilities	*(193,864)*	*(3,363,564)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	(45,732,629)	33,303,029
120	**Net interest and other banking income**	**924,379,618**	**1,136,600,496**
130	Net impairment losses(reversals) on	(491,714,245)	(494,487,080)
	a) loans	*(476,560,039)*	*(488,067,952)*
	b) financial assets available for sale	*(17,592,506)*	*(3,508,937)*
	d) other financial transactions	*2,438,300*	*(2,910,191)*
140	**Net income from banking activities**	**432,665,373**	**642,113,416**
180	Administrative expenses:	(690,290,711)	(755,739,466)
	a) personnel expenses	*(430,460,904)*	*(452,908,059)*
	b) other administrative expenses	*(259,829,807)*	*(302,831,407)*
190	Net provisions for risks and charges	(54,502,815)	(20,892,812)
200	Net adjustments to (recoveries on) property, plant and equipment	(28,845,651)	(19,650,797)
210	Net adjustments to (recoveries on) intangible assets	(26,627,688)	(23,941,398)
220	Other operating expenses/income	78,574,342	95,508,536
230	**Operating expenses**	**(721,692,523)**	**(724,715,937)**
240	Gains (losses) on investments	67,657,860	27,885,831
270	Gains (losses) on disposal of investments	4,674,599	210,759
280	**Profit (loss) before tax from continuing operations**	**(216,694,691)**	**(54,505,931)**
290	Tax expense (recovery) on income from continuing operations	43,059,259	(33,280,571)
300	**Profit (loss) after tax from continuing operations**	**(173,635,432)**	**(87,786,502)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	(12,868,432)
320	**Profit (loss) for the period**	**(173,635,432)**	**(100,654,934)**
330	Profit (loss) for the period attributable to non-controlling interests	471,261	520,520
340	**Parent company's net profit (loss) for the period**	**(174,106,693)**	**(101,175,454)**
		31 03 2014	**31 03 2013****
	Basic Earnings per Share (Basic EPS)	**(0.015)**	**(0.009)**
	of continuing operations	(0.015)	(0.008)
	of groups of assets held for sale and discontinued operations	-	(0.001)
	Diluted Earnings per Share (Diluted EPS)	**(0.015)**	**(0.009)**
	of continuing operations	(0.015)	(0.008)
	of groups of assets held for sale and discontinued operations	-	(0.001)

*** 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.

changes due to the reclassification to item 310 'Profit (loss) from groups of assets held for sale and discontinued operations' of the P&L items related to the transfer of the administrative, accounting and ancillary services business unit to the company 'Fruendo Sr" effective as of 1 January 2014.

Consolidated statement of comprehensive income

(in units of eur)

	Items	31 03 2014	31 03 2013*
10	**Profit (loss) for the period**	**(173,635,432)**	**(100,654,934)**
	Other comprehensive income after tax not recycled to profit and loss	**(7,758,436)**	**(4,069,403)**
40	Actuarial gains (losses) on defined benefit plans	(7,759,144)	(4,078,707)
60	Share of valuation reserves of equity-accounted investments	708	9,304
	Other comprehensive income after tax recycled to profit and loss	**276,031,695**	**(19,641,610)**
80	Exchange differences	36,335	1,475,864
90	Cash flow hedges	(23,126,955)	19,830,235
100	Financial assets available for sale	271,140,027	(34,413,097)
120	Share of valuation reserves of equity-accounted investments	27,982,287	(6,534,612)
130	**Total other comprehensive income after tax**	**268,273,259**	**(23,711,013)**
140	**Total comprehensive income (Item 10+130)**	**94,637,827**	**(124,365,947)**
150	Consolidated comprehensive income attributable to non-controlling interests	490,404	513,990
160	**Consolidated comprehensive income attributable to Parent Company**	**94,147,423**	**(124,879,937)**

**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 March 2014, the Group's comprehensive income for the period amounted to EUR 94.1 mln, registering an increase of EUR 219.0 mln as compared to the previous year. The figure includes a loss for the year of EUR 173.6 mln and an increase in valuation reserves primarily owing to the valuation reserve for financial assets available for sale.

Consolidated statement of changes in equity as at 31 march 2014

(in units of EUR)

	Balance as at 31 12 2013*	Changes in opening balances	Balance as at 01 01 2014*	Allocation of profit from prior year: Reserves	Allocation of profit from prior year: Dividends and other payout	Changes during the period: Changes in reserves	Shareholders' equity transactions: Issue of new shares	Shareholders' equity transactions: Purchase of treasury shares	Shareholders' equity transactions: Extraordinary distribution of dividends	Shareholders' equity transactions: Changes in equity instruments	Shareholders' equity transactions: Treasury shares derivatives	Shareholders' equity transactions: Stock options	Shareholders' equity transactions: Otehr changes	Total comprehensive income for 31 03 2014	Total equity as at 31 03 2014	Group equity as at 31 03 2014	Non-controlling interests as at 31 03 2014
Share capital:	7,498,052,152	-	7,498,052,152	-	-	-	-	-	-	-	-	-	(39,009)	-	7,498,013,143	7,484,508,171	13,504,972
a) ordinary shares	7,498,052,152	-	7,498,052,152	-	-	-	-	-	-	-	-	-	(39,009)	-	7,498,013,143	7,484,508,171	13,504,972
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	5,158,920	-	5,158,920	-	-	-	-	-	-	-	-	-	-	-	5,158,920	-	5,158,920
Reserves:	1,187,803,640	-	1,187,803,640	(1,434,196,278)	-	(14,758,073)	-	-	-	-	-	-	-	-	(261,150,711)	(274,402,953)	13,252,242
a) from profits	1,261,848,519	-	1,261,848,519	(1,434,196,278)	-	(14,758,073)	-	-	-	-	-	-	-	-	(187,105,832)	(200,358,074)	13,252,242
b) other	(74,044,879)	-	(74,044,879)	-	-	-	-	-	-	-	-	-	-	-	(74,044,879)	(74,044,879)	-
Valuation reserves	(1,054,690,806)	-	(1,054,690,806)	-	-	-	-	-	-	-	-	-	-	268,273,259	(786,417,547)	(787,655,743)	1,238,196
Equity instruments	3,002,406	-	3,002,406	-	-	-	-	-	-	-	-	-	-	-	3,002,406	3,002,406	-
Treasury shares	(24,532,421)	-	(24,532,421)	-	-	-	24,531,971	-	-	-	-	-	-	-	(450)	(450)	-
Net profit (loss)	(1,434,196,278)	-	(1,434,196,278)	1,434,196,278	-	-	-	-	-	-	-	-	-	(173,635,432)	(173,635,432)	(174,106,693)	471,261
Total equity	6,180,597,613	-	6,180,597,613	-	-	(14,758,073)	24,531,971	-	-	-	-	-	(39,009)	94,637,827	6,284,970,329	6,251,344,738	33,625,591
Group equity	6,147,402,714	-	6,147,402,714	-	-	(14,737,370)	24,531,971	-	-	-	-	-	-	94,147,423	6,251,344,738	6,251,344,738	X
Non-controlling interests	33,194,899	-	33,194,899	-	-	(20,703)	-	-	-	-	-	-	(39,009)	490,404	33,625,591	X	33,625,591

**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 March 2014, the Group's net equity including non-controlling interests and result for the period amounted to EUR 6,285.0 mln, as compared to EUR 6,180.6 mln as at 31 December 2013.

The loss for the period amounted to EUR 173.6 mln, which included a negative balance of EUR 174.1 mln for the Group and a positive balance of EUR 0.5 mln in non-controlling interests.

Treasury shares fell by EUR 24.5 mln; profit (loss) from trading in treasury shares (- EUR 14.8 mln) is included under retained earnings which, during this reporting period, were also affected by the capitalisation of loss recognised as at 31.12.2013, amounting to EUR 1,434.2 mln.

Valuation reserves registered an overall increase of EUR 268.3 mln, which included + EUR 271.1 mln in valuation reserves of assets "available for sale" , + EUR 28.0 mln in valuation reserves for Equity investments consolidated at equity method, - EUR 7,7 mln in valuation reserves for actuarial losses arising from defined benefit plans - EUR 23.1 mln in valuation reserves for "cash flow hedges", + EUR 0.04 mln in valuation reserves for foreign exchange differences.

Non-controlling interests grew EUR 0.4 mln, largely as a result of comprehensive income for the period.

Consolidated statement of changes in equity as at 31 march 2013

(in units of EUR)

	Balance as at 31 12 2012	Changes in opening balances	Balance as at 01 01 2013*	Allocation of profit from prior year		Changes during the period									Total equity as at 31 03 2013	Group equity as at 31 03 2013	Non-controlling interests as at 31 03 2013
							Shareholders' equity transactions										
				Reserves	Dividends and other payout	Changes in reserves	Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Treasury shares derivatives	Stock options	Otehr changes	Total comprehensive income as at 31 03 2013			
Share capital:	7,485,338,511	12,354,269	7,497,692,780	-	-	-	-	-	-	-	-	-	(1,920)	-	7,497,690,860	7,484,508,171	13,182,689
a) ordinary shares	7,485,338,511	12,354,269	7,497,692,780	-	-	-	-	-	-	-	-	-	(1,920)	-	7,497,690,860	7,484,508,171	13,182,689
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	255,310,585	-	255,310,585	-	-	-	-	-	-	-	-	-	-	-	255,310,585	255,099,524	211,061
Reserves:	4,076,945,231	(1,650,945)	4,075,294,286	(3,189,820,999)	-	(211,514)	-	-	-	-	-	-	-	-	885,261,773	873,943,603	11,318,170
a) from profits	4,150,990,110	(1,650,945)	4,149,339,165	(3,189,820,999)	-	(211,514)	-	-	-	-	-	-	-	-	959,306,652	947,988,482	11,318,170
b) other	(74,044,879)	-	(74,044,879)	-	-	-	-	-	-	-	-	-	-	-	(74,044,879)	(74,044,879)	-
Valuation reserves	(2,283,566,874)	-	(2,283,566,874)	-	-	-	-	-	-	-	-	-	-	(23,711,013)	(2,307,277,887)	(2,308,497,283)	1,219,396
Equity instruments	3,002,406	-	3,002,406	-	-	-	-	-	-	-	-	-	-	-	3,002,406	3,002,406	-
Treasury shares	(24,532,421)	-	(24,532,421)	-	-	-	-	-	-	-	-	-	-	-	(24,532,421)	(24,532,421)	-
Net profit (loss)	(3,189,820,999)	-	(3,189,820,999)	3,189,820,999	-	-	-	-	-	-	-	-	-	(100,654,934)	(100,654,934)	(101,175,454)	520,520
Total equity	6,322,676,439	10,703,324	6,333,379,763	-	-	(211,514)	-	-	-	-	-	-	(1,920)	(124,365,947)	6,208,800,382	6,182,348,546	26,451,836
Group equity	6,319,820,583	(12,361,350)	6,307,459,233	-	-	(230,750)	-	-	-	-	-	-	-	(124,879,937)	6,182,348,546	6,182,348,546	X
Non-controlling interests	2,855,856	23,064,674	25,920,530	-	-	19,236	-	-	-	-	-	-	(1,920)	513,990	26,451,836	X	26,451,836

** 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.*

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As at 31 March 2013, the Group's net equity including non-controlling interests and profit for the period had decreased by EUR 124.6 mln, amounting to EUR 6,208.8 mln, as compared to EUR 6,333.4 mln as at 1 January 2013.

Reserves showed an overall decrease of EUR 3,190 mln, primarily due to the capitalisation of loss recognised as at 31.12.2012, amounting to EUR 3,189.8 mln.

Valuation reserves registered an overall decrease of EUR 23.7 mln, which included - EUR 34.4 mln in valuation reserves of assets "available for sale" , - EUR 6.5 mln in valuation reserves for Equity investments consolidated at equity method, - EUR 4.1 mln in valuation reserves for actuarial losses arising from defined benefit plans; + EUR 19.8 mln in valuation reserves for "cash flow hedges" and + EUR 1.5 mln in valuation reserves for foreign exchange differences.

Non-controlling interests grew by approx. EUR 0.5 mln, largely as a result of comprehensive income for the period.

Consolidated cash flow statement: indirect method

(in units of EUR)

A. OPERATING ACTIVITIES	31 03 2014	31 03 2013*
1. Cash flow from operations	**363,421,278**	**445,007,691**
profit (loss) (+/-)	(173,635,432)	(100,654,934)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(35,885,909)	(264,426,828)
net profit (loss) from hedging	4,589,934	4,030,794
net impairment losses/reversals	491,714,246	494,487,079
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	55,473,339	43,592,195
net provisions for risks and charges and other costs/revenues (+/-)	60,211,733	27,562,518
net premiums to be collected	-	-
other insurance revenues/charges to be collected	-	-
tax espense (recovery) on income from continuing operations	(43,059,259)	28,078,067
net losses/reversal on impairment on proups of assets held for sale and discontinued operations, after tax (+/-)	-	-
other adjustments	4,012,626	212,338,800
2. Cash flow from (used in) financial assets	**(2,359,138,025)**	**1,665,038,504**
financial assets held for trading	(989,624,902)	3,029,569,554
financial assets designated at fair value	-	-
financial assets available for sale	1,033,778,716	(2,637,768)
sales/repayment of financial assets held to maturity	-	-
loans to banks: on demand	292,042,222	(3,111,164,193)
loans to banks: other	-	-
loans to customers	(2,563,441,857)	1,713,167,125
hedging derivatives	-	-
other assets	(131,892,204)	36,103,786
3. Cash flow from (used in) financial liabilities	**1,929,567,239**	**(3,834,167,346)**
deposits from banks: on demand	3,712,227,718	(721,747,997)
deposits from banks: other	-	-
depostits from customers	606,472,177	1,355,924,657
debt securities issued	(573,815,067)	(456,121,423)
financial liabilities held for trading	(1,864,873,835)	(2,044,978,655)
financial liabilities designated at fair value	(1,064,936,181)	(1,287,794,325)
hedging derivatives	-	-
other liabilities	1,114,492,427	(679,449,603)
of which technical reserves	-	-
Net cash flow from (used in) operating activities	**(66,149,508)**	**(1,724,121,151)**

B. INVESTMENT ACTIVITIES		
1. Cash flow from:	**2,053,355**	**3,709,486**
sales of equity investments	-	-
dividends collected on equity investments	-	-
sales/repayment of financial assets held to maturity	-	-
sales of property, plant and equipment	518,981	2,997,636
sales of intangible assets	1,534,374	711,850
sales of subsidiaries and undertakings	-	-
2. Cash flow used in	**(14,729,002)**	**(15,514,154)**
purchase of equity investments	-	-
purchase of financial assets held to maturity	-	-
purchase of property, plant and equipment	(3,300,647)	(9,677,040)
purchase of intangible assets	(11,428,355)	(5,837,114)
purchase of subsidiaries and undertakings	-	-
Net cash flow from (used in) investment activities	**(12,675,647)**	**(11,804,669)**
	-	-
C. FUNDING ACTIVITIES	-	-
issue/purchase of treasury shares	24,531,971	-
issue/purchase of equity instruments carried at equity	-	-
dividend distribution and other	-	-
issue of new shares	-	-
Net cash flow from (used in) funding activities	**24,531,971**	**-**
	-	-
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE YEAR	**(54,293,184)**	**(1,735,925,819)**

Reconciliation

(in units of EUR)

Accounts	31 03 2014	31 03 2013*
Cash and cash equivalents at beginning of period	877,275,504	2,432,879,857
Net increase (decrease) in cash and cash equivalents	(54,293,184)	(1,735,925,819)
Cash and cash equivalents: foreign exchange effects	-	-
Cash and cash equivalents at end of period	822,982,320	696,954,038

**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.*

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".

EXPLANATORY NOTES

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

Foreword

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

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

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

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

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

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

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

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

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

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

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

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

BALANCE SHEET

(in units of EUR)

	Assets	01 01 2013	Impact FTA IFRS 10/11	Impact FTA offsetting	01 01 2013 Restated
10	Cash and cash equivalents	2,432,879,857	1,006	-	2,432,880,863
20	Financial assets held for trading	23,514,203,879	(76,435,165)	(1,470,782,503)	21,966,986,211
40	Financial assets available for sale	25,648,740,633	-	-	25,648,740,633
60	Loans to banks	11,224,988,612	656,573,620	-	11,881,562,232
70	Loans to customers	142,015,160,914	(689,887,434)	-	141,325,273,481
80	Hedging derivatives	551,093,100	-	-	551,093,100
90	Change in value of macro-hedged financial assets (+/-)	119,157,001	-	-	119,157,001
100	Equity investments	1,040,102,072	(17,009,720)	-	1,023,092,352
120	Property, plant and equipment	1,334,478,778	125,701,133	-	1,460,179,911
130	Intangible assets	1,191,502,071	(4,340)	-	1,191,497,732
	of which: goodwill	*669,701,061*	-	-	*669,701,061*
140	Tax assets	6,126,579,983	2,465,790	-	6,129,045,773
	a) current	*912,438,405*	*(86,404)*	-	*912,352,001*
	b) deferred	*5,214,141,578*	*2,552,194*	-	*5,216,693,772*
	under Law 214/2011	*2,796,914,621*	*(176,036)*	-	*2,796,738,586*
150	Non-current assets and groups of assets held for sale and discontinued operations	12,460,932	-	-	12,460,932
160	Other assets	3,674,725,451	4,050,160	-	3,678,775,611
	Total Assets	**218,886,073,283**	**5,455,051**	**(1,470,782,503)**	**217,420,745,831**

(in units of EUR)

	Liabilities and Shareholders' Equity	01 01 2013	Impact FTA IFRS 10/11/12	Impact FTA offsetting	01 01 2013 Restated
10	Deposits from banks	43,398,955,546	-	-	43,398,955,546
20	Deposits from customers	81,302,684,839	(77,555,042)	-	81,225,129,797
30	Debt securities issued	39,939,623,998	(50,967,801)	-	39,888,656,197
40	Financial liabilities held for trading	21,516,900,054	(2,816,746)	(1,470,782,503)	20,043,300,805
50	Financial liabilities designated at fair value	14,427,857,893	-	-	14,427,857,893
60	Hedging derivatives	5,574,797,946	125,112,515	-	5,699,910,461
80	Tax liabilities	163,229,017	6,436,197	-	169,665,214
	a) current	*114,030,305*	*1,109,442*	-	*115,139,747*
	b) deferred	*49,198,712*	5,326,755	-	*54,525,467*
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-
100	Other liabilities	4,473,432,725	(5,472,655)	-	4,467,960,070
110	Provision for employee severance pay	317,352,200	15,259	-	317,367,459
120	Provisions for risks and charges:	1,448,562,626	-	-	1,448,562,626
	a) post-employment benefits	*47,971,097*	-	-	*47,971,097*
	b) other provisions	*1,400,591,529*	-	-	*1,400,591,529*
140	Valuation reserves	(2,284,792,762)	-	-	(2,284,792,762)
160	Equity instruments carried at equity	3,002,406	-	-	3,002,406
170	Reserves	4,054,772,398	(12,361,350)	-	4,042,411,048
180	Share premium	255,099,524	-	-	255,099,524
190	Share capital	7,484,508,171	-	-	7,484,508,171
200	Treasury shares (-)	(24,532,421)	-	-	(24,532,421)
210	Non-controlling interests (+/-)	2,855,856	23,064,674	-	25,920,530
220	Profit (loss) (+/-)	(3,168,236,733)	-	-	(3,168,236,733)
	Total Liabilities and Shareholders' Equity	**218,886,073,283**	**5,455,051**	**(1,470,782,503)**	**217,420,745,831**

(in units of EUR)

	Assets	31 12 2013	Impact FTA IFRS 10/11	Impact FTA offsetting	31 12 2013 Restated
10	Cash and cash equivalents	877,274,085	1,419	-	877,275,504
20	Financial assets held for trading	19,937,316,813	(70,555,430)	(628,195,275)	19,238,566,108
40	Financial assets available for sale	23,680,248,891	-	-	23,680,248,891
60	Loans to banks	9,913,983,550	571,211,634	-	10,485,195,184
70	Loans to customers	131,218,395,200	(620,668,114)	-	130,597,727,086
80	Hedging derivatives	397,933,500	-	-	397,933,500
90	Change in value of macro-hedged financial assets (+/-)	159,889,125	-	-	159,889,125
100	Equity investments	988,840,761	(18,462,845)	-	970,377,916
120	Property, plant and equipment	2,761,702,147	122,117,531	-	2,883,819,678
130	Intangible assets	1,162,055,649	552	-	1,162,056,201
	of which: goodwill	*669,691,855*	-	-	*669,691,855*
140	Tax assets	5,517,128,549	(1,771,484)	-	5,515,357,065
	a) current	*1,347,406,157*	*(95,522)*	-	*1,347,310,635*
	b) deferred	*4,169,722,392*	*(1,675,962)*	-	*4,168,046,430*
	under Law 214/2011	*3,113,718,026*	*(198,962)*	-	*3,113,519,064*
150	Non-current assets and groups of assets held for sale and discontinued operations	80,108,168	-	-	80,108,168
160	Other assets	2,411,029,349	1,221,333	-	2,412,250,682
	Total Assets	**199,105,905,787**	**(16,905,404)**	**(628,195,275)**	**198,460,805,108**

(in units of EUR)

	Liabilities and Shareholders' Equity	31 12 2013	Impact FTA IFRS 10/11	Impact FTA offsetting	31 12 2013 Restated
10	Deposits from banks	37,278,667,067	-	-	37,278,667,067
20	Deposits from customers	85,346,339,733	(60,224,256)	-	85,286,115,477
30	Debt securities issued	36,628,753,258	(67,186,769)	-	36,561,566,489
40	Financial liabilities held for trading	17,037,873,333	-	(628,195,275)	16,409,678,058
50	Financial liabilities designated at fair value	7,988,198,696	-	-	7,988,198,696
60	Hedging derivatives	3,324,710,863	96,924,057	-	3,421,634,920
80	Tax liabilities	180,447,617	5,073,218	-	185,520,835
	a) current	*26,602,524*	*(40,467)*	-	*26,562,057*
	b) deferred	*153,845,093*	5,113,685	-	*158,958,778*
90	Liabilities associated with non-current assets held for sale and discontinued operations	17,820,869	-	-	17,820,869
100	Other liabilities	3,750,932,337	(8,628,738)	-	3,742,303,599
110	Provision for employee severance pay	261,370,864	18,651	-	261,389,515
120	Provisions for risks and charges:	1,127,311,970	-	-	1,127,311,970
	a) post-employment benefits	*61,063,121*	-	-	*61,063,121*
	b) other provisions	*1,066,248,849*	-	-	*1,066,248,849*
140	Valuation reserves	(1,055,909,969)	-	-	(1,055,909,969)
160	Equity instruments carried at equity	3,002,406	-	-	3,002,406
170	Reserves	1,187,240,292	(12,589,213)	-	1,174,651,079
180	Share premium	-	-	-	-
190	Share capital	7,484,508,171	-	-	7,484,508,171
200	Treasury shares (-)	(24,532,421)	-	-	(24,532,421)
210	Non-controlling interests (+/-)	8,214,073	24,980,826	-	33,194,899
220	Profit (loss) (+/-)	(1,439,043,372)	4,726,820	-	(1,434,316,552)
	Total Liabilities and Shareholders' Equity	**199,105,905,787**	**(16,905,404)**	**(628,195,275)**	**198,460,805,108**

INCOME STATEMENT

(in units of eur)

	Items	31 3 2013	Impact FTA IFRS 10/11	31 3 2013 Restated
10	Interest income and similar revenues	1,553,967,076	(1,267,177)	1,552,699,899
20	Interest expense and similar charges	(965,231,878)	1,969,295	(963,262,583)
30	**Net interest income**	**588,735,198**	**702,118**	**589,437,316**
40	Fee and commission income	530,943,671	(21,634)	530,922,037
50	Fee and commission expense	(99,622,634)	14,836	(99,607,798)
60	**Net fee and commission income**	**431,321,037**	**(6,798)**	**431,314,239**
70	Dividends and similar income	6,998,921	-	6,998,921
80	Net profit (loss) from trading	56,834,465	(1,232,405)	55,602,060
90	Net profit (loss) from hedging	(3,979,219)	(51,575)	(4,030,794)
100	Gains/losses on disposal/repurchase of:	23,975,725	-	23,975,725
	a) loans	*868,005*	-	*868,005*
	b) financial assets available for sale	*26,471,284*	-	*26,471,284*
	d) financial liabilities	*(3,363,564)*	-	*(3,363,564)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	33,303,029	-	33,303,029
120	**Net interest and other banking income**	**1,137,189,156**	**(588,660)**	**1,136,600,496**
130	Net impairment losses(reversals) on	(494,518,631)	31,551	(494,487,080)
	a) loans	*(488,099,503)*	*31,551*	*(488,067,952)*
	b) financial assets available for sale	*(3,508,937)*	-	*(3,508,937)*
	d) other financial transactions	*(2,910,191)*	-	*(2,910,191)*
140	**Net income from banking activities**	**642,670,525**	**(557,109)**	**642,113,416**
180	Administrative expenses:	(755,337,674)	(401,792)	(755,739,466)
	a) personnel expenses	*(452,882,174)*	*(25,885)*	*(452,908,059)*
	b) other administrative expenses	*(302,455,500)*	*(375,907)*	*(302,831,407)*
190	Net provisions for risks and charges	(20,892,812)	-	(20,892,812)
200	Net adjustments to (recoveries on) property, plant and equipment	(18,738,923)	(911,874)	(19,650,797)
210	Net adjustments to (recoveries on) intangible assets	(23,942,621)	1,223	(23,941,398)
220	Other operating expenses/income	92,760,253	2,748,283	95,508,536
230	**Operating expenses**	**(726,151,777)**	**1,435,840**	**(724,715,937)**
240	Gains (losses) on investments	28,249,112	(363,281)	27,885,831
260	Impairment on goodwill	-	-	-
270	Gains (losses) on disposal of investments	210,759	-	210,759
280	**Profit (loss) before tax from continuing operations**	**(55,021,381)**	**515,450**	**(54,505,931)**
290	Tax expense (recovery) on income from continuing operations	(32,784,860)	(495,711)	(33,280,571)
300	**Profit (loss) after tax from continuing operations**	**(87,806,241)**	**19,739**	**(87,786,502)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	(12,868,432)	-	(12,868,432)
320	**Profit (loss)**	**(100,674,673)**	**19,739**	**(100,654,934)**
330	Profit (loss) for the period attributable to non-controlling interests	41,482	479,038	520,520
340	**Parent company's net profit (loss)**	**(100,716,155)**	**(459,299)**	**(101,175,454)**

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

Part A – Accounting Policies

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A.1 – General

Section 1 – Statement of compliance with international accounting principles.

The Consolidated Interim Report for the Monte dei Paschi di Siena Group as at 31 March 2014 was prepared pursuant to art. 154-ter, paragraphs 5 and 6 of the Consolidated Law on Finance and in relation with provisions implementing art. 9 of Legislative Decree no. 38/2005. The Consolidated Interim Report was prepared in compliance with IAS 34 "Interim Financial Reporting" in view of the forthcoming publication of the Prospectus and considering the planned capital increase. The preparation of this Consolidated Interim Report does not modify the definition of interim financial reporting period which continues to be six months.

The accounting principles used for the preparation of this Consolidated Interim Report are the same as those used for preparation of the Consolidated Full-Year Report as at 31 December 2013, which should be referred to for further details, with the exception of the following new accounting principles or amendments, the application of which is mandatory as of financial year 2014.

2014 has seen the first-time application of the new accounting principles **IFRS 10 "Consolidated Financial Statements"**, **IFRS 11 "Joint Arrangements"** and **IFRS 12 "Disclosure of Interests in Other Entities".** The publication of IFRS 10 was intended to combine into a converged standard the consolidation principles previously contained in IAS 27 and SIC 12 for Special Purpose Entities; IFRS 10 requirements now apply to all entities. IFRS 10 introduces a new concept of control: an investor has control over an entity when he has exposure, or rights, to variable returns from the activities of the entity in which he has invested and has the ability to use his power over the investment to affect the amount of returns received. IFRS 10 led to the revision of IAS 27 "Consolidated and Separate Financial Statements" (reissued as IAS 27 "Separate Financial Statements"), which now sets the accounting standards and disclosure requirements for separate financial statements to be applied to investments in subsidiaries, joint ventures and associates. IFRS 11 "Joint Arrangements" replaces IAS 31 "Interests in Joint Ventures". The standard requires an entity to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the joint arrangement; if the entity is involved in a joint venture, it shall recognise and account for its investment in the joint venture using the equity method in accordance with IAS 28, "Investments in Associates and Joint Ventures". Proportionate consolidation is no longer permitted for joint ventures. The new standards, IFRS 10, IFRS 11 and IFRS 12, and revised standards IAS 27 and IAS 28, in conjunction with withdrawal of IAS 31, were endorsed by the European Commission with Regulation no. 1254/2012.

With regard to the publication of the new standards on consolidation illustrated above, on 17 May 2012 the IASB published "**Consolidated financial statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance",** which provides additional clarification on issues concerning the first-time adoption of IFRS 10, IFRS 11 and IFRS 12. Described below are the most significant clarifications set out in the Transition Guidance:

a) the date of initial application of IFRS 10 coincides with the beginning of the annual reporting period in which IFRS 10 is applied for the first time (1 January 2014 for EU entities whose financial year coincides with the calendar year);

b) at the date of initial application of IFRS 10, an entity is not required to make retrospective changes to its previous accounting for its involvement in entities if :
    a. they would have been consolidated under both IFRS 10 and under IAS 27/SIC 12;
    b. they would not have been consolidated under IFRS 10 and IAS 27/SIC 12;
c) should an investor conclude that, at the date of initial application of IFRS 10, it needs to consolidate an investee that was previously unconsolidated under IAS 27/SIC 12, IFRS 10 should be applied retrospectively, by adjusting the annual reporting period prior to the date of initial application or the initial net assets for such period if control (as defined in IFRS 10) was obtained before the beginning of the annual reporting period prior to the date of initial application;
d) should an investor conclude that, at the date of initial application of IFRS 10, it needs to deconsolidate an investee that was previously consolidated under IAS 27/SIC 12, the interest in the (former) subsidiary should be recognised at the value at which it would have been measured had IFRS 10 been effective when the investor made the investment; When the investment was made at a date earlier than the beginning of the period immediately preceding the date of initial application, the annual reporting period prior to the date of initial application or the initial equity for such period shall be adjusted by the difference between the previously recognised amount and the carrying amount of assets, liabilities and non-controlling interests as at the date of first application.
e) Should the above requirements be impracticable (as defined in IAS 8), simplifications are in place that allow for the application of new IFRS 10 at the beginning of the earliest period in which the above requirements are practicable (which may even be the initial-application period).

The amendment was endorsed by the European Commission with Regulation 313/2013 on 4 April 2013.

In October 2012, the IASB also published **"Investment Entities"**, containing amendments to IFRS 10, IFRS 12 and IAS 27. The document introduces the definition of 'investment entity' to refer to an entity that obtains funds from third investors for the purpose of providing them with investment services, commits to its investors that its business purpose is to invest funds for returns from capital appreciation and investment income and measures the performance of substantially all of its investments on a fair value basis. An exemption from consolidation of subsidiaries is provided for these entities. In particular, the amendment requires these entities to measure their controlling interests at fair value through profit or loss in both their consolidated and separate financial statements. The document also introduces amendments to IFRS 12 and IAS 27 on information to be disclosed. The amendment is effective for annual periods beginning on or after 1 January 2014. The principle was endorsed by the European Commission with Regulation no. 1174/2013 on 20 November 2013 and is mandatorily to be applied for annual periods beginning on or after 1 January 2014. The impact has no material impact for the Group.

2014 has also seen the first-time application of the **amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"**, published by the IASB in December 2011. The amendment introduces a few paragraphs in the application guidance to clarify the application of the existing requirements (under paragraph 42 of IAS 32) for offsetting financial assets and financial liabilities in the balance sheet. The amendment was endorsed by the European Commission with Regulation 1256/2012 on 13 December 2012. The application of the amendment as of 1 January 2014 will entail the net presentation of certain types of derivative instruments cleared through central counterparties; there be no impact on the balance-sheet and financial position, P&L or regulatory capital

Impacts resulting from the application of the new accounting standards on consolidation (IFRS 10 and IFRS 11) as well as the application of amended IAS 32 "Offsetting financial assets and liabilities" are illustrated in the section "Restatement of prior period accounts – IAS 8" in these Explanatory Notes. Note that the application of IFRS 12 has had no material impact on the preparation of this Consolidated Interim Report.

The following amendments have also come into force in 2014, with no impact on these consolidated interim financial statements:

- **amendment to IAS 36 "Recoverable amount disclosures for non-financial assets"**, published by the IASB in May 2013. The amendment clarifies that recoverable amount disclosure for assets which have been subject to impairment loss only applies to those assets whose recoverable amount is based on fair value less costs of disposal; in this case, information is to be disclosed on fair value hierarchy, the valuation techniques used and the key assumption used to measure levels 2 and 3. The amendment was endorsed by the European Commission with Regulation 1374/2013 on 19 December 2013.
- **amendment to IAS 39 "Novation of derivatives and continuation of hedge accounting"**, published by IASB in June 2013. The amendment clarifies that there would be no need to discontinue hedge accounting if a hedging derivative was novated to a central party as a result of laws or regulations. The amendment, endorsed by the European Commission with Regulation 1375/2013 on 19 December 2013, was issued as part of the regulatory changes which are taking place in several jurisdictions involving the novation of over-the-counter derivative trades to central parties.

Going concern

The Consolidated Interim Report was prepared based on a going concern assumption.

With regard to the indications contained in Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated interim report under the going concern assumption since the uncertainties arising from the current economic scenario do not cast doubts on to the company's ability to continue operating as a going concern.

For a description of the actions necessary to deliver the Restructuring Plan objectives, please refer to the 2013 Annual Report.

Risks and uncertainties relating to the use of estimates and significant accounting choices

In accordance with the IFRSs, management is required to formulate assessments, estimates and forecasts which may have an influence on the application of the accounting principles as well as on the amounts of assets/liabilities and costs/revenues recognised in the financial statements. Estimates and related forecasts are based on past experience or other factors deemed reasonable in the specific circumstances and were made to estimate the carrying value of assets and liabilities that cannot be easily inferred from other sources. In particular, estimates were used in support of the carrying amounts for the most significant items posted in the Consolidated Interim Report as at 31 March 2014, in accordance with the aforementioned accounting principles and regulatory provisions. 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.

With regard to significant accounting choices, it is noted that as at 31 March 2014 the Group held 7,500 shares, accounting for 2.5% of Bank of Italy's share capital. As at 31 December 2012, the shares were recognised in the AFS portfolio with a book value of EUR 432 mln, the result of a revaluation for the same amount carried out against the historical cost of EUR 3,873 and posted to the AFS reserve.

Law Decree 133/2013, converted into Law no. 5 of 29 January 2014, n. 5, introduced changes resulting in the derecognition of the stake already held and the recognition of a new financial instrument in the 2013 accounts.

In terms of balance sheet representation, the value of the shareholding was adjusted to the new share capital with a reduction in its carrying value from EUR 432 mln to EUR 187.5 mln; the shareholding was derecognised from the balance sheet with the consequent reversal of the AFS reserve to profit and loss; the new shares were recognised in the accounts at the same value of EUR 187.5 mln. This accounting treatment is supported by the opinions of qualified professionals that take into account the different financial characteristics and shareholder rights of the new shares issued as compared to the pre-existing ones.

The gross capital gain of EUR 187.5 mln, equal to the difference between the carrying value of the "old" shares and the nominal value of the "new" ones, was recognised in the 2013 income statement; a tax effect of EUR 22.5 mln was considered on this capital gain to take account of the 12% substitute tax.

There were no changes in the book value of the shareholding as at 31 March 2014.

Although the accounting methods adopted are aligned with the views of leading legal and accounting experts on certain opinions issued by the banking association, the European Commission has, nevertheless, launched a review to verify whether the transaction could constitute a form of "state aid" in favour of Italian banking institutes. Note that the system-wide analysis of the transaction's accounting treatment is still in progress. Furthermore, in its Communication of DIE/0018881 of 10 March 2014, CONSOB pointed out that, "*in the light of the uniqueness and non-typical nature of the transaction* […] *and considering that the accounting of such a transaction is not expressly governed by international accounting standards, further assessments are under way with national and international bodies. In view of the above, directors are required, when approving their 2013 Financial Statements and on the basis of the most comprehensive information framework available, to adopt the accounting methods deemed most appropriate to achieve compliance with the criteria set out in the international accounting standards. It being understood that the delicate nature of the transaction requires listed companies to provide the most comprehensive information possible in its financial statements*". This position was also expressed in a joint press release issued by the supervisory authorities, Bank of Italy, CONSOB and IVASS on 11 March 2014.

For "long term structured repos" and other details, please refer to the 2013 Annual Report.

Scope and method of consolidation

The Consolidated Interim Report includes the balance sheet and income statement data of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of them being going concerns or wound-up companies, or of whether the equity investment consists in a *merchant banking* transaction. Similarly, special purpose entities/vehicles (SPEs/SPVs) are included when the requirement of actual control recurs, even if there is no stake in the entity.

Minor entities are not included in the scope if their consolidation proves immaterial for the purpose of the Consolidated Financial Statements.

For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2013 Consolidated Financial Statements, Part A "Accounting Policies".

Changes to the scope of consolidation

The application of new accounting standards IFRS 10 and IFRS 11 resulted in the inclusion in the scope of consolidation of the following entities as of 1 January 2014:

- Patagonia Finance SA,
- Stichting Monte 2008-1,
- Nota Italia – Corsair Ireland Serie n. 15.

Consum.it Securitisation Srl.was included in the scope of consolidation during the period.

It should be noted that, following application of the new standards, Costruzioni Ecologiche Moderne SpA and Marinella SpA have been otherwise classified, from associated company to subsidiary and from associated company to jointly controlled entity respectively. Consequently, there was a change in the consolidation method applied for Costruzioni Ecologiche Moderne SpA, now consolidated on a line by line basis rather than the equity method.

As a result of the above standards, there was a change in the consolidation method applied for the investee Integra S.p.A., now consolidated using the equity method rather than the proportional one

Monte Paschi Ireland Ltd was removed from the scope of consolidation following its merger by absorption into the Parent Company.

Investments in associates and joint ventures

	Name	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.					
	A.1 Fully consolidated companies					
A.1	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	1	A.0	99.921	
A.2	MPS LEASING E FACTORING BANCA PER I SERVIZI	Siena	1	A.0	100.000	
A.3	MONTE PASCHI FIDUCIARIA S.p.a.	Dublin	1	A.0	100.000	
A.4	CONSUM.IT S.p.a.	Florence	1	A.0	100.000	
A.5	WISE DIALOG BANK S.p.a. - WIDIBA	Florence	1	A.0	100.000	
A.6	MPS TENIMENTI POGGIO BONELLI E	Milan	1	A.0	100.000	
A.7	MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100.000	
A.8	G.IMM ASTOR S.r.l.	Lecce	1	A.0	52.000	
A.9	AIACE REOCO S.r.l.	Siena	1	A.0	100.000	
A.10	ENEA REOCO S.r.l.	Siena	1	A.0	100.000	
A.11	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	1	A.0	99.820	99.940
				A.1	0.060	-
				A.2	0.030	
				A.4	0.030	
A.12	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Siena	4	A.0	8.828	6.590
				A.1	0.018	0.142
				A.2	0.009	0.057
				A.3	0.005	0.014
				A.4	0.006	0.025
				A.7	81.774	0.002
				A.11	0.111	1.072
A.13	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	1	A.0	100.000	
A.14	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE S.p.a.	Mantua	4	A.0	40.197	
A.15	BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	99.900	100.000
				A.1	0.100	
A.16	MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100.000	
A.17	MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100.000	
A.18	MPS CAPITAL TRUST I	Delaware	4	0	-	
A.19	MPS CAPITAL TRUST II	Paris	4	0	-	
A.20	MONTE PASCHI BANQUE S.A.	Paris		A.0	100.000	
20.1	MONTE PASCHI CONSEIL FRANCE	Paris		A.20	100.000	
20.2	IMMOBILIERE VICTOR HUGO S.C.I.	Luxembourg		A.20	100.000	
A.21	MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	1	A.0	99.200	100.000
				A.20	0.800	
A.22	ANTONVENETA CAPITAL L.L.C. I	Delaware	1	A.0	100.000	
A.23	ANTONVENETA CAPITAL L.L.C. II	Delaware	1	A.0	100.000	
A.24	ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100.000	
A.25	ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100.000	
A.26	MPS COVERED BOND S.r.l.	Conegliano	1	A.0	90.000	
A.27	MPS COVERED BOND 2 S.r.l.	Conegliano	1	A.0	90.000	
A.28	CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60.000	
A.29	MANTEGNA FINANCE II S.r.L. (under liquidation)	Conegliano	1	A.0	100.000	
A.30	CONSUM.IT SECURITISATION S.r.l.	Conegliano	1	A.0	100.000	
A.31	SIENA MORTGAGES 07-5 S.p.a.	Conegliano	4	A.0	7.000	
A.32	SIENA MORTGAGES 09-6 S.r.l.	Conegliano	4	A.0	7.000	
A.33	SIENA MORTGAGES 10-7 S.r.l.	Conegliano	4	A.0	7.000	
A.34	SIENA SME 11-1 S.r.l.	Conegliano	4	A.0	10.000	
A.35	SIENA LEASE 11-1 S.r.l.	Rome	4	A.0	10.000	
A.36	SIENA CONSUMER S.r.l.	Conegliano	4	A.0	10.000	
A.37	CASAFORTE S.r.l.	Florence	4	A.0	-	
A.38	PATAGONIA FINANCE S.A.	Luxembourg	4	A.0	-	
A.39	STICHTING MONTE 2008-1	Amsterdam	4	A.0	-	
A.40	CORSAIR FINANCE IRELAND n.6 LTD Serie n. 15	Dublin	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
7 joint operations

(**) Voting rights are disclosed only if different from the percentage of ownership.

It should be noted that, as at 31 March 2014, Widiba had not yet received authorisation by the Bank of Italy to engage in banking activities and had not yet been entered into the Companies' Register.

A.2 The main items of the accounts

For this section, reference is made to the latest Annual Report available.

A.3 Information on portfolio transfers

A.3.1 Reclassified financial assets: book value, fair value and effect on comprehensive income

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 31 03 2014 (4)	Fair value at 31 03 2014 (5)	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Valuation component (6)	Other (7)	Valuation component (8)	Other (9)
UCITS	Trading	Available for sale	23.419	23.419	116	-	116	-
Debt Securities	Trading	Lonas to banks	35.815	32.964	2.677	286	3	184
Debt Securities	Trading	Loans to customers	334.552	303.905	5.499	2.187	311	2.221
Debt Securities	Available for sale	Loans to banks	586.395	369.330	(7.891)	39	226	544
Debt Securities	Available for sale	Loans to customers	526.379	521.991	7.196	3.881	(299)	2.158
	Total		**1.506.560**	**1.251.609**	**7.597**	**6.393**	**357**	**5.107**

In addition to illustrating the book values and fair values as at 31.03.2014 of financial instruments reclassified in 2008, the table also reports (columns 6 and 7) profit and loss results in terms of valuation component and "other components" (profit/loss and interest from disposal), which these financial instruments would have produced for the Group in the first quarter of 2014 had they not been transferred during 2008.

Columns 8 and 9, on the other hand, contain the profit and loss results in terms of "value relevance" and "other" (profit/loss and interest from disposal), posted for the above mentioned istruments by the Group in the first quarter of 2014.

A.4 Information on fair value

A.4.1.a Fair value level 2: measurement techniques and inputs used

Items	Fair value 31 03 2014						Type	Valuation technique(s)	Inputs used
	Financial assets held for trading	Financial assets available for sale	Hedging derivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives			
Debt securities	326,492	80,947	X	-	6,898,972	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), Inflation Curves + inputs necessary to measure optional component
							Bonds	Market price*	Market price*
Equity instruments	16	68,410	X	X	X	X		Market price*	Market price*, recent transactions, appraisals, manager reports
								Discounted cash flow	Share price, beta sector, free risk rate
								Net asset adjusted	Fair value asset
Units in UCITS	69,427	163,424	X	X	X	X		Market price*	Market price*
Loans/deposits	3,506,141	-	X	X	X	X		Esternal Pricing/other methods	Periodic repricing
Deposits	X	X	X	1,470,862	-	X	from banks		-
				3,832,208	-		from customers		-
Financial derivatives	6,932,147	6,988,893	405,962	4,930,323	X	3,576,835	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, Foreign exchange rates
							Forex Singlename	Option Pricing Model	Interest rate curve, Foreign exchange rates, Forex volatility
							Forex Singlename	Option Pricing Model	Interest rate curve, Foreign exchange rates, Forex volatility (Surface)
							Forex Multiname	Option Pricing Model	Interest rate curve, Foreign exchange rates, Forex volatility, Correlation
							Equity Singlename	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
							Equity Singlename Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs
							Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto Correlation, Equity/Equity correlation
							Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs, Quanto Correlation, Equity/Equity Correlation
							Plain Rate	Option Pricing Model	Interest rate curve, inflation curve, bond prices, foreign exchange rates, Rate volatility, rate
							Spot-Forward	Market price*	Market price*, Swap Point
Credit derivatives	1,188,154	-	-	1,215,461	X	26	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	**12,022,377**	**312,781**	**405,962**	X	X	X			
Total liabilities	X	X	X	**11,448,854**	**6,898,972**	**3,576,861**			

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

Items	Fair value 31 03 2014			Type	Valuation technique(s)	Unobservable inputs	Range (weighted average)
	Financial assets held for trading	Financial assets available for sale	Financial liabilities held for trading				
Debt securities	62,462	110,431	-	Bonds	Discounted Cash Flow	Liquidity base, Credit Correlation	175 bps; 0.25
					Discounted Cash Flow	Liquidity base	5 multiplyng factor; benchmark base
					Collateral valorization	Collateral Components	0 eur/mln
Equity instruments	-	282,762	X		Discounted Cash Flow/Option Pricing	Volatility of underlying	36%
				Equity instruments	Discounted Cash Flow	Liquidity base	0 bps
				Equity instruments	Cost/Net Equity	Market value	0 - 15 eur/mln
Financial derivatives	544	X	7,979	Equity Exotic	Option Pricing Model	Risk Model - Smile dynamics	No dynamic/Stochastic evolution
Units in UCITS	40	106,676			Adjusted NAV	Default Probability	5%/10%
					Third Party price	Offered quotes	-
Total assets	63,046	499,869	X				
Total liabilities	X	X	7,979				

A.4.2 Measurement processes and sensitivity

A narrative description of level 3 instruments that show significant sensitivity to changes in unobservable inputs is provided below.

The most significant changes in fair value for debt securities, with unobservable inputs consisting in Cash Flow Base and Credit Correlation, essentially arise from perpetual securities, EIRLES TWO TV 05/49, for a notional amount of EUR 95 mln. Their classification in level 3 depends on the fact that fair value measurement is obtained by also using unobservable inputs and internal assumptions; in particular, the assumptions are about interrelationships between the credit standing of Deutsche Bank and France Telecom and the application of a risk premium due to security's limited liquidity (i.e., the price for bearing the uncertainty inherent in the cash flows). The securities' fair value is negatively affected by both an increase in the cash flow base used and a decreased correlation in credit standing between the two afore-mentioned institutions. The securities' fair value was measured under different combinations of unobservable inputs: -0.50 -0, 0.35, 0 and 0.50 for credit correlation; 0, 100, 200 and 300 bps for cash flow base. Fair value measurement as at 31 March 2014 was obtained by using a 0.25 correlation and a 175 bps cash flow base. In consideration of the above, the worst case arises with a correlation of -0.50 and a cash flow base of 300 bps; the best case arises with a correlation of 0.50 and a cash flow base of 0 bps. In the former case, a negative change of EUR 14 mln would be recognised as compared to fair value as at 31 March 2013; in the latter case, the change would be positive and would amount to EUR 27 mln.

The most significant changes in fair value for Debt securities, with unobservable inputs consisting in Credit Correlation, essentially arise from the security ANTHRACITE ZC 03/20. This note is valued on the basis of the vehicle's asset items (collateral) which include a claim against Lehman Brothers (the unobservable input), recognised at a nominal value of approx. EUR 3 mln but which is conservatively valued at zero mln Euros for Financial Statement purposes.

Equity securities measured using the Discounted Cash Flow model mainly include the Bank of Italy shareholding. The shareholding was measured within the high range identified by the Committee of Experts in the document "Revaluation of shareholdings in the Bank of Italy". The valuation developed, based on the discounting of potential dividend flows from the new rights of shareholders in the capital of Bank of Italy, identifies the cash flow basis to be used in discount flows as the input for entity-specific assumptions . The input range was between 0% and 20% of the cash flow base, which translates into a change in value of approximately EUR 63 mln.

Equity securities valued at cost/net equity include all investments designated at fair value which could not be measured according to a market based model. These positions amount to approx. EUR 100 mln.

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" (Black&Scholes) to "stochastic volatility" (Heston Model) results in a change in market value of EUR 3 mln .

The units of UCITS measured using an adjusted NAV consist in two real estate funds, Socrate and Etrusco, valued through an adjusted NAV method (published by the asset management company) to take into account the fund's probability of default (unobservable input). The default probabilities, included in the adjusted NAV method and allocated using a score assigned to the fund on the basis of certain typical characteristics, are divided into levels (1% ,5%, 10%, 20%, and 30%) with the two funds currently falling into the 5%-10% segment. Sensitivity to the unobservable input is calculated by assuming a downward-sloping default probability level, generating an impact of around EUR 4.4 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 mln).

A.4.3 Fair value hierarchy

The fair value hierarchy was introduced by the IASB through the amendment to IFRS 7 "Additional disclosures" issued in March 2009 and subsequently adopted in the new IFRS 13 “Fair value measurement”, issued in 2011 and subject to mandatory application as of 2013 Financial Statements.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions.

The fair value of financial instruments listed in active markets is determined by using quoted market prices; quoted market prices for similar instruments or internal valuation models are used for other financial instruments.

Financial instruments are classified in three different levels according to the reliability of the inputs used during measurement.

The methods for classifying financial instruments in the three-level fair value hierarchy are shown below.

Level 1

This level shall include financial instruments measured using unadjusted quoted prices in active markets for identical instruments.

IFRS 13 defines an active market as a market in which transactions take place with sufficient frequency and volume to provide information on an ongoing basis. A financial instrument is quoted in a financial market when:

- the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, authorised body or regulatory agency;
- the quoted prices represent actual and regularly occurring market transactions on an arm’s length basis.

If the quoted prices meet these criteria, they represent the best estimation of fair value and must be used to measure the financial instrument.

From the definition of active market set out in IFRS 13 it is inferred that the active market concept is particular to the individual financial instrument being measured and not to the market on which it is listed; the fact that a financial instrument is quoted in a regulated market is therefore not in itself sufficient for said instrument to be defined as listed in an active market. Conversely, a financial instrument that is not traded in a regulated market may present sufficient frequency and volumes for it to be classified in level 1 of the fair value hierarchy

Level 2 and 3

Financial instruments not listed in an active market must be classified in level 2 or 3.

Classification in level 2 rather than level 3 is determined on the basis of market observability of the significant inputs used to determine fair value. A financial instrument must be fully classified in a single level; if inputs belonging to different levels are used for the purpose of measuring an instrument, said instrument is classified based on the lowest level of input that is significant to the fair value measurement.

An instrument is classified in level 2 if all significant inputs are directly or indirectly observable on the market. An input is observable if it reflects the same assumptions used by market participants, based on independent market data.

Level 2 inputs are as follows:

a) quoted prices on active markets for similar assets or liabilities;
b) quoted prices for the instrument in question or for similar instruments on non-active markets, i.e. markets where:
    - there are few transactions;
    - the prices are not current or they vary substantially over time and between the difference market makers or
    - little information is made public;
c) observable market inputs other than quoted prices (e.g.: interest rates or yield curves observable in different buckets, volatility, credit curves, etc.);
d) inputs that derive primarily from observable market data, the reporting of which is confirmed by parameters such as correlation.

A financial instrument is classified in level 3 if the measurement techniques adopted use non-observable market inputs and their contribution to estimating fair value is deemed significant.

All financial instruments not listed in active markets are classified in level 3 where:

- despite having observable data available, significant adjustments based on non-observable data are required;
- The estimate is based on internal assumptions on future cash flows and risk adjustment of the discount curve.

It should also be noted that -regardless of whether measurement techniques adopted use non-observable market inputs- the Group deemed it appropriate and prudential to have Level 3 of the Fair Value hierarchy include 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 "formalisation", 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.

As for OTC derivatives**,** in compliance with IFRS 13 the MPS Group calculates adjustments to values, obtained through valuation models using risk-free interest rates, to take account of the creditworthiness of the individual counterparty. This risk measure, known as Credit Value Adjustment (CVA), is estimated for all OTC derivative positions with non-collateralised institutional and retail counterparties.

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 MPS Group.

As at 31.03.2014, the CVA had a negative balance of approx. EUR 102 mln.

A.4.4 Other information

Quantitative Information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities designed at fair value on a recurring basis: breakdown by fair value level.

	31 03 2014				31 12 2013*			
	Level1	Level 2	Level 3	Total	Level1	Level 2	Level 3	Total
1. Financial assets held for trading	8,318,808	12,022,377	63,046	20,404,231	6,594,985	12,565,876	77,705	19,238,566
2. Financial assets designated at fair value	-	-	-	-	-	-	-	-
3. Financial assets available for sale	22,283,127	312,781	499,869	23,095,777	22,572,784	494,564	612,901	23,680,249
4. Hedging derivatives	-	405,962	-	405,962	-	397,933	-	397,933
5. Property, plant and equipment	-	-	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-	-	-
Total assets	**30,601,935**	**12,741,120**	**562,915**	**43,905,970**	**29,167,769**	**13,458,373**	**690,606**	**43,316,748**
1. Financial liabilities held for trading	3,173,184	11,448,854	7,979	14,630,017	3,173,141	13,228,152	8,385	16,409,678
2. Financial liabilities designated at fair value	79,232	6,898,972	-	6,978,204	-	7,988,199	-	7,988,199
3. Hedging derivatives	-	3,576,861	-	3,576,861	-	3,421,635	-	3,421,635
Total liabilities	**3,252,416**	**21,924,687**	**7,979**	**25,185,082**	**3,173,141**	**24,637,986**	**8,385**	**27,819,512**

**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.*

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

31 03 2014

	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging derivatives	Property, plants and equipments	Intangible assets
1. Opening balance	**77,705**	**-**	**612,901**	**-**	**-**	**-**
2. Increases	**6,715**	**-**	**37,157**	**-**	**-**	**-**
2.1 Purchases	-	-	264	-	-	-
2.2 Profits posted to:	6,242	-	25,822	-	-	-
2.2.1 Profit and Loss	6,242	-	10,632	-	-	-
- of which capital gains	55	-	-	-	-	-
2.2.2 Equity	X	X	15,190	-	-	-
2.3 Transfers from other levels	-	-	9,685	-	-	-
2.4. Other increases	473	-	1,386	-	-	-
3. Decreases	**21,374**	**-**	**150,189**	**-**	**-**	**-**
3.1 Sales	3,525	-	63,741	-	-	-
3.2 Redemptions	15,000	-	-	-	-	-
3.3 Losses posted to:	776	-	85,796	-	-	-
3.3.1 Profit and Loss	776	-	15,166	-	-	-
- of which capital losses	719	-	15,155	-	-	-
3.3.2 Equity	X	X	70,630	-	-	-
3.4 Transfers to other levels	1,600	-	-	-	-	-
3.5. Other decreases	473	-	652	-	-	-
4. Closing balance	**63,046**	**-**	**499,869**	**-**	**-**	**-**

The amount shown in the column "Financial assets held for trading" under item "transfers to other levels" refers to the bond SEMPER 1F TV 07/46 (nominal value of EUR 2 mln) reclassified to level 2 of the fair value hierarchy.

The amount shown in the column "Financial assets available for sale" under item "transfers from other levels" refers to PRELIOS 13/19 1 (nominal value of EUR 12.4 mln) transferred out of level 2 of the fair value hierarchy.

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

31 03 2014

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**8,385**	**-**	**-**
2. Increases	**2,190**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	2,179	-	-
2.2.1 Profit and Loss	2,179	-	-
- *of which capital gains*	580	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4. Other increases	11	-	-
3. Decreases	**2,596**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits posted to:	2,596	-	-
3.3.1 Profit and Loss	2,596	-	-
- *of which capital losses*	1,958	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**7,979**	**-**	**-**

A.5 Information on "day one profit/loss"

The Group did not generate day one profit/loss from financial instruments pursuant to paragraph 28 of IFRS 7 and other related IAS/IFRS paragraphs.

Part B – Information on the consolidated balance sheet

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ASSETS

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown

Items/Amounts	Total 31 03 2014				Total 31 12 2013*			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A. Balance sheet assets								
1. Debt securities	8,156,106	326,492	62,462	8,545,060	6,428,516	290,018	77,105	6,795,639
2. Equity instruments	87,770	16	-	87,786	98,428	12	-	98,440
3. Units in UCITS	18,730	69,427	40	88,197	16,399	84,870	112	101,381
4. Loans	-	3,506,141	-	3,506,141	-	3,695,787	-	3,695,787
Total (A)	**8,262,606**	**3,902,076**	**62,502**	**12,227,184**	**6,543,343**	**4,070,687**	**77,217**	**10,691,247**
B. Derivatives								
1. Financial derivatives:	56,202	6,932,147	544	6,988,893	51,642	7,259,339	488	7,311,469
2. Credit derivatives:	-	1,188,154	-	1,188,154	-	1,235,850	-	1,235,850
Total (B)	**56,202**	**8,120,301**	**544**	**8,177,047**	**51,642**	**8,495,189**	**488**	**8,547,319**
Total (A+B)	**8,318,808**	**12,022,377**	**63,046**	**20,404,231**	**6,594,985**	**12,565,876**	**77,705**	**19,238,566**

**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 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown by type

Items/Amounts	Total 31 03 2014				Total 31 12 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	22,269,675	80,947	110,431	22,461,053	22,547,442	242,773	100,870	22,891,085
2. Equity instruments	12,889	68,410	282,762	364,061	24,682	72,257	405,191	502,130
3. Units in UCITS	563	163,424	106,676	270,663	660	179,534	106,840	287,034
4. Loans	-	-	-	-	-	-	-	-
Total	**22,283,127**	**312,781**	**499,869**	**23,095,777**	**22,572,784**	**494,564**	**612,901**	**23,680,249**

Following the publication of the new Articles of Association in the Official Gazette of 19 April 2014, the shareholding in Istituto per il Credito Sportivo (ICS) was reduced from the previous 10.8% to approx. 1.48%, for the benefit of the interest held by the Ministry of Economy and Finance. The value of the shareholding was consequently adjusted from EUR 80.8 mln to EUR 12.4 mln.

Section 6 – Loans to banks – Item 60

6.1 Loans to banks: breakdown by type

Type of transaction/Amount	Total 31 03 2014		Total 31 12 2013*	
	Book value	Total Fair Value	Book value	Total Fair Value
A. Loans to central banks	**3,948,807**	**3,948,807**	**3,746,929**	3,746,929
1. Time deposits	1,517,046	x	17,000	x
2. Compulsory reserve	2,431,761	x	3,729,929	x
3. Reverse repurchase agreements	-	x	-	x
4. Other	-	x	-	x
B. Loans to banks	**6,255,335**	**6,079,226**	**6,738,266**	6,530,218
1. Loans	5,233,383	5,266,602	5,494,688	5,509,389
1.1 Current accounts and demand deposits	2,236,715	x	2,542,276	x
1.2 Time deposits	201,102	x	291,964	x
1.3 Other loans:	2,795,566	x	2,660,448	x
- Reverse repurchase agreements	342,104	x	270,011	x
- Finance leases	-	x	-	-
- Other	2,453,462	x	2,390,437	x
2. Debt securities	1,021,952	812,624	1,243,578	1,020,829
Total	**10,204,142**	**10,028,033**	**10,485,195**	**10,277,147**

Loans to banks	Total 31 03 2014		Total 31 12 2013*	
	Book value	Book value	Fair Value	
Non-performing assets	37,354	X	27,238	X

**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 "Loans to banks" includes loans and deposits, in addition to the unrestricted part of the compulsory legal reserve with the Bank of Italy which, as at 31.03.2014, amounted to EUR 2,431.8 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 Group's contingent cash flow requirements.

Section 7 – Loans to customers – Item 70

7.1 Loans to customers: breakdown by type

Type of transaction Amount	31 03 2014					31 12 2013*				
	Book value				Fair value	Book value				Fair value
	Performing	Non-performing		Total	Total	Performing	Non-performing		Total	Total
		Purchased	Others				Purchased	Others		
Loans	109,299,991	6,411	21,916,928	131,223,330	133,782,610	108,156,638	6,493	20,984,248	129,147,379	132,139,583
1. Current accounts	11,403,710	445	4,434,863	15,839,018	x	10,953,417	463	4,219,995	15,173,875	x
2. Reverse repurchase agreements	5,456,536	-	-	5,456,536	x	2,736,721	-	-	2,736,721	x
3. Mortgages	62,965,666	5,822	12,314,582	75,286,070	x	64,756,588	5,863	11,708,742	76,471,193	x
4. Credit cards, personal loans and fifth-of-salary backed loans	2,602,872	-	203,067	2,805,939	x	2,754,181	-	195,939	2,950,120	x
5. Financial leasing	3,939,122	-	1,055,364	4,994,486	x	4,037,738	-	1,016,593	5,054,331	x
6. Factoring	954,969	-	138,960	1,093,929	x	1,076,438	-	138,040	1,214,478	x
7. Other transactions	21,977,116	144	3,770,092	25,747,352	x	21,841,555	167	3,704,939	25,546,661	x
of which: leased assets under construction	*190,950*	-	*51,964*	*242,914*	*x*	*182,417*	-	*50,580*	*232,997*	x
Debt securities	1,452,561	-	1,275	1,453,836	1,461,950	1,449,075	-	1,273	1,450,348	1,507,853
Total	110,752,552	6,411	21,918,203	132,677,166	135,244,560	109,605,713	6,493	20,985,521	130,597,727	133,647,436

**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.*

With regard to the Nomura/Alexandria transaction, line 2 “Reverse repurchase agreements” includes the repo facility for an amount of EUR 1,967 mln and line 7 “ Other transactions” includes EUR 1,651.8 mln in cash collateral pledged in favour of the same counterparty for the interest rate swap and long term repo transactions.

Section 10 – Equity investments – Item 100

10.1 Equity investments in entities subject to joint control (valued at equity) and under significant influence: information on shareholders' equity

Company Name	Registered Office	Ownership Relationship		Avail. % votes	Consolidated value as at (in thousand of eur)	
		Held by	Share holding %		31 03 2014	31 12 2013*
A. Jointly controlled Companies						
Integra S.p.a.	Florence	Consum.it	50.000	-	915	905
Marinella S.p.a.	Marinella di Sarzana (SP)	Banca Monte dei Paschi di Siena	25.000	-	9,546	9,546
B. Companies under significant influence						
AD.Impresa S.p.a.	Milan	Banca Monte dei Paschi di Siena	20.000	-	-	-
Aereoporto di Siena S.p.a.	Sovicille (SI)	Banca Monte dei Paschi di Siena	21.380	-	-	-
Alerion Cleanpower S.p.a.	MIlan	Banca Monte dei Paschi di Siena	6.295	-	9,065	9,065
Anima Holding S.p.a.	Milan	Banca Monte dei Paschi di Siena	21.626	-	73,955	137,567
Antoniana Veneta Popolare Vita S.p.a.	Trieste	Banca Monte dei Paschi di Siena	50.000	-	23,201	22,268
Axa Mps Assicurazioni Danni S.p.a.	Rome	Banca Monte dei Paschi di Siena	50.000	-	35,628	32,101
Gruppo Axa Mps Assicurazioni Vita S.p.a	Rome	Banca Monte dei Paschi di Siena	50.000	-	683,736	634,218
BioFund S.p.a.	Siena	Banca Monte dei Paschi di Siena	13.676	-	255	255
Casalboccone Roma S.p.a.	Siena	Banca Monte dei Paschi di Siena	21.750	33.675	-	-
EDI.B. S.p.a.	Gubbio (PG)	Banca Monte dei Paschi di Siena	18.052	-	-	-
Fabrica Immobiliare SGR S.p.a.	Rome	Banca Monte dei Paschi di Siena	49.990	-	5,714	5,714
Fenice Holding S.p.a.	Calenzano (FI)	Banca Monte dei Paschi di Siena	4.156	-	16,352	16,352
		MPS Capital Services S.p.a.	16.383	-	-	-
Fidi Toscana S.p.a.	Florence	Banca Monte dei Paschi di Siena	25.798	-	47,346	47,346
Industria e Innovazione S.p.a.	Milan	Banca Monte dei Paschi di Siena	7.107	-	1,066	1,066
Intermonte SIM S.p.a.	Milan	Banca Monte dei Paschi di Siena	17.410	-	15,043	15,042
Interporto Toscano A.Vespucci S.p.a. Livorno-Guasticce	Collesalvetti (LI)	Banca Monte dei Paschi di Siena	21.819	-	9,294	10,210
		MPS Capital Services S.p.a.	19.002	-	-	-
Le Robinie S.p.a.	Reggio Emilia	Banca Monte dei Paschi di Siena	20.000	-	-	-
Microcredito di Solidarietà S.p.a.	Siena	Banca Monte dei Paschi di Siena	40.000	-	591	591
NewColle S.r.l.	Colle V. Elsa (SI)	Banca Monte dei Paschi di Siena	49.002	-	907	907
Prima Holding 2 S.p.a.	Milan	Banca Monte dei Paschi di Siena	28.344	31.969	3,638	3,638
Realizzazioni e Bonifiche Arezzo S.p.a. (in liquidazione)	Arezzo	Banca Monte dei Paschi di Siena	19.584	-	-	-
Sansedoni Siena S.p.a.	Siena	Banca Monte dei Paschi di Siena	21.754	33.674	14,810	14,810
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	Banca Monte dei Paschi di Siena	19.969	-	121	121
Terme di Chianciano S.p.a.	Chianciano T. (SI)	Banca Monte dei Paschi di Siena	48.866	-	930	930
Agricola Merse S.r.l.	Assago (MI)	MPS Capital Services S.p.a.	20.000	-	5,000	5,000
Immobiliare Centro Milano S.p.a.	Milan	MPS Capital Services S.p.a.	33.333	-	-	-
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	MPS Capital Services S.p.a.	29.000	-	2,753	2,726
Total					**959,866**	**970,378**

**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.*

A 10% shareholding in Anima Holding S.p.A., amounting to EUR 63.6 mln, was classified to item 150 "Non-current assets held for sale and discontinued operations" following the Global Offering, ended on 10 April 2014, for the listing of the company's shares on the Italian Electronic Stock Market (it. Mercato Telematico Azionario.

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 03 2014	31 03 2013*
1. Assets owned	**2,412,200**	**2,433,886**
a) land	841,780	841,780
b) buildings	1,252,282	1,260,513
c) furniture and furnishings	165,074	166,496
d) electronic systems	68,958	75,537
e) other	84,106	89,560
2. Assets leased	-	-
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total	**2,412,200**	**2,433,886**

**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.*

12.2 Property, plant and equipment held for investment: breakdown of assets valued at cost

Asset/Amount	Total 31 03 2014		Total 31 12 2013*	
	Book value	Total Fair Value	Book value	Total Fair Value
1. Assets owned	**444,518**	**475,667**	**449,933**	**481,864**
a) land	180,393	182,491	181,945	184,845
b) buildings	264,125	293,176	267,988	297,019
2. Assets leased	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
Total	**444,518**	**475,667**	**449,933**	**481,864**

**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 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type

Asset / Amount	31 03 2014			31 12 2013*		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**x**	**669,692**	**669,692**	**x**	**669,692**	**669,692**
A.1.1 group	x	669,692	669,692	x	669,692	669,692
A.1.2 minorities	x	-	-	x	-	-
A.2 Other intangible assets	**477,315**	**-**	**477,315**	**492,364**	**-**	**492,364**
A.2.1 Assets carried at cost:	477,315	-	477,315	492,364	-	492,364
a) Internally generated intangible assets	96,892	-	96,892	97,114	-	97,114
b) other assets	380,423	-	380,423	395,250	-	395,250
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**477,315**	**669,692**	**1,147,007**	**492,364**	**669,692**	**1,162,056**

**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 March 2014, key qualitative and quantitative impairment indicators, based on both external and internal factors, were monitored to determine whether there were any indications of goodwill impairment. The test, which took account of developments in the macro-economic scenario, discount rates, measures contained in the Group Business Plan approved by the Board of Directors on 28 November 2013 as well as financial projections, did not reveal any signs of potential losses in the value of goodwill.

LIABILITIES

Section 1 – Deposits from banks – Item 10

1.1 Deposits from banks: breakdown

Items/accounts	Total 31 03 2014	Total 31 12 2013
1. Deposits from central banks	**31,169,044**	**30,681,806**
2. Deposits from banks	**9,821,851**	**6,596,861**
2.1 Current accounts and demand deposits	2,836,125	1,968,106
2.2 Time deposits	429,322	495,412
2.3 Loans	5,838,583	3,510,584
2.3.1. Repurchase agreements	3,721,898	1,649,564
2.3.2 Other	2,116,685	1,861,020
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	717,821	622,759
Total	**40,990,895**	**37,278,667**
Total fair value	**41,022,602**	**37,313,700**

"Deposits from central banks" include EUR 28,000 mln (unchanged as compared to 31 December 2013) for long-term refinancing operations (LTROs) carried out as part of Eurosystem financing, guaranteed by securities pledged by the Parent Company (which include a portion of the government-backed securities issued and simultaneously repurchased by the Parent Company for EUR 13,000 mln using the *pooling mechanism).*

Section 2 – Deposits from customers – Item 20

2.1 Deposits from customers: breakdown

Type of transaction/Amount	Total 31 03 2014	Total 31 12 2013*
1. Current accounts and demand deposits	56,912,184	55,076,435
2. Time deposits	8,708,775	8,003,472
3. Loans	19,087,723	21,029,105
3.1 Repurchase agreements	13,749,188	16,096,174
3.2 Other	5,338,535	4,932,931
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	1,183,906	1,177,103
Total	**85,892,588**	**85,286,115**
Total fair value	**85,902,270**	**85,310,897**

**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 line "Repurchase agreements" includes EUR 3,363.6 mln (EUR 3,366.6 mln as at 31 December 2013) relating to the *long term repo* transaction entered into with Nomura.

Section 3 – Debt securities issued – Item 30

3.1 Debt securities issued: product breakdown

Type of Securities/ Amounts	Total 31 03 2014		Total 31 12 2013*	
	Book value	Fair Value	Book value	Fair Value
		Total		Total
A. Listed securities				
1. Bonds	31,043,813	31,222,774	31,920,854	31,236,213
2. Other securities	4,943,938	4,985,725	4,640,712	4,682,499
Total	35,987,751	36,208,499	36,561,566	35,918,712

**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 EUR 4,943.9 mln recognised in line 2.2 "Other securities – others" includes EUR 4,641.0 mln relating to the financial instruments issued by the Bank and subscribed to by the Ministry of Economy and Finance (MEF) under Law Decree 95/2012, converted into Law no. 135 of 7 August 2012 ("New Financial Instruments")

Pursuant to paragraph 39 of IAS 8, it is noted that there was a change - during the first quarter of 2014 - in the estimation of future payments related to the reimbursement of the New Financial Instruments issued by the Parent Company and subscribed by the MEF on 28 February 2013. The change was due to the application of a clause in the Prospectus following the partial disposal of the investment held in the Parent Company by the Monte dei Paschi di Siena Foundation, which, under paragraph AG8 of IAS 39, resulted in a negative pre-tax impact on net interest income for the period of EUR 142.6 mln.

Section 4 – Financial liabilities held for trading – Item 40

4.1. Financial liabilities held for trading: breakdown

Type of transaction/ Group item	Total 31 03 2014						Total 31 12 2013*					
	NV	Fair value				FV*	NV	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities												
1. Deposits from banks	4,851,716	3,122,902	1,470,862	-	4,593,764	4,593,764	4,057,754	3,164,544	1,146,953	-	4,311,497	4,311,497
2. Deposits from customers	3,872,083	44,584	3,832,208	-	3,876,792	3,876,792	5,735,609	8,566	5,727,931	-	5,736,497	5,736,497
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Total A	**8,723,799**	**3,167,486**	**5,303,070**	**-**	**8,470,556**	**8,470,556**	**9,793,363**	**3,173,110**	**6,874,884**	**-**	**10,047,994**	**10,047,994**
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	X	5,698	4,930,323	7,979	4,944,000	X	X	31	5,087,564	8,385	5,095,980	X
2. Credit derivatives	X	-	1,215,461	-	1,215,461	X	X	-	1,265,704	-	1,265,704	X
Total B	**X**	**5,698**	**6,145,784**	**7,979**	**6,159,461**	**X**	**X**	**31**	**6,353,268**	**8,385**	**6,361,684**	**X**
Total (A+B)	**X**	**3,173,184**	**11,448,854**	**7,979**	**14,630,017**	**X**	**X**	**3,173,141**	**13,228,152**	**8,385**	**16,409,678**	**X**

**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.*

Key
FV = Fair value
FV = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.*
NV = Nominal or Notional Value

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 03 2014						Total 31 12 2013					
	NV	Fair value				FV*	NV	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-
2. Deposits from custon	-	-	-	-	-	-	-	-	-	-	-	-
3. Debt securities issuec	6,807,861	79,232	6,898,972	-	6,978,204	7,047,612	7,854,406	-	7,988,199	-	7,988,199	8,137,550
Total	**6,807,861**	**79,232**	**6,898,972**	**-**	**6,978,204**	**7,047,612**	**7,854,406**	**-**	**7,988,199**	**-**	**7,988,199**	**8,137,550**

FV = fair value calculated excluding value adjustments due to changes in the credit rating of the issuer since the date of issue.*

NV = nominal or notional value

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 31 03 2014	Total 31 12 2013
1. Pensions and other post retirement benefit obligations	59,579	61,063
2. Other provisions for risks and charges	1,019,976	1,066,249
2.1 legal disputes	381,956	364,928
2.2 personnel charges	51,488	51,313
2.3 other	586,532	650,008
Total	1,079,555	1,127,312

Section 15 – Group equity – Items 140,160,170,180,190,200 and 220

15.2 Share capital - Parent company's number of shares: annual changes

Item/Type	31 03 2014			31 12 2013		
	Ordinary	Preferred	Savings	Ordinary	Preferred	Savings
A. Shares outstanding as at the beginning of the year	11,681,539,706	-	-	11,681,539,706	-	-
- fully paid	11,681,539,706	-	-	11,681,539,706	-	-
- not fully paid	-	-	-	-	-	-
A.1 Treasury shares (-)	54,495,378	-	-	54,495,378	-	-
A.2 Shares outstanding: opening balance	11,627,044,328	-	-	11,627,044,328	-	-
B. Increases	54,494,378	-	-	-	-	-
B.1 New issues	-	-	-	-	-	-
- against payment:	-	-	-	-	-	-
- business combinations	-	-	-	-	-	-
- bonds converted	-	-	-	-	-	-
- warrants exercised	-	-	-	-	-	-
- other	-	-	-	-	-	-
- without payment:	-	-	-	-	-	-
- to employees	-	-	-	-	-	-
- to directors	-	-	-	-	-	-
- other	-	-	-	-	-	-
B.2 Sale of treasury shares	54,494,378	-	-	-	-	-
B.3 Other increases	-	-	-	-	-	-
C. Decreases	-	-	-	-	-	-
C.1 Cancellation	-	-	-	-	-	-
C.2 Purchase of treasury shares	-	-	-	-	-	-
C.3 Business transferred	-	-	-	-	-	-
C.4 Other decreases	-	-	-	-	-	-
D. Shares outstanding: closing balance	11,681,538,706	-	-	11,627,044,328	-	-
D.1 Treasury shares (+)	1,000	-	-	54,495,378	-	-
D.2 Shares outstanding as at the end of the year	11,681,539,706	-	-	11,681,539,706	-	-
- fully paid	11,681,539,706	-	-	11,681,539,706	-	-
- not fully paid	-	-	-	-	-	-

Section 16 – Non-controlling interests - Item 210

16.1 Equity instruments: breakdown and annual changes

Items/Amounts	Total 31 03 2014	Total 31 12 2013*
1) Share capital	13,505	13,544
2) Share premium reserve	5,159	5,159
3) Reserves	13,253	13,381
4) (Treasury shares)	-	-
5) Valuation reserves	1,238	1,219
6) Equity instruments	-	-
7) Profit (loss) for the year - Non-controlling interests	471	(108)
Total	**33,626**	**33,195**

**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.*

Part C – Information on the consolidated income statement

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Section 1 – interest income/expense and similar revenues/charges – items 10 and 20

1.1 Interest income and similar revenues: breakdown

Item/Type	Debt securities	Loans	Other transactions	Total 31 03 2014	Total 31 03 2013*
1. Financial assets held for trading	20,637	10,336	27,763	58,736	84,950
2. Financial assets designated at fair value	-	-	-	-	-
3. Financial assets available for sale	173,106	-	-	173,106	208,383
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	6,193	5,926	-	12,119	24,704
6. Loans to customers	14,458	1,139,433	-	1,153,891	1,232,203
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	2,118	2,118	2,460
Total	**214,394**	**1,155,695**	**29,881**	**1,399,970**	**1,552,700**

**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.*

For a trend analysis of the items concerned, reference should be made to the Interim Report on Operations.

1.4 Interest expense and similar charges: breakdown

Item/Type	Deposits	Securities	Other transactions	Total 31 03 2014	Total 31 03 2013*
1. Deposits from central banks	(18,433)	x	-	(18,433)	(64,977)
2. Deposits from banks	(39,105)	x	-	(39,105)	(60,261)
3. Deposits from customers	(218,224)	x	-	(218,224)	(217,544)
4. Debt securities issued	x	(522,831)	-	(522,831)	(426,174)
5. Financial liabilities held for trading	(4,858)	-	-	(4,858)	(2,203)
6. Financial liabilities designated at fair value	-	(53,350)	-	(53,350)	(77,653)
7. Other liabilities	x	x	(1,423)	(1,423)	(1,645)
8. Hedging derivatives	x	x	(103,078)	(103,078)	(112,806)
Total	**(280,620)**	**(576,181)**	**(104,501)**	**(961,302)**	**(963,263)**

**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.*

Pursuant to paragraph 39 of IAS 8, it is noted that there was a change - during the first quarter of 2014 - in the estimation of future payments related to the reimbursement of the New Financial Instruments issued by the Parent Company and subscribed by the MEF on 28 February 2013. The change was due to the application of a clause in the Prospectus following the partial disposal of the investment held in the Parent Company by the Monte dei Paschi di Siena Foundation, which, under paragraph AG8 of IAS 39, resulted in a negative pre-tax impact on net interest income for the period of EUR 142.6 mln.

For a trend analysis of the items concerned, reference should be made to the Interim Report on Operations.

Section 2 – Fee and commission income/expense – Items 40 and 50

2.1 Fee and commission income: breakdown

Type of service / Amount	Total 31 03 2014	Total 31 03 2013*
a) guarantees issued	21,902	22,350
b) credit derivatives	-	-
c) management, brokerage and advisory services:	228,085	210,943
1. trading of financial instruments	3,964	4,557
2. currency trading	1,347	2,125
3. asset management	13,106	13,017
3.1 individual accounts	13,106	13,017
3.2. collective investment schemes	-	-
4. custody and administration of securities	2,673	2,910
5. custodian bank	-	-
6. placement of securities	4,363	1,152
7. client instructions	16,230	22,527
8. advisory on	734	311
8.1 investments	734	311
8.2 financial structure	-	-
9. distribution of third-party services	185,668	164,344
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	68,471	76,036
9.3 other products	117,197	88,307
d) collection and payment services	57,350	41,081
e) servicing of securitisations	155	150
f) factoring transaction services	3,484	4,222
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	147,979	166,616
j) other services	71,729	85,560
Total	530,684	530,922

**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.*

For a trend analysis of the items concerned, reference should be made to the Interim Report on Operations.

2.2 Fee and commission expense: breakdown

Type of service / Amount	Total 31 03 2014	Total 31 03 2013*
a) guarantees received	(25,850)	(25,436)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(27,745)	(28,194)
1. trading of financial instruments	(5,903)	(5,674)
2. currency trading	(16)	(33)
3. asset management:	(7)	(530)
3.1 own portfolio	(3)	(3)
3.2 third-party portfolios	(4)	(527)
4. custody and administration of securities	(2,881)	(3,014)
5. placement of financial instruments	-	(3)
6. off-site marketing of financial instruments, products and services	(18,938)	(18,940)
d) collection and payment services	(18,254)	(3,443)
e) other services	(13,639)	(42,535)
Total	**(85,488)**	**(99,608)**

**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.*

Commissions on “guarantees received” refer, for an amount of EUR 25.3 mln (the same amount as at 31 March 2013), to the guarantee issued by the Italian Government on securities issued and concurrently repurchased by the Parent Company for an amount of EUR 13,000 mln, against lending transactions in the Eurosystem.

For a trend analysis of the items concerned, reference should be made to the Interim Report on Operations.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Item/Income	31 03 2014			31 03 2013		
	Dividends	Income from units in UCITS	Total	Dividends	Income from units in UCITS	Total
A. Financial assets held for trading	226	10	236	231	12	243
B. Financial assets available for sale	1,971	-	1,971	2,217	4,539	6,756
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	6	x	6	-	x	-
Total	**2,203**	**10**	**2,213**	**2,448**	**4,551**	**6,999**

Section 4 – Net profit (loss) from trading – Item 80

4.1 Net profit (loss) from trading: breakdown

Transactions / P&L items	Capital Gains (A)	Trading Profit (B)	Capital Losses (C)	Trading Losses (D)	Net Profit (Loss) (A+B)-(C+D) 31 03 2014	Net Profit (Loss) (A+B)-(C+D) 31 03 2013*
1. Financial assets held for trading	**143,653**	**107,056**	**(43,688)**	**(17,371)**	**189,650**	**(67,584)**
1.1 Debt securities	134,710	100,641	(40,824)	(14,357)	180,170	(77,005)
1.2 Equity instruments	5,417	3,590	(2,147)	(463)	6,397	(1,095)
1.3 Units of UCITS	3,080	1,135	(717)	(2,551)	947	10,064
1.4 Loans	446	32	-	-	478	-
1.5 Other	-	1,658	-	-	1,658	452
2. Financial liabilities held for trading	**286**	**23,055**	**(85,498)**	**(30,990)**	**(93,147)**	**34,106**
2.1 Debt securities	281	21,256	(80,390)	(30,969)	(89,822)	35,947
2.2 Deposits	5	1,799	(5,108)	(21)	(3,325)	-
2.3 Other	-	-	-	-	-	(1,841)
3. Other financial assets and liabilities: exchange differences	**x**	**x**	**x**	**x**	**6,315**	**8,121**
4. Derivatives	**1,380,657**	**3,914,125**	**(1,311,487)**	**(4,064,772)**	**(61,202)**	**80,959**
4.1 Financial derivatives:	1,229,674	3,617,578	(1,137,269)	(3,813,455)	(83,197)	89,228
- on debt securities and interest rates	753,232	2,792,641	(694,586)	(2,977,262)	(125,975)	112,062
- on equity instruments and stock indices	208,420	422,327	(170,698)	(602,056)	(142,007)	(16,173)
- on currency and gold	x	x	x	x	20,275	3,543
- other	268,022	402,610	(271,985)	(234,137)	164,510	(10,204)
4.2 Credit derivatives	150,983	296,547	(174,218)	(251,317)	21,995	(8,269)
Total	**1,524,596**	**4,044,236**	**(1,440,673)**	**(4,113,133)**	**41,616**	**55,602**

**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 6 - Gains (losses) on disposal/repurchase - Item 100

6.1 Gains (losses) on disposal / repurchase: breakdown

Items / P&L items	Total 31 03 2014			31 03 2013		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
1. Financial assets						
1. Loans to banks	87	(457)	(370)	1,616	(506)	1,110
2. Loans to customers	1,426	(1,157)	269	1,350	(1,592)	(242)
3. Financial assets available for sale	66,423	(19,121)	47,302	28,049	(1,578)	26,471
3.1 Debt securities issued	43,040	(18,752)	24,288	18,579	(1,464)	17,115
3.2 Equity instruments	23,274	(5)	23,269	8,412	(4)	8,408
3.3 Units of UCITS	109	(364)	(255)	1,058	(110)	948
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**67,936**	**(20,735)**	**47,201**	**31,015**	**(3,676)**	**27,339**
1. Financial liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	910	(1,104)	(194)	5,639	(9,003)	(3,364)
Total liabilities	**910**	**(1,104)**	**(194)**	**5,639**	**(9,003)**	**(3,364)**

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

Transactions / P&L items	Capital Gains (A)	Gains following disposal (B)	Capital Losses (C)	Losses following disposal (D)	Net Profit (Loss) (A + B)-(C + D) 31 03 2014	Net Profit (Loss) (A + B)-(C + D) 31 03 2013
1. Financial assets	-	-	-	-	-	-
2. Financial liabilities	53,835	9,463	(108,776)	(142)	(45,620)	99,579
3. Financial assets and liabilities	x	x	x	x	-	-
4. Credit and financial derivatives	24,919	5,016	(18,014)	(12,034)	(113)	(66,276)
Total	78,754	14,479	(126,790)	(12,176)	(45,733)	33,303

For a trend analysis of the items concerned, reference should be made to the Interim Report on Operations.

Section 8 – Net impairment losses (reversals) – Item 130

8.1 Net impairment losses (reversals) on loans: breakdown

Transactions / P&L items	Total 31 03 2014	Total 31 03 2013*
A. Loans to banks	10,989	(3,984)
- Loans	(1,166)	(75)
- Debt securities	12,155	(3,909)
B. Loans to customers	(487,549)	(484,084)
Non-performing loans purchased	(54,427)	(63,544)
- Loans	(54,427)	(63,413)
- Debt securities	-	(131)
Other receivables	(433,122)	(420,540)
- Loans	(433,105)	(420,346)
- Debt securities	(17)	(194)
C. Total	**(476,560)**	**(488,068)**

Key

A = From interest

B = Other reversals

**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.*

For a trend analysis of the items concerned, reference should be made to the Interim Report on Operations.

Section 11 – Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Type of Expense / Area	Total 31 03 2014	Total 31 03 2013**
1. Employees	(426,648)	(448,933)
a) wages and salaries	(307,952)	(326,468)
b) social-welfare charges	(84,559)	(88,542)
c) severance pay	(10,856)	(11,601)
d) social security expenses	-	-
e) provision for staff severance pay	(2,396)	(849)
f) pension fund and similar obligations:	(303)	(1,446)
- defined contribution	(90)	(62)
- defined benefit	(213)	(1,384)
g) contributions to external pension funds:	(4,439)	(5,954)
- defined contribution	(3,993)	(4,807)
- defined benefit	(446)	(1,147)
h) costs related to share-based payments	-	-
i) other employee benefits	(16,143)	(14,073)
2. Other staff	(428)	(833)
3. Directors and Statutory Auditors	(1,340)	(1,267)
4. Retired personnel	(2,045)	(1,875)
Total	**(430,461)**	**(452,908)**

*** 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.*
- *changes due to the reclassification to item 310 'Profit (loss) from groups of assets held for sale and discontinued operations" of the P&L items related to the transfer of the administrative, accounting and ancillary services business unit to the company 'Fruendo Srl' effective as of 01 january 2014.*

For a trend analysis of the items concerned, reference should be made to the Interim Report on Operations.

11.5 Other administrative expenses: breakdown

Items/Amounts	31 03 2014	31 03 2013**
Stamp duties	(53,120)	(44,631)
Indirect taxes and duties	(8,412)	(27,041)
Municipal immovable property tax	(6,068)	(2,324)
Subscription and purchase of publications	(109)	(109)
Property rentals	(28,486)	(65,460)
Cleaning service contracts	(3,918)	(5,847)
Insurance	(3,683)	(5,751)
Rentals	(29,693)	(9,395)
Remuneration of external professionals	(15,661)	(20,025)
Third-party data processing	(12,311)	(14,419)
Title searches and land registry surveys	(869)	(492)
Lease of equipment	(14,983)	(23,245)
Utilities	(11,254)	(11,155)
Maintenance of movable and immovable properties (used in the business)	(6,712)	(8,041)
Data transmission rental	(5,287)	(6,556)
Postage	(9,580)	(11,715)
Advertising, sponsorships and promotions	(2,006)	(5,740)
Membership dues	(1,984)	(1,163)
Reimbursement of employee car and travel expenses	(2,202)	(3,024)
Security services	(8,116)	(9,715)
Software	(9,952)	(8,473)
Corporate entertainment expenses	(173)	(358)
Expenses for non-rented investment real estate	(90)	(84)
Printing and stationery	(2,077)	(2,372)
Telephone, telefax and telegraph	(1,486)	(1,801)
Transportation	(8,358)	(9,210)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(1,752)	(1,532)
Others	(11,488)	(3,153)
Total	**(259,830)**	**(302,831)**

*** 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.

- changes due to the reclassification to item 310 'Profit (loss) from groups of assets held for sale and discontinued operations" of the P&L items related to the transfer of the administrative, accounting and ancillary services business unit to the company 'Fruendo Srl' effective as of 01 january 2014.

For a trend analysis of the items concerned, reference should be made to the Interim 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 03 2014				31 12 2013			
	Legal disputes	Personnel costs	Others	Total	Legal disputes	Personnel costs	Others	Total
Provisions for the year	(26,508)	(1,930)	(54,691)	(83,129)	(23,860)	(4,032)	(9,931)	(37,823)
Write-backs	6,320	774	21,532	28,626	4,543	939	11,449	16,931
Total	**(20,188)**	**(1,156)**	**(33,159)**	**(54,503)**	**(19,317)**	**(3,093)**	**1,518**	**(20,892)**

Section 15 – Other operating expenses (income) – Item 220

15.1 Other operating expenses: breakdown

Items/Amounts	Total 31 03 2014	Total 31 03 2013*
Costs of robberies	(1,078)	(1,722)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(3,009)	(4,374)
Cost of financial lease transactions	(3,263)	(2,762)
Other	(47,226)	(10,754)
Total	**(54,576)**	**(19,612)**

**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.*

15.2 Other operating income: breakdown

Items/Amounts	Total 31 03 2014	Total 31 03 2013*
Rents from investment real estate	8,847	6,618
Other revenues from real estate (real estate inventory)	208	694
Recovery of taxes	52,493	43,517
Recovery of insurance premiums	2,354	2,825
Income from financial lease transaction	1,952	1,684
Other	67,296	59,782
Total	**133,150**	**115,120**

**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 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 03 2014	31 03 2013**
1. Current tax (-)	(39,809)	(67,223)
2. Adjustments to current tax of prior years (+/-)	(8,552)	107
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	-	-
4. Changes in deferred tax assets (+/-)	90,905	28,962
5. Changes in deferred tax liabilities (+/-)	515	4,873
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**43,059**	**(33,281)**

** *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.*

changes due to the reclassification to item 310 'Profit (loss) from groups of assets held for sale and discontinued operations" of the P&L items related to the transfer of the administrative, accounting and ancillary services business unit to the company 'Fruendo Srl' effective as of 01 january 2014.

The decrease in current tax with respect to 31.03.2013 is due to a higher pre-tax loss as well as the tax exemption on income from the disposal of equity investments under the PEX regime and the deduction of net writedowns on loans to customers from the regional productivity tax, IRAP, as established by the Stability Law for 2014.

The increase in deferred tax assets during the year is mainly due to the new tax regime regarding losses and writedowns on loans, introduced by the above-cited Stability Law; the new regulations, which provide for the deferred deduction (over five years) of losses on loans that were previously fully deductible from corporate income tax (IRES) for a single accounting year, have immediately resulted in a larger tax base with the consequent recognition of higher deferred tax assets.

Part E – Information on risks and hedging policies

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Note: The Pillar 3 Basel 2 public disclosure will be published on the Montepaschi Group's website www.mps.it/Investor+Relations.

Foreword

For an overview of how the Montepaschi Group's risk governance is organised, including processes and key functions, information regarding Risk Management objectives, related tasks and responsibilities as well as the means through which independence is ensured, as previously indicated please refer to the paragraph "Risk and capital management" in the Consolidated Interim Report.

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, 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

During 2012, the Parent Company's organisational review of the Head Office units led to the setting up of the Credit Division, merging under one single accountability the different functions that interface with network customers (except for funding/lending activities under centralised management - Large Corporate clients and International banking, covered by a dedicated unit) thus allowing for the achievement of scale and scope synergies that are useful to improve the quality of the Group's loan book.

The model was modified in 2013 by the Parent Company's Board of Directors for the purpose of optimising the P&L/Balance Sheet performance of an area that has always been strategic and addressing the findings received from Supervisory Authorities. The Division is under the Deputy General Manager, Head of Credit who reports directly to the General Manager.

The main changes introduced concern:

1) the Credit Committee, with the setting up of specific theme sessions: Credit, Credit Policies, Credit Assessment; the Credit session continues to have the prevailing traditional mandate of assessing loan applications; the Credit Policies session focuses on approval and monitoring of the Group's credit policies; the purpose of the third session, Credit Assessment, is to collectively validate the fairness of assessments and doubtful amounts for preparation of the financial statements;
2) strengthening of budgeting and disbursement control processes;
3) tracking of criteria for transitioning loan files to the debt collection phase in the aim to bring forward the time of acceptance for processing by the Debt Collection Area.

As its distinctive mission, the Credit Division performs activities of credit risk taking and operational monitoring of credit quality, giving guidance and support to the network in credit activities, monitoring trends in the cost of credit and ensuring coverage of the Group's major risks and financial restructuring transactions.

More specifically, the organisational model aims at improving the level of service provided by the Division to the sales & distribution network and product companies, by:

- improving risk assumption activities, which are first and foremost in the monitoring of credit quality;
- reducing response times to support Network activities with a view to optimising costs;
- monitoring the full roll-out of particularly complex operations such as corporate restructuring plans, with the use of appropriate professional skills;
- maximising debt collection activities on insolvent customers by leveraging on innovative methods;
- providing services unit to support the division and all Head Office structures.

The Credit Division includes 4 structures (Areas) dedicated to the monitoring and management of the entire credit life cycle, from disbursement to collection in addition to a Staff unit which provides support to the Deputy General Manager, Head of Credit, performs administrative activities and facilitates the handling of cross-divisional matters.

The 'Loan Disbursement and Quality Area' exercises responsibility in matters of lending with a focus on quality, reduction in response time, management and prevention of quality deterioration. It monitors significant risks relating to credit and manages country risk.

The Problem Loan Management Area manages problem loans that require the implementation of restructuring actions. It also manages "substandard loans" which is the category of loans showing temporary difficulty, for which a structured solution has not yet been identified. Particular focus was given to the operational consequences of the new debt crisis solution tools for companies introduced by recent bankruptcy law amendments. Within this framework the Loan Restructuring Service include three regional areas dedicated to restructuring transactions with responsibility for related processes.

The Debt Collection Area has made it possible to centralise in one single unit all in-court and out-of-court debt collection activities for "non performing" loans (previously mandated to the merged entity, MPS GCB). Its "mission" is to maximise results from debt collection activities using both traditional debt collection methodologies (legal action and external companies for mass debt collection on small-ticket receivables) and more advanced methods connected with portfolio disposals or using companies specialised in debt collection. The following new roles were introduced to the Area with the aim of optimising and maximising the management of debt collection activities: a) Portfolio Manager who, from a strategic perspective and in accordance with financial methods, manages the portfolios of "clustered" loans and monitors their performance; b) Asset Manager to achieve more efficient loan management by defining and implementing the most effective recovery strategies; c) Real estate expert to safeguard the Bank's debt collection potential against real estate mortgage collateral.
The developments in progress will lead the area to become the point of reference for debt collection at any stage of the exposure's life cycle, regardless of loan classification.

The 'Specialised Credit Services' Area provides services to the credit supply chain to ensure operational continuity. The Area is committed to developing and upgrading credit assessment and post-disbursement monitoring processes made available to the Network, post-disbursement services for the real-estate loan sector and servicing activities on securitisations and covered bonds. The rating assignment structure has been made to report directly to the Head of the Area and has become the single point of reference within the Group for the assignment of internal ratings to counterparties at risk.

Credit quality, which is determined in accordance with Supervisory guidance, is constantly monitored by central and outer units. Moreover, for an ever more accurate monitoring, the following initiatives have been put in place:

1) new decision-making units have been introduced in the Regional Areas, filled by the new roles of "Decision-makers in charge";
2) the loan disbursement process has seen the introduction of an automatic check for consistency of the proposed facility with credit policies in place;
3) the Credit Monitoring process originally introduced in 2012 has been strengthened/improved by expanding the scope of positions which can be mass-managed through collection and by shortening the 'arrears tolerance time' for mortgage loans;
4) the method of assessment for Retail customers has been revised to enable transition from a system based on traditional indicators (instalment-to-income ratio, LTV, Duration) assessed by "steps of risk indicator analysis" (transaction risk and customer risk) to an "integrated score" system, which introduces the concept of actual sustainability of the application;
5) the budget allocation system has been revised. Now centred around 4 credit quality indicators, it has also been extended to the sales & distribution network and rolled out to the network's daily results reporting system.

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).

Basel 2 requires the Parent Company to adopt the following credit risk measures needed to calculate regulatory capital (AIRB approach); Probability of Default (PD); Loss Given Default (LGD); Exposure at Default (EAD).

The new methodology with the greatest impact on risk measurements is "Probability of Default", which is a reflection of the borrower's rating, meaning its ability to meet obligations assumed over a time horizon of one year. Thus, a rating is a probability-based approach to risk assessment, and represents a projection of portfolio quality that forms a part of daily processes of credit facility assessment, loan management and pricing, as well as of the procedures used to determine loan loss provisions and reports used by management

The statutory adoption of risk criteria has made it possible for the Bank to obtain significant operational advantages, both in terms of a higher accuracy in credit budgeting forecasts and in terms of a more effective monitoring of credit aggregates: based on the risk criteria, the Group sets the process for the yearly budgeting of credit items and makes accurate and sustainable forecasts in relation to the loan book, substandard and doubtful loan flows and loan-loss provisions.

Forecast sustainability is ensured by the definition of concrete loan book actions which are communicated to the outlying networks through an internal regulatory document as well as by amending the credit disbursement and management processes and criteria.

All credit processes use the borrower rating as a decision-making driver, and they are conceived as a function of the specific nature of various customer segments in order to optimise the use of resources employed in loan management/monitoring and to achieve the right balance between the push for sales and an effective loan management system. The internal rating system, which affects the Corporate and Retail portfolios, is based on the development of several statistical models specialised by customer type with the aim of assigning a solvency rating for prospective borrowers (first-time lending models based on financial and demographic information taken from outside databases) and for existing borrowers (for which behavioural models have also been used, which incorporate internal performance data).

With a view to increasing the levels of efficiency in managing internal ratings, the current scope of activity of the Internal Rating Agencies has been reviewed for them to become a single point of reference for all units on rating issues. The new role of the Internal Rating Agencies will allow for a closer interaction with the Network to make assistance more effective, generate more synergies and enable a more efficient transfer of knowledge.

Credit risk is analysed using the Credit Portfolio Model, which was developed internally by the Parent Company and produces detailed outputs in the form of traditional risk measures such as Expected Loss, Unexpected Loss and intra-risk diversified Economic Capital with a representative period of one year and a confidence interval calibrated to the target rating assigned to the Group. Several inputs are considered: Probability of Default (PD), Loss Given Default (LGD) rates, number and types of guarantees supporting the credit facility, internal operational Exposure at Default (EAD).

The internal PD, LGD and EAD models for risk measurement are one of the main elements of assessment for all Group units involved in the credit industry, both at Head Office level (Risk Management, Chief Financial Officer, General Management, Risk Committee, Board of Directors) and at branch level (Credit Division, 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 rollout of the domestic NBFI portfolio for these counterparties.

The development of the internal rating systems involved the adoption of strict and advanced statistical methodologies in compliance with the requirements set out in the regulations; at the same time, models were selected in such a way as to make results consistent with the historical experience of the bank in credit management. Lastly, in order to optimise the proper use of these new instruments, the rating models were shared with a top-down approach – from Risk Management down to individual client managers. Estimation of the LGD model was based on internal data relative to capital flows, recoveries and expenses actually incurred on positions transferred to the non-performing portfolio. Results obtained from model application were then compared with data recorded by the Debt Collection Area which, within the Credit Division, is dedicated to the management and recovery of non-performing loans.

The main characteristics of the advanced rating systems are as follows:

- for all validated regulatory portfolios, the rating is calculated with a counterparty-based approach for each individual borrower, in line with the accepted management practice which provides for the assessment of credit risk, both in the disbursement and monitoring phases;

- ratings are based upon a Group logic: each individual counterparty is assigned a single rating at banking Group level, based on the set of information pertaining to all lending banks within the AIRB scope; the LGD is different for each company given the diversity of products issued and the type of customers to whom they are offered;
- The rating model segmentation is defined in such a way as to make the individual model clusters consistent with commercial objectives, credit processes and regulatory portfolios set out in the regulations;
- The calculation of the final rating is differentiated by type of counterparty. The credit process envisages a level of in-depth analysis proportional to counterparty risk: the assessment of loan disbursements is based on a complex multi-level structure for medium-large corporate counterparties (SME and Large Corporate (LC) segments), whose exposure and concentration risks are higher, and a simplified structure for Small Business and Retail clients;
- in line with this process, the final rating for SMEs and LC is the result of a number of different factors: statistical rating, qualitative rating, overrides and valuation of the 'economic group' which businesses belong to; for SB and Retail counterparties the rating is calculated only on the basis of statistical factors;
- The rating has a 12-month internal validity period and is usually reviewed on a yearly basis, except for rating reviews following well-structured codified practices or that are brought forward on client managers' request or following serious counterparty deterioration;
- LGD reflects the economic (and not only the accounting) loss incurred; for this reason, LGD estimates must also include the costs incurred for the recovery process and a time factor;
- Loss given default is differentiated by type of loans and a LGD value is assigned at the level of each individual transaction; it is differentiated by geographical area since historical and current recovery rates are different among Northern Italy, Central and Southern Italy and Islands
- Loss on defaulted positions other than doubtful loans is estimated with a Cure Rate approach. With regard to counterparties whose exposures are administratively classified as Substandard, Restructured and Past Due, the percentage of exposures reverting back to a performing status was calculated and used to adjust the estimated LGD, starting from doubtful loans.

The Montepaschi Group has adopted a single Master Scale for all types of exposures; this enables all units involved in credit management to immediately compare the risk level associated with different counterparties or portfolios; furthermore, the probabilities of default of internal rating classes were mapped against Standard&Poor's external rating scale so as to make internal risk measurements comparable to those available on the financial market.

The development and monitoring of rating systems has been functionally assigned to Risk Management and is subject to control by the Internal Validation and Internal Control functions.

The Montepaschi Group has used PD, LGD and EAD parameters, estimated for regulatory purposes to calculate Risk Weighted Assets, also for other operational and internal management purposes. These provide the basis of calculation for different systems of measurement and monitoring, and specifically for the:

- measurement of economic capital for credit risk;

- calculation of risk-adjusted performance and measurement of value creation;
- risk-adjusted pricing processes;
- across all credit processes (disbursement, review, management and follow-up) which are fully "engineered" in the Electronic Loan File application (it. Pratica Elettronica di Fido or PEF), under which the borrower's rating is the result of a process which evaluates - in a transparent, structured and consistent manner - all the economic-financial, behavioural and qualitative information regarding customers with whom the bank has credit risk exposures.

The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined threshold value for a representative period (normally one year). The synthetic variable expressing the creditworthiness of the counterparty is known as the Credit Worthiness Index (CWI), which consists in both the risk that is specific to a counterparty and the systemic risk. Each counterparty's creditworthiness sensitivity to changes in macroeconomic factors is estimated using an econometric model of multivariate regression between the counterparty's probability of default (PD) variable and selected credit drivers. The breakdown of losses is estimated with suitable statistical functions which approximate the breakdown of losses by counterparty through the use of conditioned default probabilities.

The portfolio model output provides detailed measures for individual positions as well as the absorbed operating capital component and indicates the extent of portfolio diversification.

The model displays the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographical area, business area, rating class and continental areas. Other information derived from the Credit Portfolio Model concerns "what-if" analyses produced for certain discriminating variables such as probability of default, LGD rates, changes in the value of collaterals and in margins available on credit lines, in order to quantify the levels of Expected Loss and Economic Capital should the underlying (discretionary or trend-based) assumptions materialise.

In compliance with the guidelines set forth by the Basel Committee and Best Practices, prudential supervisory provisions for banks require credit institutions to carry out adequate stress testing exercises.

The Montepaschi Group regularly conducts stress tests on all risk factors. Stress tests are used to assess the bank's capacity to absorb large potential losses in extreme 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 shock 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. Combined discretionary scenarios, on the

other hand, aim to assess the impact of global shocks that simultaneously affect all types of risk factors.

The Montepaschi Group's methodological approach to stress-testing is based upon the identification of main risk factors whose objective is to select events or combinations of events (scenarios) which reveal specific vulnerabilities at Group-level. To this end, specific stress plans have been put in place on Pillar I risks (credit, market and operational) which were then made to converge – together with stress events designed ad hoc on other risk factors – into an overall Pillar II stress test plan, aimed at determining the potential impact on the Group within the ICAAP process.

With regard to Credit risk in particular, the Montepaschi Group has defined a macro-economic regression model to estimate the variations in the Probability of Default as a function of changes in the main credit drivers. Credit drivers which significantly describe PD variations are identified beforehand.

On the basis of the regression model, credit driver disturbances are then estimated according to the current and prospective economic situation. The shock applied to the credit drivers determines the change in credit portfolio PD, triggering the simulation of a hypothetical counterparty downgrading, with consequent risk variations in terms of Expected Loss, Unexpected Loss and input from new Defaults.

The results from the stress test are submitted to the Top Management and Board of Directors. They are formally examined by the 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 Montepaschi Group.

Credit policies

Since 2008, the credit policy definition process, fed with data input from the metrics described above, has been based on analytical portfolio estimates and has continuously been optimised and finetuned.

The model adopted, which is integrated in the Group's budgeting process, has among its main objectives the re-qualification of the loan book and containment of the cost of credit. Furthermore, the model provides guidance for loan book management and growth, by setting out criteria for customer selection and approaches for the identification of portfolios to be re-qualified/run off in different ways depending on customer segment, business sector, geographic area, quality of counterparties, form of lending and collateral pledged.

The process starts out from the MPS Group's strategic objectives regarding credit and any existing structural constraints and, taking into account the expected macroeconomic scenario, develops and defines the strategic guidelines within three main areas:

- **Analysis of attractiveness**: Classification of "attractiveness" of portfolio clusters (Customer Segment, Economic Sector and Regional Area, Counterparty Quality) on the basis of risk/return and scenario; sub-division of loan book into Areas of Focus (Development and Requalification) characterised by diversified lending strategies.
- **Allocation of credit production**: Formulation of loan development objectives based on the level of attractiveness and concentrated in the Area of Development.
- **Requalification actions**: Downsizing/exit strategies on riskier clusters (Area of Requalification), aimed at improving the quality of the performing loans portfolio and reducing defaults; emphasis on the monitoring of the non-performing loans portfolio.

The process culminates in the approval of the credit policy guidelines by the BoD, consequent review of the internal regulatory framework of reference and transmission of guidelines and quantitative objectives to the regional structures and individual operating units.

Loan disbursement processes

Loan disbursement processes are aimed at improving the effectiveness, efficiency and level of service in loan management with the goal of:

- standardising and automating loan proposals and risk assessment to the extent possible;
- adapting processes to the branch network's organisational and operating requirements;
- assessing creditworthiness, also through the assignment of internal ratings to individual borrowers;
- improving customer response time.

The procedure available to the branch network and the Head Office for managing all phases of the loan disbursement process, consists in the Electronic Loan File (it. *Pratica Elettronica di Fido* or P.E.F.). This tool is continually optimised with the aim of improving both response time and the selection of acceptable risk.

The assessment and approval methods implemented in the P.E.F. reflect the principles and rules of the internal rating system. Thus, methods differ depending on whether the customer is an individual/consumer (retail) or a business (a corporation with revenues under € 5 million, or a corporation with revenues over € 5 million) and on whether the customer is a prospect or existing customer.

In keeping with the regulatory provisions issued by the Supervisory Authority, the P.E.F. was designed to use one single rating when borrowers have relationships with several MPS Group banks. In terms of activities aimed at complying with AIRB requirements, the assignment of decision-making authorities in the loan disbursement process based on risk-based approaches is one of the key elements in meeting the expertise requirements mandated by the Bank of Italy. These approaches, which escalate to decision-making bodies having higher levels of power in the event of higher levels of risk underlying the credit facility, made it possible to achieve regulatory and operational advantages.

In the first few months of 2014, changes were made to the credit assessment and approval processes for Retail customers. Specifically a requirement of prior authorisation ("pre-approval") was introduced on payments in the absence of sufficient funds in the account to be debited.

Monitoring processes

The Credit Monitoring process introduced in 2012 as a single tool for the management of post-disbursement activities, is an effective aid to obtain credit cost reduction by leveraging two main factors :

- identification of high insolvency risk positions ('screening');
- 'customer-type differentiated' treatment of positions (dedicated 'routing').

Identification of high insolvency risk positions

Ordinary-risk positions are scanned by a 'screening' engine which selects the highest-risk positions on a weekly basis, so as to identify the counterparties bound to become insolvent at a sufficiently early stage. Screening is based on a 'performance risk indicator' (it.: "indicatore di rischio andamentale", IRA) which summarises a set of critical elements including the worsening of leading indicators, ratings, information on related counterparties and days past due (with thresholds differentiated by customer segments and amounts used). "Customised" parameters make it possible to diversify the screening criteria for risk positions by type of customer with respect to the criteria used by the "Loan Performance Management" system.

'Customer-type differentiated' treatment of positions

This choice was based on the need for differentiating the treatment of positions by customer segments, in the conviction that a corporate client cannot be treated in the same way as a retail client and that specific client management needs should be met with 'ad hoc' processes. Ordinary-risk positions, reported as higher risk by the 'screening' engine, are routed to specific processing queues depending on the type of customer and credit facility involved:

- a 'Mass Retail' procedure for 'Retail Family' clients;
- a 'Standard Retail' procedure for Retail, Affluent and Private customers, as well as small-sized businesses with limited exposure;
- a dedicated Corporate procedure for corporate customers.

In 2013, Credit Monitoring witnessed the introduction of the following innovations:

- release of new operating events in the process flow, that allow for the detection of positions in a 'pre-bankruptcy agreement' phase;
- shortening of the time for activation of collection initiatives on mortgage loan instalments in arrears;
- wider scope for possible routing of low-amount positions to amicable debt collection processes (outsourced to external specialised operators coordinated by the Debt Collection Bureau of the Debt Collection Area).

A number of developments in the process, chiefly relating to the optimal management of specialist loan collection and requalification activities, are currently being or will be issued by the end of 2014. In particular:

- specialisation of process for management of loans under restructuring;
- centralisation to Regional Areas of a number of portfolios upon which to initiate recovery actions through external credit collectors;
- extension of the process to Large Corporate customers and Financial Advisory.

Credit risk mitigation policies

With reference to the retail and corporate loan portfolio, the Montepaschi Group does not apply any netting processes to the credit risk exposures with on- or off-balance sheet items with opposite sign. The Montepaschi Group adopts policies to reduce counterparty risk with institutional counterparties, by entering into netting agreements according to the international ISDA and ISMA standards and related collateral agreements for both derivatives and repos (repurchase agreements).

The main forms of real guarantees for credit protection used by the Montepaschi Group include pledges, mortgages and other collateral (insurance, guarantee funds).

As at today, the pledge of sums or the pledge of securities and mutual funds deposited with the Bank and mortgages on properties account for over 98% of the nominal amount of collaterals received and ensure full compliance with regulatory/legal/organisational requirements set out by the New Supervisory Regulations for the enforcement of credit risk mitigation standards.

The Montepaschi Group has developed one single process for the acquisition of collaterals which is at the same time a working instrument and the expression of the Group's management policies. The management of collateral is activated after loan disbursement is approved and its process is organised into a number of different stages:

- acquisition (including multiple acquisition): the controls of (formal and amount) consistency with the guarantees proposed during the authorisation phase are performed in this stage;
- adjustment/change/amendment: useful to amend the characteristics of a guarantee without interrupting loan protection;
- query: gives information about the present data and the historical trend of guarantees received;
- Repayment/Cancellation.

If the measures for monitoring collaterals on loans show operational irregularities during the acquisition phase or any inadequacies/losses of the values received as a pledge, events falling within the scope of credit monitoring policies are put in place, which trigger operational obligations of credit risk assessment.

The Montepaschi Group accepts different instruments to protect loans which can be summarised in the following categories:

- Guarantees (including omnibus guarantees and personal guarantees issued by third parties);
- Endorsement;
- Guarantee policy;
- Credit mandate;
- Strong/binding patronage letter;
- Negotiable instruments;
- Performance bond agreement;
- Debt delegation;
- Expromission;
- Assumption of debt;
- Personal Collateral governed by foreign law;
- Credit derivatives:
    - credit default swaps;
    - total return swaps;
    - credit linked notes.

The main parties issuing the above credit-protection instruments are:

- Sovereign governments and central banks,
- Public sector and local agencies,
- Multilateral development banks,
- Regulated intermediaries,
- Guarantee institutions (Confidi),
- Companies and individuals.

Over 90% of personal guarantees is traceable to companies and individuals as guarantors. Only to a limited portion of these customers can an internal rating be assigned, since these guarantors are not borrowers of Group companies.

The main concentration of collaterals is linked with retail mortgage loans. However, it cannot be referred to as risk concentration by virtue of the principle of risk fragmentation which is implicit in this type of customers. The value of properties underlying real estate guarantees is updated through the measurement of the average values of the real estate market. Any information on the evaluations is provided, on a half-yearly basis, by specialised industry operators (extraordinary updates may be generated by significant variations in the very short period).

The disbursement of loans secured by collaterals is subject to specific control measures, differentiated by type of guarantee pledged, which are applied during the phase of disbursement and monitoring.

The general requirements for ensuring the legal certainty and enforceability of guarantees are verified by checking compliance with the following relevant conditions:

- binding nature of the legal obligation entered into by the parties and enforceability in the event of legal proceedings;
- documented evidence and enforceability of the instrument against third parties in all relevant jurisdictions for the purpose of its exercise and execution;
- timely liquidation in case of non-fulfilment;
- compliance with organisational requirements.

With reference to compliance with organisational requirements, mitigation of risk is ensured by:

- the presence of an IT system in support of the life cycle phases of the guarantees (acquisition, valuation, management, re-valuation and enforcement);
- the existence of regulated policies for the management of guarantees (principles, practices, processes), available to all users.

Non-performing financial assets

The Credit Division oversees the process for the updating and usage of non-performing loan assessment criteria, availing itself of the Credit Assessment'Staff within the Specialised Credit Services Area. Within its area of competence, the Staff ensures appropriate implementation of the operating rules and processes of assessment; it operationally coordinates the Functions involved in the various steps of the process, verifies and organises data and information received.

As stated in the previous paragraph, a specific session was added to the Parent Company's Credit Committee in 2013 for the purpose of collectively validating the fairness of assessments and doubtful amounts for preparation of financial statements by the Credit Assessment Staff with regard to Non-performing, Substandard and Restructured loan books of the Networks and Group companies.

The assessment process for doubtful loans was also strengthened in the last quarter of 2013 with the request for approval by progressively higher levels of decision-making bodies up to the Credit Committee.

Quantitative Information

A. CREDIT QUALITY

A.1 Non-performing and performing loans: amounts, value adjustments, changes, breakdown by business sector and geographical area

A.1.1 Breakdown of financial assets by portfolio and credit quality (book values)

Portfolio/quality	Banking Group						Other entities		Total
	Doubtful loans	Substandard loans	Restructured	Past-due	Past-due not impaired	Other assets	Impaired	Other	
1. Financial assets held for trading	3,882	40,877	8,597	50,987	-	20,122,106	-	1,799	20,228,248
2. Financial assets available for sale	107	2,119	7,598	-	-	22,451,229	-	-	22,461,053
3. Financial assets held to maturity	-	-	-	-	-	-	-	-	-
4. Loans to banks	2,550	34,804	-	-	45	8,615,651	-	1,551,092	10,204,142
5. Loans to customers	9,332,036	7,684,756	1,843,278	3,064,544	7,641,866	102,952,506	-	158,180	132,677,166
6. Financial assets designated at fair value	-	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	-	405,962	-	-	405,962
Total 31 03 2014	**9,338,575**	**7,762,556**	**1,859,473**	**3,115,531**	**7,641,911**	**154,547,454**	**-**	**1,711,071**	**185,976,571**
Total 31 12 2013*	**8,882,961**	**7,569,079**	**1,700,642**	**2,978,541**	**5,389,403**	**155,102,550**	**-**	**1,787,511**	**183,410,687**

** With respect to published accounts, 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.*

A.1.2 Breakdown of credit exposures by portfolio and credit quality (gross and net values)

Portfolio/quality	Non performing assets			Performing			Total (net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	152,535	48,192	104,343	x	x	20,122,106	20,226,449
2. Financial assets available for sale	28,909	19,085	9,824	22,451,229	-	22,451,229	22,461,053
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	87,893	50,539	37,354	8,622,508	6,812	8,615,696	8,653,050
5. Loans to customers	37,538,338	15,613,724	21,924,614	111,253,160	658,788	110,594,372	132,518,986
6. Financial assets designated at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	405,962	405,962
Total A	37,807,675	15,731,540	22,076,135	142,326,897	665,600	162,189,365	184,265,500
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	x	x	1,799	1,799
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	1,551,092	-	1,551,092	1,551,092
5. Loans to customers	-	-	-	158,180	-	158,180	158,180
6. Financial assets designated at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	-	-
Total B	-	-	-	1,709,272	-	1,711,071	1,711,071
Total 31 03 2014	37,807,675	15,731,540	22,076,135	144,036,169	665,600	163,900,436	185,976,571
Total 31 12 2013*	36,289,968	15,158,745	21,131,223	143,625,532	680,126	162,279,464	183,410,687

**With respect to published accounts, 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.*

A.1.3 Banking Group - Balance sheet and off-balance sheet exposure to banks: gross and net values

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	40,807	38,149	x	2,658
b) Substandard loans	51,571	14,631	x	36,940
c) Restructured loans	-	-	x	-
d) Past due	-	-	x	-
e) Other assets	10,210,287	x	6,812	10,203,475
Total A	**10,302,665**	**52,780**	**6,812**	**10,243,073**

A.1.6 Banking Group - Balance sheet and off-balance sheet exposure to customers: gross and net amounts

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	22,502,667	13,170,348	x	9,332,319
b) Substandard loans	9,687,906	2,003,150	x	7,684,756
c) Restructured loans	2,100,867	249,991	x	1,850,876
d) Past due	3,271,623	207,079	x	3,064,544
e) Other assets	146,370,679	x	658,788	145,711,891
Total A	**183,933,742**	**15,630,568**	**658,788**	**167,644,386**

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 March 2014. The exposures are broken down by accounting categories. For securities classified as 'Loans and Receivables (L&R)' and "Loans", the book value (amortised cost) is also reported.

(in millions of eur)

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets held for trading		Financial 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
Austria	(19.18)	(20.45)	-	-	-	-	-
Belgium	(9.98)	(10.87)	89.25	97.54	-	-	-
Croatia	0.01	0.01	10.00	10.55	-	-	-
France	(15.93)	(16.47)	-	-	-	-	-
Germany	(39.90)	(43.95)	-	-	-	-	-
Italy	4,890.12	4,956.44	19,278.00	21,187.53	335.49	3,608.00	484.10
Latvia	-	-	10.00	10.43	-	-	-
Lithuania	-	-	10.00	10.93	-	-	-
Polony	-	-	10.00	10.90	-	-	-
Portugal	-	-	165.00	175.28	-	-	-
Romania	-	-	10.00	10.38	-	-	-
Spain	(2.98)	(3.13)	205.00	222.22	-	-	-
Turkey	0.22	0.35	10.00	10.64	-	-	-
Hungary	0.17	0.02	-	-	-	-	-
Other Countries	4.48	4.66	-	-	4.77	-	(3.20)
Total 31 03 2014	4,807.05	4,866.62	19,797.25	21,746.40	340.26	3,608.00	480.90
Total 31 12 2013	3,109.06	3,214.46	20,986.63	22,182.56	359.42	3,298.39	873.87

These financial instruments were measured according to the standards applicable to the category they belong to.

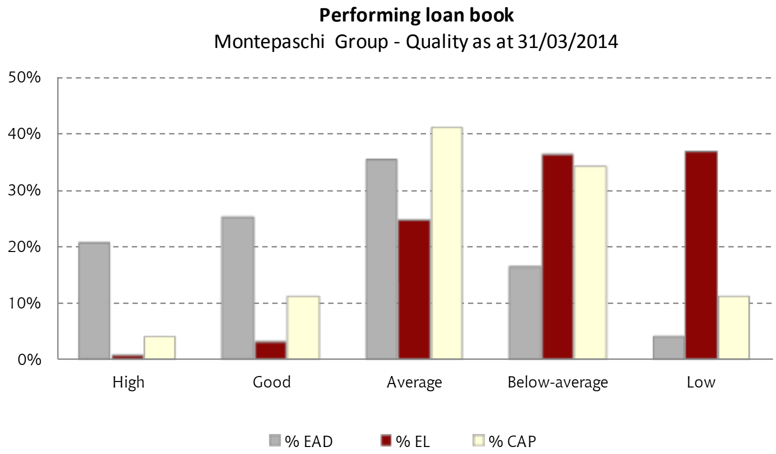
Following are the details of Italian AfS reserves and credit derivatives (in EUR/mln):

AFS securities: Italy	31 03 2014	31 12 2013
Book value	21,187.5	21,631.0
AFS reserve (after tax)	(615.5)	(936.5)
of which: hedging effect (after tax)	(1,857.9)	(1,598.4)

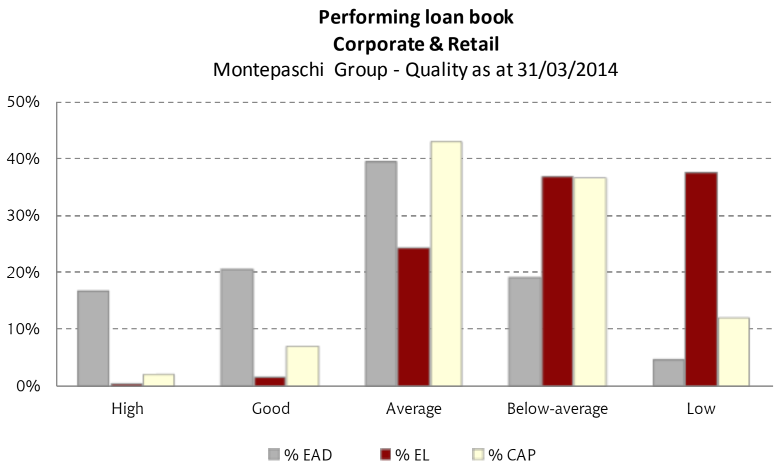
Credit derivatives - Italy	31 03 2014	31 12 2013
Purchase of protection		
Nominal	(4,547.6)	(4,626.2)
Positive fair value	792.3	773.4
Negative fair value	(0)	-
Sale of protection	-	-
Nominal	5,042.6	5,515.0
Positive fair value	1.4	0.1
Negative fair value	(966.1)	(970.3)

D. BANKING GROUP - CREDIT RISK MEASUREMENT MODELS

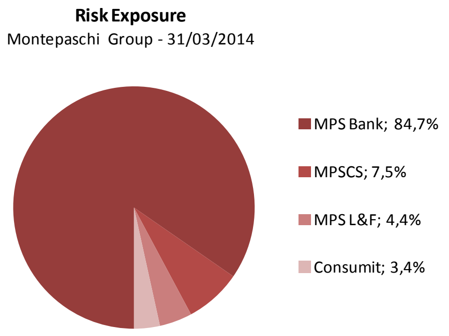
The chart below provides a credit quality breakdown of the Montepaschi Group portfolio as at 31/03/2014 (excluding financial asset positions). The following graph shows that about 45% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



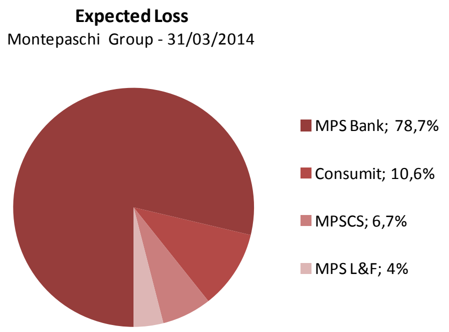
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 31/03/2014, high or good quality exposure accounted for approximately 37% of total exposure.



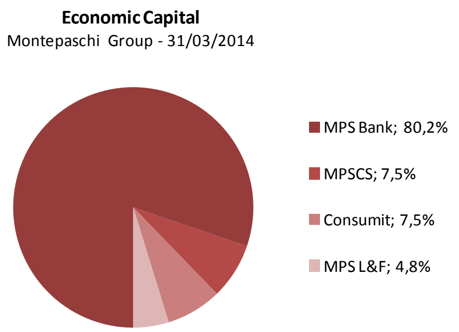
The following chart shows that the retail bank (Parent Company) contributes approximately 84.7% of the total Montepaschi Group's exposure to risk, whereas the companies MPS Capital Services, MPS L&F, and Consum.it account for the remaining 15.3%.



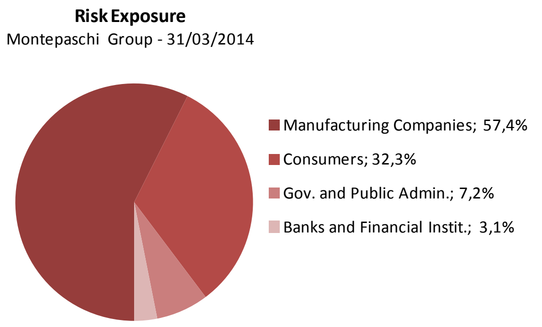
With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Bank at 78.7%, followed by Consum.it and MPS Capital Services (10.6% and 6.7% respectively), while the remainder (4%) is assigned to cover the risks of MPS Leasing & Factoring.



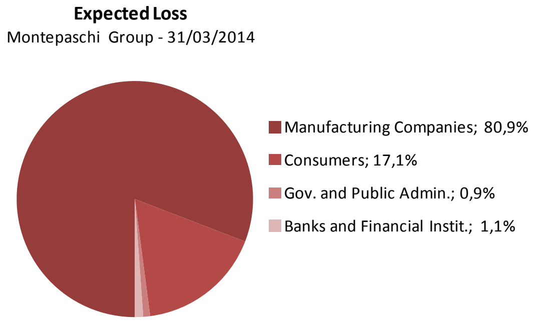
Most of the overall amount of Economic Capital to cover credit risk is absorbed by the Parent Company (about 80.2%), followed by Consum.it and MPS Capital Services (both 7.5%) with the remaining 4.8% absorbed by MPS Leasing & Factoring.

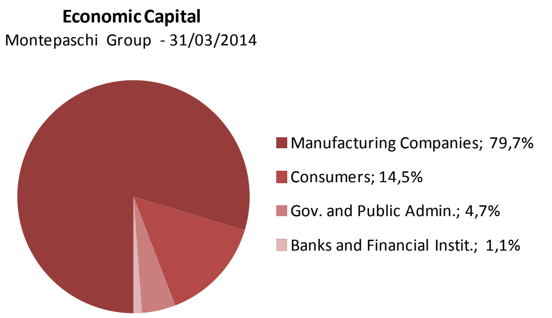


An analysis conducted at the end of the first quarter of 2014 shows that the Group's risk exposure is mainly toward "Manufacturing Companies" (57.4% of total loans disbursed) and "Households" (32.3%). The remaining portion is broken down between "Government and Public Administration" and "Banks and Financial Institutions", respectively at 7.2% and 3.1%.

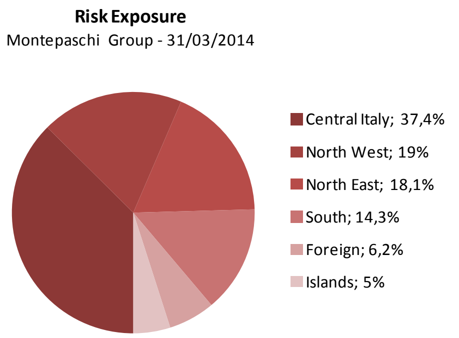


In terms of risk measures, the analysis reveals that Manufacturing Companies account for 80.9% of the Expected Loss and 79.7% of the Economic Capital. The portion for "Households" comes to 17.1% for Expected Loss and 14.5% for Economic Capital respectively.

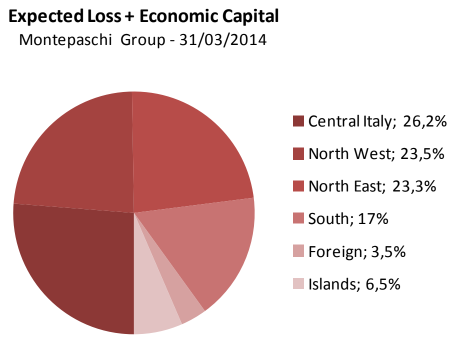




An analysis of the geographical breakdown of Group customers shows that exposure to risk is primarily concentrated in Italy's Central regions (37.4%), followed by the North West and North East (19% and 18.1%), Southern Italy (14.3%), foreign countries (6.2%) and Italy's islands (5%).

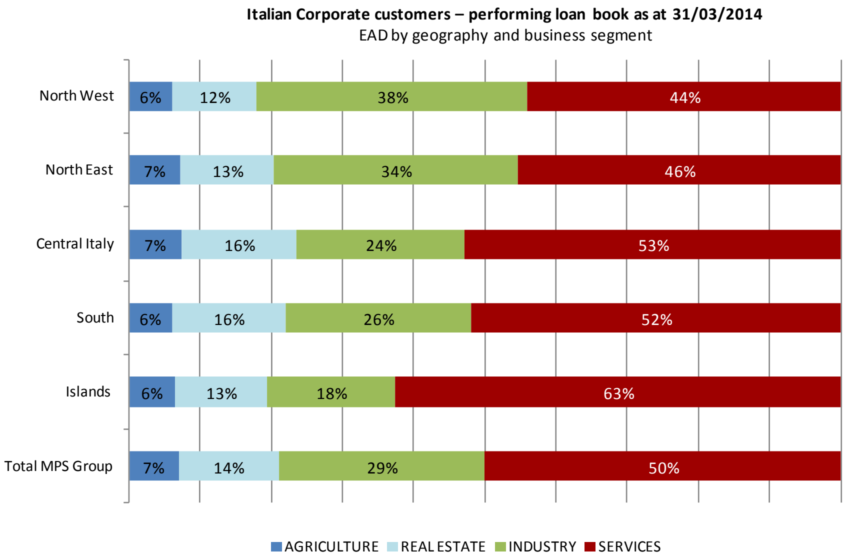


Overall risk measures (expected loss + economic capital) are also higher in Central Italy (26.2%) in North West Italy (23.5%) and North East Italy (23.3%) due to the greater concentration of loans in those areas. These are followed by Southern Italy (17%), the Islands (6.5%) and Foreign Countries (3.5%).

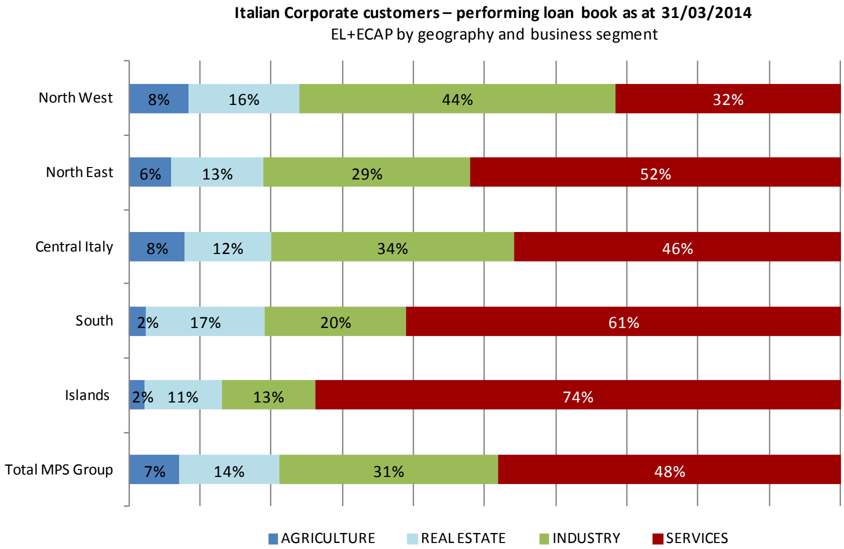


Lastly, the following graphs show a percentage breakdown for Italian corporate customers of Default Exposure and overall risk measures (Expected Loss + Economic Capital) by Geographic Areas and Business Sectors.

The largest share of Default Exposure for businesses in all Geographic Areas is accounted for by the "Services" sector. Out of the Group's total exposure, the share of Services accounts for 50% and is followed by Industry (29%), Building (14%) and Agriculture (7%).



Overall risk measures, defined as the sum of Expected Loss and Economic Capital, are also higher for the Services business sector in all Geographic Areas, with the exception of the North West of Italy where the Industrial sector accounts for the largest share (44%).



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 risk

1.2.1 Interest rate and price risk – regulatory trading book

Market risk management model for the Trading Book

The Montepaschi Group's Regulatory Trading Portfolio (RTP), or Trading Book, is made up of all the Regulatory Trading Books managed by the Parent Bank (BMPS) and MPS Capital Services (MPSCS). The Trading Portfolios of the other subsidiaries are immune to market risk. Trading in derivatives, which are brokered on behalf of customers, calls for risk to be centralised at, and managed by, MPSCS.

The market risks in the trading book of both the Parent Company and the other Group entities (which are relevant as independent market risk taking centres), are monitored in terms of Value-at-Risk (VaR) for operational purposes. The Group's Finance and Liquidity Committee is responsible for directing and coordinating the overall process of managing the Group's proprietary finance thereby ensuring that the management strategies of the various business units are consistent.

The Group's Trading Book is subject to daily monitoring and reporting by the Risk Management Area of the Parent Company on the basis of proprietary systems. VaR for management purposes is calculated separately from the operating units, using the internal risk measurement model implemented by the Risk Management function in keeping with international best practices . However, the Group uses the standardised methodology in the area of market risks solely for reporting purposes.

Operating limits to trading activities, which are established by the Board of Directors of the Parent Company, are expressed by level of delegated authority in terms of VaR, which is diversified by risk factors and portfolios, monthly and annual stop losses and Stress. Furthermore, the trading book's credit risk in addition to being included in VaR computations and in the respective limits for the credit spread risk component, is also subject to specific operating limits for issuer and bond concentration risk which specify maximum notional amounts by type of guarantor and rating class.

VaR is calculated with a 99% confidence interval and a *holding period* of 1 business day. The Group adopts the method of historical simulation with daily full revaluation of all basic positions, out of 500 historical entries of risk factors (lookback period) with daily scrolling. The VaR calculated in this manner takes account of all diversification effects of risk factors, portfolios and types of instruments traded. It is not necessary to assume, a priori, any functional form in the distribution of asset returns, and the correlations of different financial instruments are implicitly captured by the VaR model on the basis of the combined time trend of risk factors.

The management reporting flow on market risks is periodically transmitted to the Risk Committee, the Group's Top Management and the Board of Directors of the Parent Company in a Risk Management Report, which keeps Executive Management and governing bodies up to date on the overall risk profile of the Group.

The macrocategories of risk factors covered by the Internal Market Risk Model are IR, EQ, FX and CS as described below:

- IR: interest rates on all relevant curves, inflation curves and relative volatilities;
- EQ: share prices, indexes, baskets and relative volatilities;

- FX: exchange rates and relative 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.

With particular reference to *risk factors*, sthe following are identified: Interest Rate VaR (IR VaR), Equity VaR (EQ 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.

The Group does not currently use the VaR-based internal model in its calculation of capital requirements on market risk.

Moreover, scenario and stress-test analyses are regularly conducted on various risk factors with different degrees of granularity across the entire tree structure of the Group's portfolios and for all categories of instruments analysed.

Stress tests are used to assess the bank's capacity to absorb large potential losses in extreme market situations, so as to identify the measures necessary to reduce the risk profile and preserve assets.

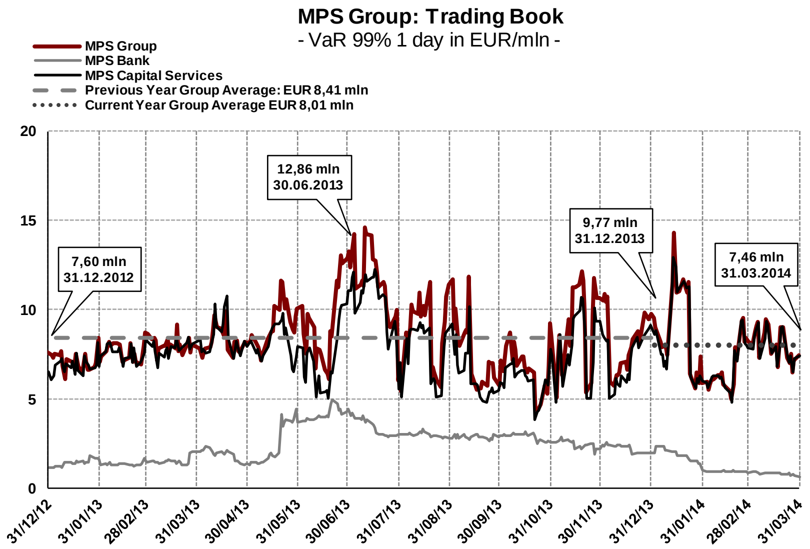
Stress tests are developed on the basis of discretionary and trend-based scenarios. Trend-based scenarios are defined on the basis of previously-registered real situations of market disruption. Such scenarios are identified based on a timeframe in which risk factors were subjected to stress. No particular assumptions are required with regard to the correlation among risk factors since trend-based data for the stress period identified have been measured.

Stress tests based upon discretionary scenarios assume extreme changes occurring to certain market parameters (interest rates, exchange rates, stock indices, credit spreads and volatility) and measure the corresponding impact on the value of portfolios, regardless of their actual occurrence in the past. Simple discretionary scenarios are currently being developed (variation of a single risk factor) as are multiple ones (variation of several risk factors simultaneously). Simple discretionary scenarios are calibrated to independently deal with one category of risk factors at a time, assuming shocks do not spread to the other factors. Multiple discretionary scenarios, on the other hand, aim to assess the impact of global shocks that simultaneously affect all types of risk factors.

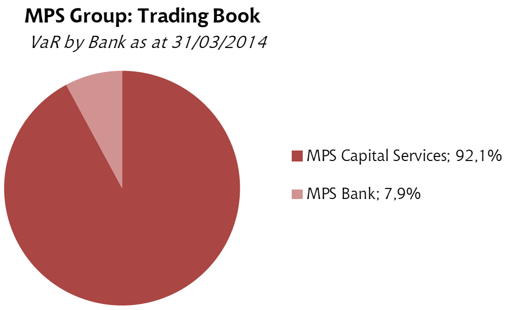
It should be noted that the VaR methodology described above is, for operational purposes, also applied to the portion of the Banking Book consisting of financial instruments that are similar to trading instruments (eg. AF bonds/Equity instruments).

***

In the first quarter of 2014, market risk in the Group's Regulatory Trading Book showed a significantly volatile trend in VaR as compared to the previous year, standing at EUR 7.48 mln as at 31 March 2014. In absolute terms, VaR was influenced by: the IR segment of the subsidiary MPSCS due to its trading activities, primarily in Long Futures and Interest Rate Future Options; activities by MPSCS relating to the structuring and hedging of policies; changes in market risk factors (credit spreads and interest rates).



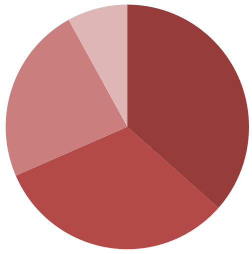
With regard to legal entities, the Group's market risks are concentrated on MPSCS and the Parent Company.



MPSCS accounted for 92.1% and the Parent Company for 7.9% of overall risk.

A breakdown of VaR by risk factors as at 31 March 2014 shows that approx. 36.6% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 31.9% was absorbed by equity risk factors (EQ VaR), 23.6% was absorbed by interest rate risk factors (IR VaR) and the remaining 8% by foreign exchange risk factors (FX VaR).

MPS Group: Trading Book
VaR by Risk Factor as at 31/03/2014



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

	VaR	Date
End of Period	7.46	31/03/2014
Min	4.93	18/02/2014
Max	14.33	14/01/2014
Average	8.01	

In the first quarter of 2014 , the Group's Var in the Regulatory Trading Book ranged between a low of EUR 4.93 mln recorded on 18 February 2014 and a high of EUR 14.33 mln on 14 January 2014 with an average value registered of EUR 8.01 mln. The Group's VaR in the Regulatory Trading Book stood at EUR 7.46 mln as at 31 March 2014.

VaR model backtesting

The MPS Group has implemented a backtesting procedure compliant with current regulations governing Market Risk as part of its own risk management system.

Backtesting refers to a series of tests conducted on VaR model results against day-to-day changes in the trading book value, with a view to assessing the model's forecasting capacity as regards the accuracy of risk metrics generated. If the model is suitable in quality terms, 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.

From a regulatory point of view, for banks adopting internal reporting models, the backtesting results affect capital requirements given that the minimum capital a supervised intermediary is expected to hold to cover market risk is proportionate to a multiplier that increases as internal model performance deteriorates in terms of deviations recorded.

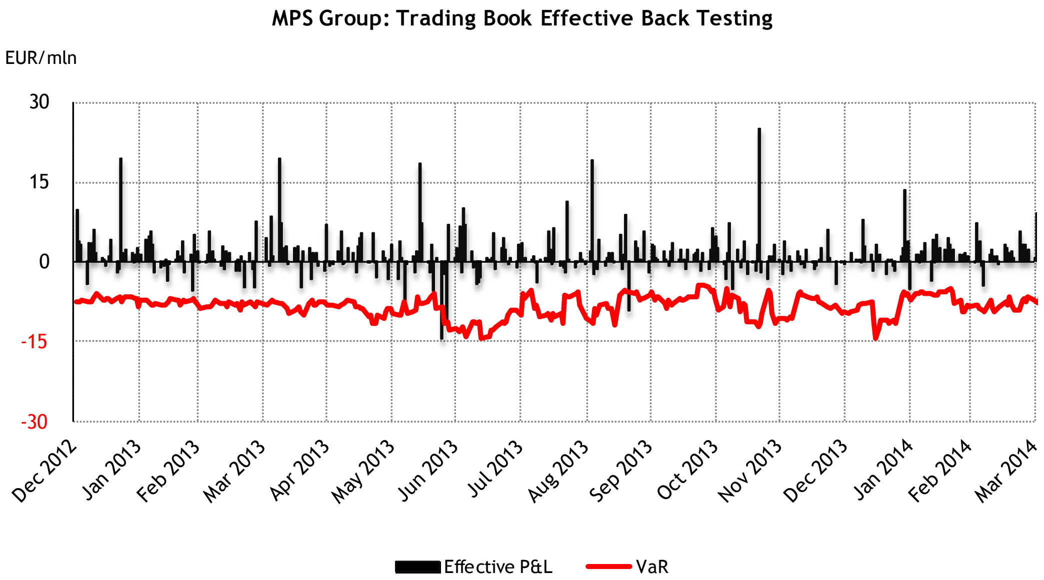
Based on supervisory instructions (Bank of Italy Circular 263/06, as amended), the Risk Management Area considered it appropriate to apply the theoretical and actual backtesting methods and integrate these into the Group's management reporting system.

The first type of test (theoretical backtesting) has a stronger statistical significance in reference to measuring the accuracy of the VaR model ("uncontaminated test").

The second type of test (actual backtesting) meets the need for verifying the VaR model's forecasting reliability in reference to actual Bank operations (daily trading P&L) less the effect of any interest accrued between trading days t-1 and t on the securities and less the effect of fees and commissions.

These "clean" P&L results (the "actual P&L") are compared with the previous trading day VaR (VaR t-1). 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 MPS Group's Regulatory Trading Book for 2013 and for the first quarter of 2014;



The backtesting shows no exceptions in the first quarter of 2014.

Qualitative Information

A. General

Each bank of the MPS Group which is relevant as a market risk-taking centre contributes to the generation of interest rate risk and price risk in the overall Trading Book.

A.1 Interest rate risk

With reference specifically to the Parent Bank, the Finance, Treasury & Capital Management Area (FTCMA) within the CFO division is the Business Area in charge of trading. The Global Markets Division carries out trading activities for MPSCS.

The FTCMA manages a proprietary portfolio which takes trading positions on interest rates and credit. In general, interest rate positions are taken by purchasing or selling bonds, and by creating positions in listed derivatives (futures) and OTCs (IRS, swaptions). Trading is carried out exclusively on the Bank's own behalf, with objectives of absolute return, in compliance with the delegated limits of monthly and yearly VaR and Stop Loss.

In particular, the FTCMA operates in the short-term portion of the main interest rate curves, mostly through bonds and listed derivatives.

With regard to credit risk in the trading book, the equity positions are generally managed through the purchase or sale of bonds issued by companies or by creating synthetic positions in derivatives. The activity is oriented to achieving a long or short position on individual issuers, or a long or short exposure on specific commodities. The activity is carried out solely on the Bank's own behalf with objectives of absolute return and in compliance with other specific issuer and concentration risk limits approved by the Board of Directors.

A.2 Price risk

The Business Area in charge of the Parent Bank's trading activity with respect to price risk is the FTCMA which manages a proprietary portfolio and takes trading positions on equities, Stock Exchange indexes and commodities. In general, positions on equity securities are taken both through the purchase/sale of equities and through the positions created in listed derivatives (futures) and OTC (options). Trading is carried out exclusively on the Bank's own behalf, with objectives of absolute return, in compliance with the delegated limits of monthly and yearly VaR and Stop Loss. Similarly, the Global Markets Division carries out trading activities for MPSCS.

B. Interest rate and price risk: operational procedures and measurement methods

With regard to the market risk management process concerning the management and methods for measuring interest rate and price risk, see the above paragraph entitled "Market risk management model for the trading book".

Quantitative Information

1. Regulatory trading book: breakdown of balance sheet assets/liabilities and financial derivatives by residual life (repricing date)

This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

2. Regulatory trading book: breakdown of exposures in equity instruments and stock indices by major countries of the listing market

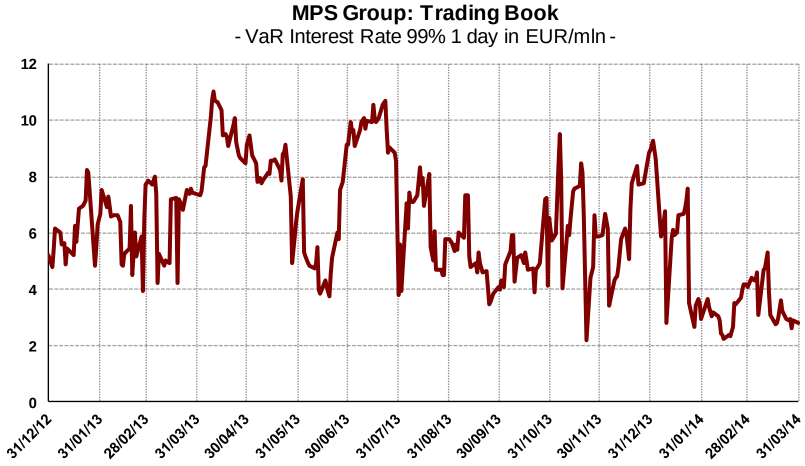
This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

3. Regulatory trading book: internal models and other methodologies for sensitivity analysis

The rate and price risk of the Trading Book is monitored in terms of VaR and scenario analysis.

3.1 Interest rate risk

Each business unit of the Group operates independently on the basis of the objectives and powers it has been assigned. Positions are managed by special desks provided with specific operational limits. Each desk adopts an integrated risk management approach (covering different types of risks, when allowed) in order to benefit from the natural hedge resulting from simultaneously holding positions on risk factors that are not perfectly correlated. The VaR by risk factor (specifically, Interest Rate VaR) has operational relevance for the purpose of risk management analyses, even though it is the global VaR diversified among risk factors and portfolios that is used by the operating units. Below is information on the Group's diversified Interest Rate VaR:



The trend in Interest Rate VaR in the first quarter of 2014 was influenced by the trading activities of the subsidiary MPSCS, primarily in long futures and interest rate future options, activities by MPSCS relating to the structuring and hedging of policies and changes in market risk factors

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

	VaR	Date
End of Period	2.83	31/03/2014
Min	2.22	14/02/2014
Max	9.29	02/01/2014
Average	4.19	

Simulations include four interest rate risk scenarios:

- +100 bp parallel shift for all interest rate and inflation curves,
- -100 bp parallel shift for all interest rate and inflation curves,
- +1% parallel shift for all surfaces of volatility of all interest rate curves.

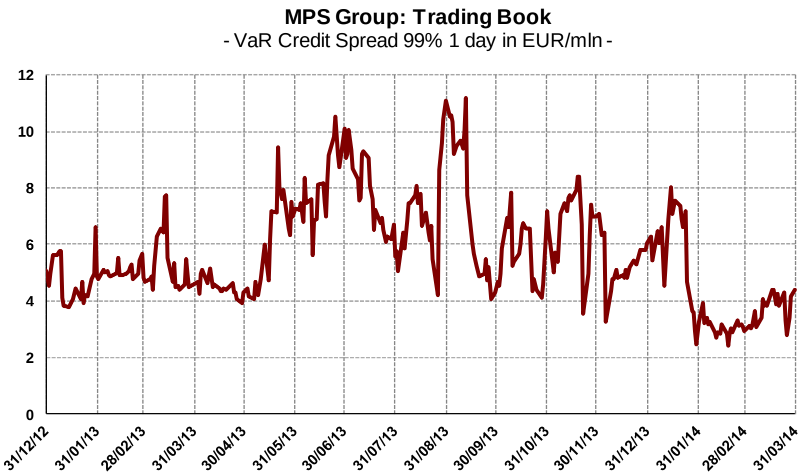
All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	-8.56
Interest Rate	-100bp all Interest Rate Curves	-28.34
Interest Rate	+1% all Interest Rate Volatility	0.06

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 Credit Spread VaR in the first quarter of 2014 was largely influenced by the trading activities of the subsidiary MPSCS in long futures and interest rate future options, activities by MPSCS relating to the structuring and hedging of policies and changes in market risk factors

MPS Group: Trading Book

VaR Credit Spread 99% 1 day in EUR/mln

	VaR	Date
End of Period	4.38	31/03/2014
Min	2.40	18/02/2014
Max	8.00	14/01/2014
Average	4.22	

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.

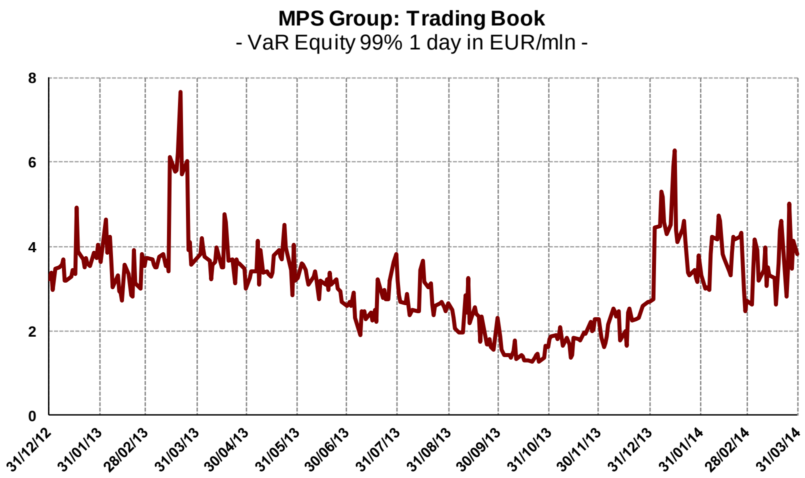
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	-0.97

3.2 Price risk

Each business unit within the Group operates independently on the basis of the objectives and powers it has been assigned. The positions are managed by special desks provided with specific operational limits. Each desk adopts an integrated risk management approach (with scope exceeding price risk, when allowed) in order to benefit from the natural hedge resulting from simultaneously holding positions on risk factors that are not perfectly correlated. The VaR by risk factor (specifically, Equity VaR) has management relevance for the purpose of risk management analyses, even though it is the global VaR diversified among risk factors and portfolios that is used by the operating units. Below is information on the Group's diversified Equity VaR.



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

	VaR	Date
End of Period	3.82	31/03/2014
Min	2.48	27/02/2014
Max	6.29	15/01/2014
Average	3.86	

There are three simulated price scenarios:

- +1% of each equity, commodity, index or basket price,
- -1% of each equity, commodity, index or basket price,
- +1% of all volatility surfaces of all equity and commodity risk factors.

All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	2.48
Equity	-1% Equity Prices (prices, indices, basket)	-1.98
Equity	+1% Equity Volatility	0.16

1.2.2 Interest rate risk and price risk in the banking book

Qualitative Information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

A.1 Interest rate risk

In accordance with international best practices, the Banking Book refers to all of the commercial operations of the Bank in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches and hedging derivatives of reference. The definition of the scope of the Banking Book and the ALM centralisation process are set out in a resolution by the Board of Directors of the Parent Company in compliance with the framework described in the regulatory provisions (Bank of Italy Circ. 263). The framework sets the rules for the centralisation of Asset & Liability Management under the Parent Company's Finance, Treasury and Capital Management Area (FTCMA) and the definition and monitoring of operating limits for interest rate risk in the Group's Banking Book. The Banking Book also includes bond receivables held for investment purposes, classified as either AFS or L&R .

The operational and strategic choices for the Banking Book, adopted by the Finance and Liquidity Committee and monitored by the Risk Committee of the Parent Company, are based first on exposure to interest rate risk for a variation in the economic value of the assets and liabilities of the Banking Book by applying a parallel shift of 25 bps, 100 bps and 200 bps, the latter in accordance with the requirements set out in the "second pillar" of the Basel Accord.

Risk metrics for the Group's retail banks are calculated by using, among other things, a model for the valuation of demand items or core deposits, whose characteristics of stability and partial insensitivity to interest rate changes are described in the systems with a statistical/predictive model (replicating portfolio), which takes into consideration an extensive time series of past customer behaviours. In addition, the Montepaschi Group's ALM model includes, within rate risk measurements, a behavioural model which takes into account the aspect of mortgage prepayment (so-called prepayment risk).

The Montepaschi Group is committed to the continual updating of risk measurement methodologies by gradually fine-tuning the estimation models so as to include all major factors that progressively modify the interest rate risk profile of the banking book.

The Group adopts an interest rate risk governance and management system which, in accordance with the provisions of the Supervisory Authority, avails itself of:

- a quantitative model, which provides the basis for calculation of risk indicators for the interest rate risk exposure of the Group and Group companies/entities;
- risk monitoring processes, aimed at verifying compliance with the operational limits assigned to the Group overall and to the individual business units;
- risk control and management processes, geared toward bringing about adequate initiatives for optimising the risk profile and activating any necessary corrective actions.

Within the above system, the following responsibilities are centralised in the Parent Bank:

- definition of policies for managing the Group's Banking Book and controlling its interest rate risk;
- coordination of Group policies' implementation by the companies included in the scope;
- governance of the Group's short-, medium- and long-term rate risk position, both overall and at individual company level, through centralised operational management.

In its governance function, the Parent Bank therefore defines criteria, policies, responsibilities, processes, limits and instruments for rate risk management.

The Group Companies included in the scope of application are responsible for abiding by the rate risk policies and limits defined by the Parent Bank and the capital requirements set by the relevant Supervisory Authorities.

Within the model defined, the Finance, Treasury and Capital Management Area of the Parent Company is responsible for the operational management of the Group's overall rate and liquidity risk.

Specifically, within the FTCM Area, the Group Treasury Service manages the short-term rate risk and liquidity risk for the Group. The ALM & Capital Management Service, instead, manages structural rate risk and maturity transformation risk (structural liquidity) for the Group. In addition, the Area carries out hedge monitoring and management activities consistent with accounting policies, involving centralised oversight for definition of the network's internal rates (BMPS and other Group companies) for Euro and foreign currency transactions with maturities beyond the short term.

The Montepaschi Group -and within it therefore Banca MPS- uses IAS compliant hedges for interest rate risk management. The main types of hedging used include:

- Micro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans), securities and bonds held;
- Macro Fair Value Hedges: hedging of non-trading assets (loans/mortgage loans);
- Micro Cash Flow Hedges: hedging of floating-rate deposits.

In addition to the above, the Montepaschi Group and within it therefore Banca MPS, uses the Fair Value Option for some types of business activities. In particular, the Fair Value Option was used for (structured and fixed rate) debt securities having the following characteristics:

- risk of fair value changes has been hedged upon issuance, with the intention of maintaining the hedge for the contractual duration and entire amount of the hedged position;
- normally for issuances in which the Group has committed to buyback at issuance spread.

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/UCITS, 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 timeframe of one quarter (holding period), considering a confidence interval of 99%. The VaR model used (unlike the one used for the Trading Book) is a simulation model which uses the Monte Carlo approach, based on series of market yields for listed companies and time series of sector-based indices for unlisted ones.

Moreover, the above-mentioned model makes it possible to measure the marginal risk contribution of each equity investment and to disaggregate the measurement made from the Group's perspective with respect to the investment stakes held by each Legal Entity.

Stress tests are conducted regularly as part of price risk governance strategies for the banking book. Stress tests consist in generating Monte Carlo scenarios in order to assess the Group's ability to absorb potential losses resulting from extreme events.

With reference to the alternative funds component, the internal measurement system uses one of the metrics from the Supervisory approach for the determination of the Economic Capital.

The internal measurement system is independently developed by the Risk Management Area of the Parent Company, which periodically reports on the extent of portfolio risks and their changes over time. The results are regularly brought to the attention of the Parent Bank's Risk Committee and governing bodies.

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 Montepaschi Group, as at the end of March 2014, was indicative of exposure to rate hike risk. The amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to - EUR 720.58 mln at the end of March 2014 (vs. EUR

777.88 mln for a shift of -100bp). However, if benchmarked against the Regulatory Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

The internal measurement system is independently developed by the Risk Management Area of the Parent Company, which periodically reports on the extent of portfolio risks and their changes over time. The results are regularly brought to the attention of the Parent Bank's Risk Committee and governing bodies.

2.2 Price risk

The Montepaschi Group's equity investment portfolio includes approximately 214 equity investments in companies outside the Group, ie. companies that are not consolidated either fully or proportionally. Approximately 85% of its value is concentrated in 10 investments while the unit value of the remaining investments is rather limited (approximately 161 equity investments, in fact, are valued at less than EUR 1 mln, accounting for around 2% of the overall portfolio).

The VaR of the Montepaschi Group's equity investment portfolio (99% and a holding period of 1 quarter) amounted at year-end to approximately 23% of the portfolio Fair Value, with risk concentrated in the 5 most significant investments.

Shown below is a scenario analysis which includes all equity investments, hedge funds and other directional positions assumed, based on instructions by the Board of Directors or including those that operationally fall under the Banking Book of the Parent Bank's Finance, Treasury and Capital Management Area (e.g. AFS securities) and which are not included in the previously-reported scenario analyses for price risk in the Trading Book.

MPS Group: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices, basket)	13.33
Equity	-1% Equity Prices (prices, indices, basket)	-13.33
Equity	+1% Equity Volatility	0.00

The impact of the equity investments portfolio on the scenario analysis total is approximately 74%.

1.2.3 Foreign exchange risk

Qualitative Information

Exchange rate risk: general information, operational processes and measurement methods

Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the franchise and the retail banks which automatically feed into the Group's position.

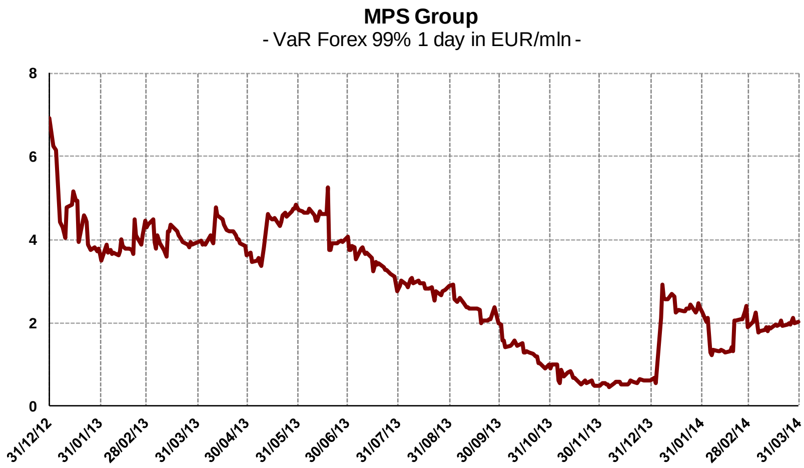
Trading is mainly carried out by the Group Treasury Service of the Finance, Treasury & Capital Management Area of the Parent Company; trading in the FX options segment is carried out by MPSCS, with active management of foreign exchange risk. The foreign branches of the Parent Company maintained modest forex positions exclusively originated by funds available for commercial purposes. The turnover in cash allocated to Group portfolios and OTC derivatives for MPSCS remained stable in terms of risk, with ongoing and careful use of delegated powers. Foreign currency equity investments are typically financed by funds denominated in the same currency, with no assumption of foreign exchange risk.

For a description of stress tests used in the risk governance strategy on exchange rates and the model applied, please refer to the section "Market risk management model for the Trading Book".

Quantitative Information

Internal models and other methodologies for sensitivity analysis

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 relative to the Group's diversified Forex VaR.



MPS Group
VaR Forex 99% 1 day in EUR/mln

	VaR	Date
End of Period	2.00	31/03/2014
Min	0.53	03/01/2014
Max	2.92	07/01/2014
Average	1.96	

The following scenarios were used for foreign exchange rate simulations:

- +1% for all foreign exchange rates with respect to the Euro,
- -1% for all foreign exchange rates with respect to the Euro,
- +1% for all volatility surfaces of all foreign exchange rates.

The impact on total banking income and profit/loss for the year was estimated taking account only of HFT positions, with market value changes posted directly to Profit and Loss. The effect on equity, instead, is estimated with reference to all positions classified as AFS and related Fair Value Hedges (FVH). The total effect is the result of the algebraic sum of the two components. Below is a summary of the scenario analyses.

MPS Group

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	**Global Effect**
Forex	+1% Exchange rate against EUR	0.61	0.01	**0.62**
Forex	-1% Exchange rate against EUR	-0.56	-0.01	**-0.57**
Forex	+1% Forex Volatility	-0.07	0.00	**-0.07**

1.3 Liquidity risk

Qualitative Information

As part of the regular revision of models and processes, the Montepaschi 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 cashflows and *Counterbalacing Capacity*, i.e. reserve of liquidity in response to stress conditions over a short time horizon.

Management of the Group's **Structural Liquidity** is intended to ensure the structural financial balance by maturity buckets over a time horizon of more than one year, both at Group and individual company level. Maintenance of an adequate dynamic ratio between medium/long term assets and liabilities is aimed at preventing current and prospective short-term funding sources from being under pressure. The benchmark metrics, mitigated by specific internal operating limits set by the BoD, include *gap ratios* which measure both the ratio of total loans over more-than-1-year and more-than-5-year maturity deposits and the ratio of loans to retail/corporate deposits regardless of their maturities.

The liquidity position is monitored under both business-as-usual conditions and under specific and/or system-wide **stress scenarios**. The exercises have the twofold objective of timely reporting the Bank's major vulnerabilities in exposure to liquidity risk and allowing for prudential determination of the required levels of Counterbalancing Capacity (*liquidity buffer*).

The **Contingency Funding Plan**, drafted by the Finance, Treasury & Capital Management Area, èis the document which describes the set of tools, policies and processes to be enforced under stress or liquidity crisis conditions.

Liquidity limits

As part of the overall budgeting process and particularly within the scope of Risk Appetite, the Liquidity Risk Framework identifies the tolerance thresholds for liquidity risk, that is to say the maximum risk exposure deemed sustainable in a business-as-usual scenario and under stress conditions. The short/medium and long-term liquidity risk limits derive from the setting of these risk appetite thresholds.

The short-term limit system is organised into three different levels that provide for a timely reporting of proximity to the operating limits, i.e. the maximum liquidity risk appetite set within the annual *Risk Tolerance* process.

In order to immediately identify the emergence of vulnerabilities in the Bank's position, the Group has developed a range of **Early Warnings**, classified as generic or specific depending on whether the individual indicator is designed to detect potential vulnerabilities in the overall economic context of reference or in the Group structure. The triggering of one or more early warning indicators is a first level of alert and contributes to the overall assessment of the Group's short-term level of liquidity position.

1.4 Operational risk

Qualitative Information

Operational risk: general information, operational procedures and measurement methods

General information and Framework structure

By an administrative ruling dated 12 /06/2008, the Bank of Italy authorised the Montepaschi 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 Montepaschi Group has adopted an integrated system for operational risk management, i.e. an internal framework built around a governance model that involves all companies included in the AMA model scope of application. The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

The advanced approach is designed to integrate all major qualitative and quantitative (LDA-Scenario mixed model) information sources (information or data).

The quantitative Loss Distribution Approach component is based on the collection, analysis and statistical modelling of internal and external time series of loss data (the latter supplied by the Italian Database of Operational Losses, DIPO).

The qualitative component focuses on the evaluation of the risk profile of each unit and is based on the identification of relevant scenarios. In this framework, the companies included in the AMA scope area are involved in the: identification of the processes and risks to be assessed; assessment of risks by process managers in charge, identification of possible mitigation plans, discussion of priorities and technical-economic feasibility of mitigating actions during scenario-sharing sessions with Head Office functions.

Next is a phase for monitoring progress on the implementation of actions scheduled and compliance with objectives and deadlines.

The Framework identifies Group Operational Risk Management (ORM) as the operational risk control function (within Parent Bank Risk Management).

The Parent Bank's ORM calculates the capital required to hedge operational risks by the use of different components of the model (internal data, external data, contextual and control factors, qualitative analyses), supports decision-making by Top Management from the standpoint of creating value by containment, mitigation and transfer of the risks detected, and as it does for other companies included in the scope, it gathers internal loss data and identifies the risks to be evaluated in qualitative analyses.

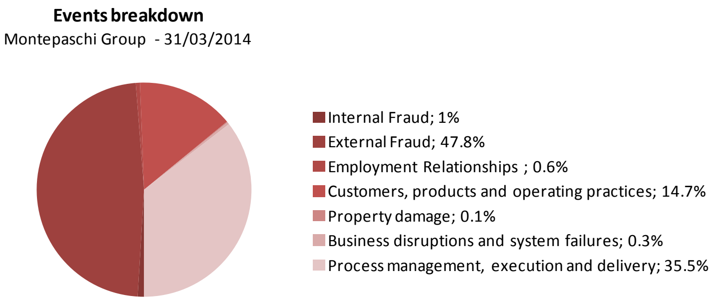
The Advanced Measurement Approach (AMA) is applied to all domestic financial and banking entities, while the foundation model is used for remaining components and foreign companies. As at 31/03/2014, internal model coverage in terms of total banking income exceeded 95%.

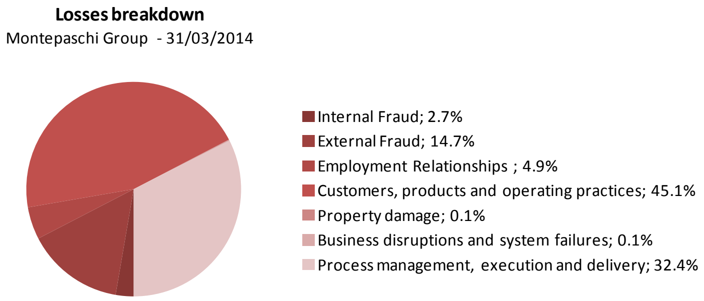
ORM has also set up a reporting system which ensures timely information on operational risks for the Top Management, which transposes the strategic principles of the management system into specific operating policies. Reports are regularly submitted to the Risk Committee and governing bodies.

Over time, the adoption of the AMA model has ensured better-informed management of operational risk, guaranteeing a material progressive reduction of the Group's operational risk.

Quantitative Information

The percentage breakdown of events and operational losses recognised in the first quarter of 2014 is reported below, divided into various risk classes.



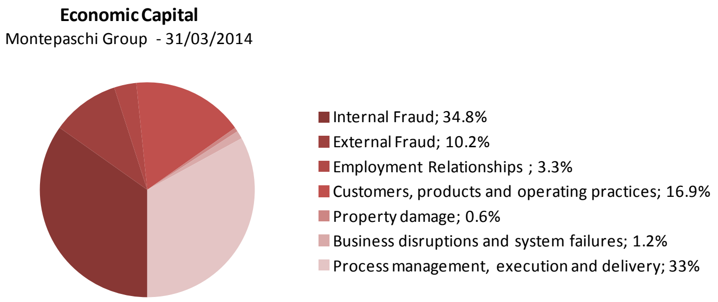


The number and amounts of operational risk events remain largely stable as compared to the previous quarter. In January, the Parent Company settled a claim raised by the Italian Revenue Agency regarding the taxation of income generated by a foreign subsidiary.

The types of event with the greatest impact on the profit and loss statement remain attributable to non-fulfilment of professional obligations with customers" (under "Customers, products and operating practices, which accounts for 45.1% of the entire amount of losses) and operational and process management shortfalls (under "Process management, execution and delivery, 32.4% of the total, including impact from the tax dispute).

With regard to "non-fulfilment of professional obligations with customers", risk events are mainly associated with claims (legal actions, complaints, settlements) due to the application of compound interest and, to a lesser degree, the sale of financial plans (For You and My Way) and bonds issued by countries or companies later in default (Argentina, etc).

The following graph reports the breakdown of the AMA-share of the Economic Capital by class of risk.



As at 31/03/2014, the Economic Capital was stable on the previous quarter.

The breakdown of losses recognised in the period obviously differs from the breakdown of the economic capital in that the latter is calculated using a 5-year time series and the incidence of the unexpected loss component prevails.

Main types of legal action

The cases brought against the Monte Paschi Group for the most part can be grouped into sub-categories, characterised individually by a common denominator represented by alleged critical elements of products, operations, services or relationships for which or in which the companies played the role of disbursement or placement entities.

The main sub-categories refer to claims regarding compound interest, the placement of bonds issued by Countries or Companies which later defaulted, the placement of financial plans and the management of loan positions..

These subcategories account for the largest share of total loss from legal actions. In dealing with these cases, the Group continues to pursue dispute settlement solutions.

Major pending cases

Civil lawsuit brought before the Court of Milan
The action, taken by the Extraordinary Administrators of a company against the former directors, statutory auditors and (direct and indirect) shareholders of the same company (including Banca MPS), seeks the assessment of liabilities for damages, not yet quantified, allegedly caused by the appearing parties to the company. The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Bank and other appearing parties are concerned, pivot around the company's demerger in 2003. The case is still in the initial phase.

Lawsuit brought by the Extraordinary Administration of plaintiff company before the Court of Rome
The civil lawsuit was initiated by the Extraordinary Administration of plaintiff company against the directors and statutory auditors of said company (a financially sound business) and against the independent auditing firm and other banks in the pool. The plaintiff seeks to obtain compensation for alleged damages arising from restructuring deals and syndicated lending agreements. The case is still in the initial phase.

Civil lawsuit brought before the Court of Salerno
This case, where BMPS is sued together with other credit institutions and companies, seeks the assessment of alleged damage suffered by the plaintiff, as a result of an alleged unlawful report filed with the Italian Central Credit Register. The case is currently under preliminary investigation.

Civil lawsuit brought before the Court of Brescia.
The lawsuit concerns a claim for compensation for alleged damages brought before the Court by the Trustee in Bankruptcy due to banking transactions completed as part of the capital increase of the company which then failed. The case is currently under preliminary investigation.

Arbitration proceeding brought before the Arbitration Chamber in Milan
The case is an arbitration proceeding involving a claim for damages due to alleged documentary irregularities or shortcomings in relation to loans originated and sold by a Bank merged with the plaintiff company. The jurisdiction of the Arbitration Chamber stems from a clause in the disposal agreements. The arbitration is currently in progress.

Appeal lodged with the Regional Administrative Court of Lazio
The appeal was lodged against the Bank with the Regional Administrative Court of Lazio by associations of consumers and users seeking annullment of deeds relating to the procedure for the issuance of New Financial Instruments for the Bank. The Regional Administrative Court of Lazio and the Italian State Council rejected all petitions for precautionary measures

submitted by the parties. In its closed session on 3 April 2013, the Regional Administrative Court adjourned the hearing indefinitely.

Civil lawsuit brought before the Court of Palmi
This case, where BMPS is sued together with other credit institutions, seeks the assessment of alleged damage suffered by the plaintiff, as a result of purported usury-like interest. The case is under preliminary investigation.

Risks from tax disputes

The Bank and the main Group companies are involved in several tax-related proceedings. In addition, investigations are under way that have not yet resulted in findings or claims.

In April 2014, the Parent Company agreed to settle a claim raised by the Revenue Agency regarding the disposal of an equity investment held by the Bank, for which the State Tax Authority challenged the applicability of the "*pex*" (*participation exemption*) regime to the capital gain realised from the disposal in question, the State Tax Authority claiming that this was executed in 2005 (during the validity period of a transitional regime in which pex did not give automatic right of exemption), rather than in 2006. The claim amounted to EUR 100 mln in taxes and penalties, has been settled with a total payment of EUR 38.5 mln.

With reference to other Group companies, it is to be mentioned the investigation performed under court order by the Guardia di Finanza into a real estate transaction performed by MPS Immobiliare in 2011 and consisting in contributing a property complex located in Rome to a closed-end real estate fund and the subsequent disposal of units held in that same fund. In relation to that transaction, on 16 September 2013 the Guardia di Finanza served an official tax audit report challenging MPS Immobiliare's ability to use the tax regime applied to the contribution in question and subsequent failure to pay VAT of around EUR 27 mln and direct taxes of approximately EUR 4 mln. According to MPS Immobiliare, supported by the opinion of its consultants, the risk of losing the case associated with these findings is unlikely.

MPS Immobiliare is currently subject to an investigation for which at present no formal tax audit report or claim has been served. On instructions from the Siena Public Prosecutor, on 25 June 2013 the Guardia di Finanza launched an investigation into MPS Immobiliare operations which, in addition to the aforementioned transaction transferring a property complex to a closed-end real estate fund, also included the "Chianti Classico" transaction. On the basis of this investigation, the Guardia di Finanza has recently initiated a tax audit for years 2008 and 2009. Although the tax audit has not yet been completed, in its daily reporting processes the Guardia di Finanza has formulated a number of significant allegations concerning both the Chianti transaction (the potential dispute would lead to a EUR 119 tax claim in addition to interest and the possible imposition of penalties) and other matters (potential disputes would result in a claim of approx. EUR 25 mln in taxes in addition to interest and the possible imposition of penalties). It is believed that these significant allegations are groundless and that, based also on the opinion of reliable advisors, the risk of subsequent disbursements is merely possible.

Again in reference to the "Chianti Classico" transaction, it is noted that the Italian Revenue Agency has an audit in progress for the years 2009 to 2012 of Perimetro Gestione Proprietà Immobiliari S.C.p.A., the beneficiary of the business unit transferred by MPS Immobiliare during the transaction and recently included in its scope of consolidation. The audit has not yet been completed but the Italian Revenue Agency has informally put forward a number of significant allegations which, for the years under audit, would result in a claim of EUR 155 mln in taxes in addition to interest and the possible imposition of penalties. It is believed that these significant assumptions are groundless and, supported by the opinion of reliable consultants, that the risk of subsequent disbursements is merely possible.

Considering the significance of allegations made in relation to both companies, the Group has submitted a counter-argument to the tax auditing bodies, aiming to demonstrate that the correct tax treatment was applied on the transactions in question.

In the light of the above, if the auditing bodies do not change their opinion based on the counter-arguments presented by the Group, it is possible that the outcome of the current tax audits on MPS Immobiliare and Consorzio Perimetro could lead to formal proceedings. In this case, taking also account of possible new evidence to support such claims, the Group reserves the right to assess any further actions to be taken in order to defend its position.

Financial risks of investment services

Foreword

The following section on financial risks of investment services was written as part of "Section 4 - Operational Risk" in line with the compulsory framework for preparation of the Notes to the Financial Statements, even though this subject presents specific characteristics and involves organisational levels of authority that are not directly traceable to operational risk management.

Wealth risk management process and methods

The term "investment services" refers to operations with customers in the area of placement services; order execution, receipt and transmission; proprietary trading; portfolio management; investment advice.

The risks associated with investment services are directly or indirectly reflective of the risks incurred by customers. Therefore, the control of these risks is particularly aimed at achieving the twofold objective of protecting customers and preventing any potential repercussions on the Group in terms of operational and reputational risk.

The organisational responsibility for overseeing Group-wide measurement, monitoring and control activities relative to the financial risks inherent in investment products is an integral part of the scope of responsibility of Group integrated Risk Management. This is to ensure centralised governance of the direct and indirect risks which the Group incurs during the course of its operations. Within the Risk Management Area of Banca MPS' Risk Division, this task is allocated groupwide to the Wealth Risk Management service.

"Wealth risk management" focuses on the overall set of operational and management processes as well as measurement and monitoring tools/methods used to ensure overall consistency between customers' risk profiles and the risk of investment products and portfolios offered to -or in any case held by- customers.

The regulatory framework for investment services and verifications of appropriateness is provided for by European MiFID regulations and the Consob Regulation on Intermediaries no. 16190/2007. With regard to the third-level regulatory framework, Communication no. 9019104/2009 ("Level 3 - Illiquid financial products") and subsequent inter-association guidelines on illiquid financial products also play an important role. Finally, the regulatory framework includes the ESMA guidelines on suitability requirements issued in June 2012, subsequent Consob communication no. 12084516/2012 and ABI Guidelines for the appliation of ESMA guidelines of 5 March 2014.

All investment products (both Group and third-party), included in the catalogue of products offered to Group customers are subject, within a codified product management/development and distribution process, to a specific quantitative risk assessment, including, market, credit and liquidity risk factors. The same risk assessment has also been extended to financial instruments purchased directly by customers and managed in portfolios under custody.

Mapping the risk of investment products is carried out on the basis of macro market, credit and liquidity risk factors/complexity and consequently pegged to specific risk classes. Identified with explanatory keys, the risk classes are made available to customers in information brochures regarding securities placed and which therefore represent one of the guiding criteria on the basis of which the verifications of appropriateness and suitability are made.

A special focus is given by the Bank to the monitoring and prevention of potential reputational risks arising - particularly in a context of financial crisis such as the one experienced in recent years - from investment services as a result of increased market volatility, which in turn leads to potential fast-changing product risks, potential financial losses incurred and changing customer approaches to financial investments.

For increased protection of customer investments, the Wealth Risk Management function monitors the list of highest-risk issuers/entities (a.k.a. Money Laundering List or MLR) with the objective of identifying companies undergoing a temporary critical phase, associated primarily with specific macroeconomic, corporate and/or sector-related situations or a lack of sufficient market information. Inclusion in the MLR list makes the financial instruments issued by these issuers/entities inappropriate and impossible to be offered on an advisory basis.

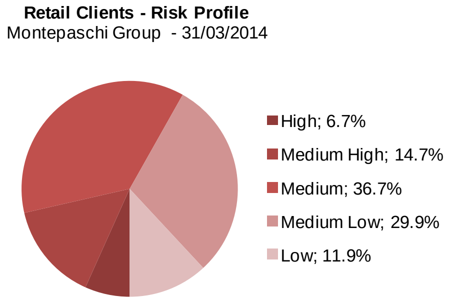
Advisory services on offer, customer risk profile and risk of investment products/portfolios

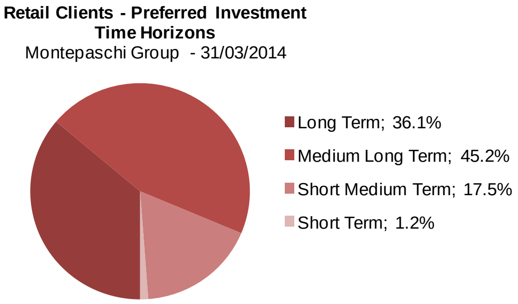
The strategic choice of Banca MPS is to combine the placement of financial products with advisory so as to ensure the highest level of protection for the investor and, at the same time, enhance the role played by relationship managers. Again, with a view to protecting customers, the obligation to verify appropriateness has also been extended to the Group's bond-trading activities on the secondary market.

Two types of advisory service are offered by Banca MPS: basic 'transactional advisory' is aimed at verifying the suitability of individual investment transactions. Advanced advisory is instead aimed at verifying the suitability of the overall set of transactions, advising on them based on their impact on a suggested investment portfolio of the customer so as to obtain optimum asset allocation and maximised prospective returns over a certain time horizon, given the customer's risk profile.

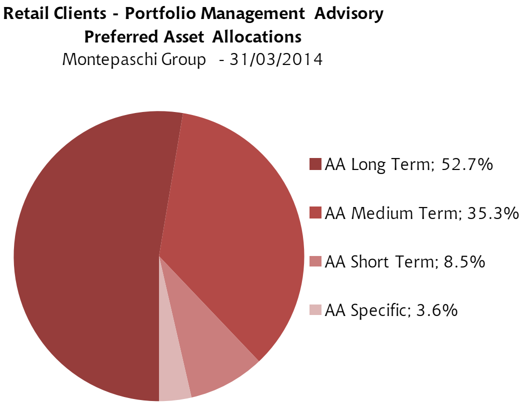
The activities described in this section cover the entire distribution scope of the branch network of Banca MPS and the Financial Advisory network (in addition to MPS Capital Services for the role it plays in the supply-chain process).

The results of questionnaires filled out by Group customers confirm a very conservative approach to financial investments. Group customers in the "Consumers" macro-segment, namely retail customers representing almost the entire customer base of the Group, have long shown a substantially risk-averting investment propensity. At the end of March 2014, 42% of these MIFID-profiled customers continued to be concentrated in largely conservative (minimum and limited investment) profiles, primarily over medium and long time horizons.





At the end of the first quarter of 2014, the portfolios held by Consumer/Retail customers on the basis of formalised advanced advisory proposals to obtain optimum asset allocation, were mainly distributed into the recommended medium-to-long term Asset Allocation (AA) macro-classes, with a minimum percentage of assets allocated over specific time horizons. This testifies to the interest of customers who turn to this type of advisory service for stable and long-lasting investments.

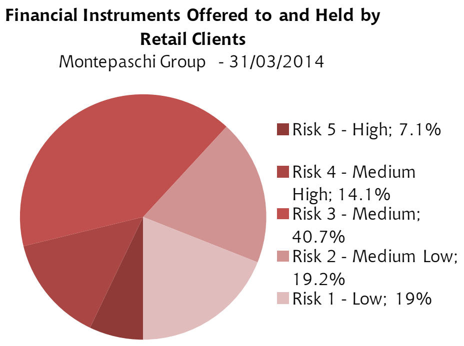


As for risk mapping on investment products, the first quarter of 2014 confirmed the results already seen in 2013, a year which was on the whole positive following the difficulties encountered at the height of the financial crisis, particularly in 2010-2012. Conditions on the internatioanl and Euro area financial markets gradually improved, favouring an upturn in financial investments by customers.

Credit risk, although confirmed to be the most significant component in determining the overall risk of investment products, showed a gradual decline particularly in the area of financial and corporate bonds following a decrease in the level of risk premiums on the sovereign debt of EU countries (including Italy), which had been strongly affected by the 2010-12 financial crisis in Europe.

This situation had obvious repercussions on the risk of products held by customers, with risk level fluctuations registered in investment products that are particularly sensitive to volatility in the main risk factors.

In line with the market trends and consequent impacts on macro risk factors, particularly issuer risk, taken into account for investment product mapping purposes, products included in the Group's catalogue and held by "Consumer/Retail" customers showed, at the end of March 2014, a risk profile distribution concentrated on average on medium risk and medium-high risk classes with respect to the end of 2013.



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.

Parte F – Informations on shareholder's consolidated equity

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Section 1 - Consolidated shareholders' equity

Capital Management involves all the policies and choices necessary to define the amount of capital and the optimum combination between different alternative equity instruments, so as to ensure that the amount of capital and the correlated ratios are consistent with the risk profile assumed and compliant with regulatory requirements. From this standpoint, group-wide capital management has become increasingly more fundamental and strategic, in consideration of the fact that the quality and sizing of capital resources of Group companies are defined within the Group's more general objectives.

The prudential supervisory provisions for banks and banking groups became operational as of 1 January 2014, with the aim of aligning national regulations with the changes introduced to the international regulatory framework, particularly the European Union's new regulatory and institutional framework for banking supervision.

The new regulatory framework aims to improve the ability of banks to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen the bank's transparency and disclosures, while taking into account developments from the financial crisis. The reforms have two types of focus: microprudential, involving regulation at individual bank level; macroprudential, addressing systemic risk which can build up across the banking sector as well as the procyclical amplification of these risks over time.

The approach based on three pillars was maintained, which was also the basis of the previous capital agreement known as "Basel 2", which was supplemented and strengthened with measures that increase the quantity and quality of banks' capital base, as well as introduce counter-cyclical supervisory tools and new standards for liquidity risk management and financial deleveraging.

More specifically, Pillar 1 has been strengthened through a more harmonised definition of capital as well as higher capital requirements. In the face of more stringent capital requirements that more accurately reflect the potential risk of certain activities (e.g. securitisations and trading book), a definition of higher quality capital has been added, essentially focused on common equity. Capital reserves are added to this definition, which function to conserve primary capital, provide counter-cyclical buffers, and hedge against greater losses for systemically important financial institutions. These reserves are envisaged at the discretion of Supervisory Authorities, net of the mandatory capital conservation buffer of 2.5%.

In addition to the system of capital requirements aimed at covering credit, counterparty, market and operational risk, there is now a plan to introduce leverage caps (including off-balance sheet exposures) as a backstop to capital requirements based on risk and to reduce excessive leverage across the system.

"Basel 3" also introduces new liquidity risk monitoring requirements and tools which focus on short-term liquidity resilience (Liquidity Coverage Ratio - LCR) and longer term structural balance (Net Stable Funding Ratio - NSFR) as well as providing standards for liquidity risk management and monitoring at both individual and system-wide level.

Pillar 2 requires banks to adopt a strategy and process for controlling current and future capital adequacy, assigning the supervisory authorities with the task of verifying the reliability and consistency of results and of implementing the appropriate corrective measures, where necessary. Growing importance is attached to the corporate governance structure and internal control systems of banks as a determining factor for the stability of individual institutions and the financial system as a whole. To this end, regulatory requirements have been strengthened concerning: the role, qualification and composition of governing bodies; the awareness by these bodies and top management regarding organisational structure and risks for the bank and banking group; corporate control functions, with a particular focus on the independence of those in positions of responsibility; the recognition of risk in off-balance sheet assets and securitisations, asset valuation and stress testing; and remuneration and incentive systems.

Pillar 3 – regarding the obligation of public disclosure on capital adequacy, risk exposures and general characteristics of management and control systems, with a view to promoting market discipline – was revised to also include transparency requirements concerning securitisation exposures and further information on the composition of regulatory capital and the methods adopted by the Bank to calculate capital ratios.

The introduction of Basel 3 regulations is subject to a transition period that extends the full application of the rules to 2019 (2022 for the phase-out of certain capital instruments) and during which the new rules will be applied in an increasing proportion.

Regulatory capital, an element of Pillar 1, is therefore calculated according to Basel 3 rules implemented in Europe through a comprehensive body of regulations, consisting of the Capital Requirements Regulation (CRR), European Regulation no. 575/2013, and related integrations, by the Capital Requirements Directive (CRD IV), by Regulatory Technical Standards and Implementing Technical Standards issued by the EBA, and by supervisory instructions issued by Bank of Italy (specifically, Circular nos. 285 and 286).

In reference to defining regulatory requirements, in June 2008, the Montepaschi Group was authorised to use advanced internal rating-based (AIRB) systems for the determination of capital requirements for credit risk in relation to retail and corporate portfolios and Advanced Measurement Approaches (AMA) for operational risks.

B. Quantitative Information

B.1 Consolidated shareholders' equity: breakdown by business areas

3103 2014

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	7,498,013	330,317	242,039	(572,356)	7,498,013
Share premium	5,159	-	161,114	(161,114)	5,159
Reserves	(261,151)	379,898	(12,846)	(367,052)	(261,151)
Equity instruments	3,002	-	-	-	3,002
Treasury shares (-)	-	-	-	-	-
Valuation reserves	(786,418)	100,228	(4,197)	(96,031)	(786,418)
- Financial assets available for sale	(591,975)	-	3,946	(3,946)	(591,975)
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(222,356)	-	(12,521)	12,521	(222,356)
- Exchange difference	(4,365)	-	-	-	(4,365)
- Non-current assets held for sale	28,786	-	-	-	28,786
- Actuarial gains (losses) on defined benefit plans	(103,043)	-	(42)	42	(103,043)
- Share of valuation reserves of equity investments valued at equity	94,008	96,342	(2,190)	(94,152)	94,008
- Special revaluation laws	12,527	3,886	6,610	(10,496)	12,527
Profit (loss) for the year - Group and minority interests	(173,635)	26,111	(11,413)	(14,698)	(173,635)
Net equity	**6,284,970**	**836,554**	**374,697**	**(1,211,251)**	**6,284,970**

Section 2 - Capital and capital ratios

2.1 Capital

A. Qualitative Information

The Bank's capital is made up of the following:

- Tier 1 (T1) capital, consisting of:
    - Common equity Tier 1 (CET1);
    - Additional Tier 1 (AT1);
- Tier 2 (T2).

As with other regulatory indicators, capital is subject to specific transition rules. Therefore, there are full application requirements and transition requirements.

Common equity Tier 1 (CET1)

Full application requirements

Common equity Tier 1 (CET1) mainly consists of:

- Share capital;
- Share premium reserve resulting from the calculated share capital;
- Retained earnings;
- Valuation reserves.

The requirements for including capital instruments in CET1 are very stringent. They include the following :

- Capital Instruments must be classified as equity for accounting purposes;
- The nominal amount cannot be reduced except in cases of liquidation or discretionary repurchases by the issuer, with the appropriate authorisation by the Supervisory Authority;
- They must have perpetual duration;
- The issuer is not obliged to distribute dividends;
- The issuer can only distribute dividends from distributable profits;
- There can be no preferential treatment in distributions, unless as a reflection of different voting rights;
- There are no caps on distribution;
- Cancellation of distributions does not result in restrictions on the issuer;
- With respect to issued capital instruments, CET1 instruments absorb firstly, and a proportionally greater amount of, the losses in the moment that they are incurred;
- They represent more subordinated instruments in the event of the Bank's bankruptcy or liquidation;
- The holders have the right to the issuer's residual assets in the event of the issuer's liquidation;
- They are not subject to guarantees or contractual provisions that increase their seniority.

The CET1 calculation excludes the valuation reserve generated by cash flow hedges and the gains/losses from changes in the Bank's credit standing (fair value option liabilities and derivative liabilities).

Furthermore, CET1 includes additional value adjustments (so-called "prudent valuation"). These adjustments are made to fair value exposures in the financial statements and must include the uncertainty of the parameters (model risk, cost of closure, etc.) and potential future costs (operating 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 year;
- Intangible assets, including the goodwill implicit in the equity investments under significant influence or joint control, valued according to the equity method;
- Tax assets that are based on future profitability and do not derive from temporary differences (tax losses);
- Deferred tax assets that depend on future profitability and derive from temporary differences (net of the corresponding deferred tax liability). 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 internal rating system (so-called "expected loss delta");
- Direct, indirect and synthetic investments in the Bank's own CET1 instruments;
- Insignificant (<10%) direct, indirect and synthetic investments in CET1 instruments of financial institutions;
- Significant (>10%) direct, indirect and synthetic investments in CET1 instruments of financial institutions;
- Any deductions in excess of the AT1 instruments.

Deductions for equity investments in financial institutions and deferred tax assets are applicable only for the portion that exceed established CET1 thresholds, known as exemptions, according to the specific mechanism described below:

- Insignificant investments in CET1, AT1 and T2 instruments of financial institutions are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to direct, indirect and synthetic investments in CET1 instruments of financial institutions, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in non-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 non-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 non-financial businesses;

- Amounts not deducted as a result of the 10% exemption of significant investments in CET1 capital instruments of financial institutions and net deferred tax assets that depend on future profitability and derive from temporary differences, added together, are deducted only for the portion that exceeds 17,65% of the CET1 that is obtained after applying the prudential filters and all deductions, including investments in financial institutions and deferred tax assets, with the exception of any deductions in excess of the AT1 capital instruments.

Amounts not deducted as part of the exemptions are included in the RWA with 250% weighting.

Non-controlling interests are calculated in CET1 to the extent to which they cover the corresponding minimum capital requirements of the subsidiary. Hence, any excess cannot be included in the CET1 calculation.

Finally, note that Bank of Italy announced the adoption of specific provisions against Banca Monte dei Paschi di Siena under articles 53 and 67 of Legislative Decree no. 385/93 for regulatory treatment of the transaction known as Fresh 2008. This resulted in the exclusion from the CET1 calculation of the share of Fresh notes falling under the indemnity issued by the Bank to Bank of New York S.A. The negative impact on CET1 as at 31 March 2014 amounted to EUR 76 mln, unchanged with respect to 31 December 2013.

Transition requirements

The following are the key aspects of the transition requirements:

- Actuarial gains/losses arising from the measurement of liabilities connected with employee benefits (staff severance pay, defined-benefit pension funds, etc.) are recognised, net of tax effect, in valuation reserves and are included in CET1, with a gradual introduction of 20% per year (20% in 2014 and 100% in 2018);
- Unrealised gains on financial instruments classified in the AFS portfolio, other than those related to exposures with central governments, are calculated in CET1 beginning in 2015 at 40% and then with a gradual introduction of 20% per year (40% in 2015 and 100% in 2018). Unrealised losses on financial instruments classified in the AFS portfolio, other than those related to exposures with central governments, are calculated in CET1 with a gradual introduction of 20% per year (20% in 2014 and 100% in 2018);
- The option to exclude from CET1 the unrealised profits and losses on exposures with central governments classified in the AFS portfolio, until approval by the European Commission of the IFRS that replaces IAS 39, as a result of the introduction of the CRR according to each country's discretion established as part of the transition requirements by Bank of Italy. In January 2014, MPS Group exercised this right, as provided for in Circular 285 of 17 December 2013:
- Deferred tax assets that depend on future profitability and do not derive from temporary differences are deducted at 20% for 2014 (100% in 2018). These are essentially deferred financial assets associated with tax losses;
- Deferred tax assets that depend on future profitability and derive from temporary differences existing at 1 January 2014 are deducted from CET1 with a gradual introduction of 10% per year beginning in 2015 (10% in 2015 and 100% in 2024);
- Other deferred tax assets that depend on future profitability and derive from temporary differences, generated after 1 January 2014, are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018);

- Insignificant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- Significant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- The excess of expected losses on impairments (expected loss delta) are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (20% in 2014 and 100% in 2018). The portion not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2.

Additional impairments to assets and liabilities designated at fair value are calculated in proportion to the amount with which said assets and liabilities are calculated in CET1 during the transition period. For example, since unrealised gains and losses on exposures to central governments classified in the AFS portfolio are not at this time included in the CET1 calculation, any additional corresponding impairments are not recognised.

The New Financial Instruments (NFIs), considered state aid, are included in CET1 until 31 December 2017.

New Financial Instruments (NFIs) - characteristics

The NFIs were issued by Banca Monte dei Paschi di Siena S.p.A. on 28 February 2013 pursuant to article 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended. In particular, the Ministry of Economy and Finance subscribed to the NFIs issued by the Bank for a total of EUR 4,071 mln, of which EUR 1,900 mln allocated to full repayment of the Tremonti Bonds already issued by the Bank in 2009, and EUR 171 mln, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 December 2012, in consideration of the Bank's negative results as at 31 December 2012.

The characteristics of the NFIs include:

- The NFIs are financial instruments which may be converted into ordinary shares by the issuer and are characterised by subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumptions. In particular, on a going-concern basis, the NFIs absorb losses that reduce the capital ratio to below 8% in the same proportion with respect to the share capital and reserves, by reducing the nominal value;
- The NFIs are perpetual instruments and BMPS has the right to redeem them subject to the prior authorisation by the Bank of Italy; the Prospectus specifically lays down that repayment will occur at the greater of the following values:
  - an increasing percentage of the nominal value over time (100% by 30 June 2015, then increased by 5% every two years up to a maximum of 160%);
  - the product of shares underlying the NFIs and the price paid in the event of a takeover bid on BMPS after the subscription date;

- the product of shares underling the NFIs and the price received by the MPS Foundation in the event that over 10% of its shareholding is sold over a period of 12 months;
- The NFIs have no rights under art. 2351 of the Civil Code and are convertible into shares upon the request of the issuer (art. 23-decies para.1); in particular, the Prospectus provides that in the event of conversion, the MEF is to be assigned a number of shares equal to the ratio between the nominal value of the NFIs and the Theoretic Ex Rights Price (TERP) discounted by 30%; the TERP is positively related to the market value of BMPS shares;
- Interest on NFIs is paid in cash up to the amount of net profit for the year gross of the same interest, tax effect and net of provisions for statutory reserves;
- Any interest in excess of this threshold is paid through the issue of new shares at market value or, for 2013 interest, through the issue of additional NFIs for the equivalent nominal value;
- With regard to interest payment on NFIs, the Prospectus provides that:
    - interest on NFIs is calculated on a pro rata basis by applying a fixed rate of 9% to the nominal value for the first year (2013) with a subsequent step up of half a point every 2 years until the 15% cap is reached;
    - subject to the exceptions provided for in 2013 and 2014, interest that is not covered by net profit (loss) for the year is to be paid through the allocation of a number of shares equal to the number of shares in issue multiplied by the ratio between interest due and market capitalisation of the Bank (average of 10 days prior to the date of the BoD which approved the financial statements) net of the same interest;
    - in the event of loss for the year, no dividends shall be paid out under any circumstances.

The issuance of the NFIs is consequential to the shortfall revealed by the exercise conducted by the EBA on the capital requirements of Europe's major banks in the second half of 2011. The exercise revealed the Montepaschi Group's need for temporary and provisional capital strengthening in the amount of EUR 3,267 mln aimed at achieving a 9% (EBA) Core Tier 1 by the end of June 2012. In determining this target value, the exercise also included the lower valuation - as at 30 September 2011 - of exposures to sovereign issuers so as to take account of market concerns over sovereign debt risk.

Consequently, the Montepaschi Group developed a plan of actions aimed at strengthening capital, which led to determining an overall shortfall of EUR 2,000 mln, net of Tremonti bonds. Identified actions, aimed at further strengthening the Group's capital, lie at the basis of the Restructuring Plan approved by the Board of Directors on 7 October 2013 and by the European Commission on 27 November 2013.

As envisaged in the Restructuring Plan, the Bank plans to repay EUR 3 bn of the NFIs in the coming months through the share capital increase approved at the end of 2013. At the Extraordinary Shareholders' Meeting called for 20, 21, and 22 May 2014, a proposal to augment the share capital increase from the current EUR 3 bn up to a maximum of EUR 5 bn, in order to:

- Provide MPS Group with a security buffer to absorb the negative impacts that may result from the Comprehensive Assessment, and therefore, allow the Group to better meet the commitments made in the Restructuring Plan;
- Align the Bank with the best practices in Italian markets in terms of the Common Equity Tier 1 ratio;
- Based on the results of the *Comprehensive Assessment*, benefit from a more solid capital structure as a result of the buffer created from the New Share Capital Increase, and

possibly, bring forward the full or partial repayment of the New Financial Instruments, equivalent to EUR 1.071 bn, in addition to the EUR 3 bn already scheduled to be repaid.

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 Bank 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 GMPS:

- Direct, indirect and synthetics investments in the Bank's AT1 instruments;
- Direct, indirect and synthetics investments in AT1 instruments of financial institutions;
- any adjustments exceeding T2.

As a result of certain provisions, some instruments issued in previous years by GMPS do not meet the requirements to be included in AT1.

Transition requirements

The following are the key aspects of the transition requirements for 2014:

- Insignificant investments in AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from CET1 due to the transition period are deducted from AT1 at 50% and from T2 at 50%
- Significant investments in AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from CET1 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, are deducted from AT1 at 50%.

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 temporarily pro-rated in the last 5 years;

T2 is subject to the following deductions:

- Direct, indirect and synthetics investments in the Bank's T2 instruments;
- Direct, indirect and synthetics investments in T2 instruments of financial institutions.

Transition requirements

The following are the key aspects of the transition requirements for 2014:

- insignificant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100%%; insignificant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted with a phase-in of 20% per year as of 2014 (20% 2014 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs.
- Significant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100%; significant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted with a phase-in of 20% per year as of 2014 (20% 2014 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs.
- The excess of expected losses on impairments (expected loss delta), temporarily not deductible from CET1 due to the transition period, is deducted from T2 at 50%.

Grandfathering

A gradual exclusion from the relevant capital level is envisaged for capital instruments issued previously and calculated in regulatory capital through 31 December 2013 that do not meet the requirements of the new regulatory framework. Specifically, 80% of the nominal value in circulation in 2014 may be included in the CET1, AT1 and T2 calculation, decreasing 10% per year until its full exclusion in 2022, for those instruments issued or calculated in the regulatory capital prior to 31 December 2011 that do not meet the new requirements.

Minimum capital requirements

The following capital requirements are envisaged for 2014:

- CET1 ratio of at least 4.5% of the Group's total risk exposure;
- AT1 ratio of at least 5.5% of the Group's total risk exposure; in 2015 the threshold will increase to 6%;
- Total Capital ratio of at least 8% of the Group's total risk exposure.

In addition, the Bank must have additional CET1 reserves.

More specifically, the new regulations envisage that banks must have the following reserves:

* Capital conservation buffer - aimed at conserving the minimum level of regulatory capital during difficult periods in the market, through the allocation of high quality capital in periods in which there are no market tensions. This reserve is mandatory and must be at least 2.5% of the Bank's total risk exposure. The reserve consists of CET1 capital;
* Countercyclical capital buffer - aimed at protecting the banking sector in phases of excessive growth in loans. The buffer provides for the accumulation of CET1 capital during phases of rapid growth in the credit cycle, which can then be used to absorb losses in the downward phase of the cycle. As opposed to the capital conservation buffer, the countercyclical buffer is imposed only during periods of loan growth and is calculated according to pre-established criteria. Supervisory Authorities have not yet defined the amount of this reserve;
* G-SII buffer for global systemically important banks and O-SII buffer for other systemically important entities - impose higher capital requirements on those entities based on their systemic relevance, at a global or national level, which pose greater risks for the financial system and for which a crisis could have impacts on contributors. Banca MPS participates in the definition of systemically relevant institutions. Hence, from 2016, the Bank could be included in the institutions of this type, however, for the moment, the Supervisory Authorities have not yet established if these reserves are applicable to GMPS and, if so, their amount.

Liquidity and leverage ratios

In reference to the Liquidity Coverage Ratio, the observation period by the Supervisory Authorities began in March 2014, which precedes the official introduction of this ratio in January 2015. In addition, 31 March 2014 is the start date for the observation period for the Net Stable Funding Ratio. These two ratios and the associated minimum requirements will become effective 1 January 2018, upon authorisation of the European Council and Parliament.

The Leverage Ratio is calculated with a denominator that is not based on the risk weighting of assets. The calculation is the simple arithmetic average of the monthly leverage ratios for the quarter, and will come into effect in 2018. The transition observation phase will last from 2014 to the end of December 2017. At this time, the Supervisory Authorities have not yet established the minimum thresholds for the Leverage Ratio.

Schematically, the Leverage Ratio is calculated as follows:

The exposures must be reported net of regulatory adjustments envisaged in the T1 calculation in order to avoid double counting. In fact, items fully deducted from capital do not contribute to the Leverage Ratio and are deducted to the extent of the exposure.

* * *

Reporting deadlines

Regulatory reporting relative to 31 March 2014 must be submitted by the reporting date of 30 June 2014, which is later than the more stringent deadlines originally envisaged. The introduction of a body of regulations that is significantly changed with respect to existing regulations, and for which the specifics of the new rules have yet to be established, requires time to adjust the calculations. Thus the Bank used estimates for the quantitative information below.

B. Quantitative Information

	31 03 2014	31 12 2013 Pro-forma
Core Equity Tier 1 (CET1) - items and instruments	6,036,631	7,136,919
Core Equity Tier 1 (CET1) - prudential filters*	4,827,891	5,169,378
Core Equity Tier 1 (CET1) - negative items and deductions	(2,080,193)	(3,380,707)
Core Equity Tier 1 (CET1) - TOTAL	**8,784,329**	**8,925,590**
Additional Tier 1 Capital (AT1) - items	539,127	539,127
Additional Tier 1 Capital (AT1) - negative items and deductions	(539,127)	(539,127)
Additional Tier 1 Capital (AT1) - TOTAL	**-**	**-**
Tier 1 Capital (TIER 1) - TOTAL	**8,784,329**	**8,925,590**
Tier 2 Capital (T2) - items and instruments	4,089,787	4,307,820
Tier 2 capital (T2) - negative items and deductions	(772,176)	(800,028)
Tier 2 (T2) - TOTAL	**3,317,611**	**3,507,792**
Total Tier 1 + Tier 2 Capital	**12,101,940**	**12,433,382**

The pro-forma data as at 31 December 2013 are shown, for comparison purposes only, according to the regulatory framework in effect from 1 January 2014.

* *The aggregate as at 31 March 2014 and 31 December 2013 includes EUR 4,071 mln in New Financial Instruments*

As previously stated, the data as at 31 March 2014 represent the Bank's best estimate based on the application of the new rules envisaged by CRR and CRDIV. The deadline for prudential reporting is 30 June 2014.

As at 31 March 2014, CET1 decreased by EUR 141.3 mln, totalling EUR 8,784.3 mln, compared to EUR 8,925.6 mln, pro-forma, at the end of 2013.

At the same date, AT1 was zero, unchanged from 31 December 2013.

T2 decreased by EUR 190.2 mln, totalling EUR 3,317.6 mln, compared to EUR 3,507.8 mln, pro-forma, at the end of 2013.

As at 31 December 2013, the official data, calculated according to the previous regulatory framework, for T1, T2 and regulatory capital was EUR 8,973 mln, EUR 3,865 mln and EUR 12,838 mln, respectively.

2.3 Capital adequacy

A. Qualitative Information

Qualitative information regarding the Group's capital adequacy assessment process is included in Section 1 of this Part F.

B. Quantitative Information

Category/Value	Capital requirements	
	31 03 2014	31 12 2013 pro-forma
REGULATORY CAPITAL REQUIREMENTS		
1 Credit and counterparty risk	5,304,731	5,333,359
2 Market risk	453,441	504,621
3 Operational risk	635,291	659,407
4 Credit valuation adjustment risk	90,673	93,313
5 Regulatory risk	-	-
6 Concentration risk	-	-
7 Total prudential requirements	**6,484,136**	**6,590,700**
RISK ASSETS AND CAPITAL RATIOS		
1 Risk-Weighted Assets	81,051,701	82,383,750
2 Core Equity Tier 1 (CET1) Capital/Risk-Weighted Assets (CET1 capital ratio)	10.84%	10.83%
3 Total Tier 1 Capital (Tier 1)/Risk-Weighted Assets (Tier 1 capital ratio)	10.84%	10.83%
4 Total Tier 1 + Tier 2 Capital /Risk-Weighted Assets (Total capital ratio)	14.93%	15.09%

The pro-forma data as at 31 December 2013 are shown, for comparison purposes only, according to the regulatory framework in effect from 1 January 2014.

As previously stated, the data as at 31 December 2013 and 31 March 2014 represent the Bank's best estimate based on the application of the new rules envisaged by CRR and CRDIV. Specifically, the new estimated elements include: the re-calculation of market risks, the capital absorption of exposures to central counterparties and the quantification of credit valuation adjustment (CVA) risk. The RWA resulting from the introduction of the new capital rules (refer to preceding section) was quantified by applying the transition requirements.

As at 31 March 2014, CET1 and T1 were 10.84%, while the Total Capital ratio was 14.93%. As at 31 December 2013, the pro-forma data shows CET1 and T1 ratios of 10.83% and a Total Capital ratio of 15.09%.

The official data as at 31 December calculated according to the previous regulatory framework shows a T1 ratio of 10.62% and a Total Capital ratio of 15.19%

Furthermore, note that on 23 October 2013, the ECB announced that it will perform, together with national banking Supervisory Authorities, a Comprehensive Assessment of the banking system, pursuant to the regulations on the Single Supervisory Mechanism (EU Regulation no. 1024/2013 of the European Council on 15 October 2013), which became effective on 3 November 2013. This exercise, which began in November 2013 with a data collection phase, will last for approximately 12 months, and will involve the 15 largest Italian banking institutions, including MPS Group.

The Comprehensive Assessment is a complex process broken down into three specific verification activities: (i) Supervisory Risk Assessment, to provide a quantitative and qualitative evaluation of the fundamental risk factors to which the Group is exposed, including risks related to liquidity, financial leverage and lending; (ii) Asset Quality Review, to improve transparency of banking exposures through an analysis of the quality of banks' assets, including the adequate valuation of assets and guarantees as well as the adequacy of provisions; (iii) Stress Test, to verify the financial stability of banks in the event of adverse circumstances (evaluated over the 2014-2016 time period).

The objectives of the Asset Quality Review include: (i) evaluating the adequacy of provisions made by banks for credit exposures; (ii) determining the appropriate valuation of guarantees for credit exposures; and (iii) analysing the valuation of complex instruments and high risk assets in banks' financial statements. As clarified by the ECB, the Asset Quality Review is an exercise aimed at reviewing capital adequacy and, as such, will not introduce additional requirements with respect to the applicable accounting standards for preparing financial statements.

On the basis of the Asset Quality Review and to supplement it, the EBA, in close collaboration with the ECB, will perform a Stress Test to assess the resilience of European banks to hypothetical negative economic conditions (shocks) and the related solvency in the event of any stress situations attributable to certain restrictive conditions. On 29 April 2014, the EBA published the definitive methodology for the Stress Tests and the macroeconomic scenarios to be applied (base scenario and adverse scenario, developed by the European Systemic Risk Board). The final results will be available in October 2014. At this time, the methods by which the results of the Asset Quality Review must be implemented by the banks and the means by which they are connected to the Stress Tests are not known.

In February 2014, the first phase of the Asset Quality Review was completed, during which the portfolio of assets to be analysed was selected, based on data collected. Currently, MPS Group has completed the data extraction for 31 December 2012 and 31 December 2013, necessary to produce the "loan tape", which was sent to Bank of Italy in March 2014. On 11 March 2014, the ECB published the "Phase 2 Manual", containing a detailed description of the methodology to be used in the second phase of the Asset Quality Review. The second phase began in March 2014 and includes the review of internal policies and procedures in order to ensure that MPS Group rigorously and correctly applies the accounting rules for the most important estimated items in the financial statements (loans and other financial instruments), the validation of the integrity of the data provided by the issuer, and the performance of a series of audits at MPS Group. Subsequently, and in particular reference to loans, analysis began of exposures (with a sample from the loan portfolio appropriately stratified and representative of the various risk classes identified), of the related guarantees, including the valuation of real estate, and of the amount of related impairments, both analytic and collective (according to the specific methodologies in the Phase 2 Manual). The results of the analysis of sample exposures represents the basis for projecting the effects across the selected portfolios.

The Asset Quality Review currently underway could result in the finding of valuation gaps affecting the items under review, with the necessity of either booking adjustments in 2014 or, based on the nature of the differences found, of an additional capital requirement (as input for the Stress Test phase). The Asset Quality Review is expected to be completed by July 2014.

As the Asset Quality Review evolves, the MPS Group will take the available data and information into consideration in preparing the year-end and interim reports, as said data and information is confirmed to be reliable, communicating with the public according to the methods and deadlines of the governing regulation.

The Asset Quality Review will result in the recalculation of the Common Equity Tier 1 ratio, that cannot be less than 8%.

At the same time as the Asset Quality Review, the Stress Test phase was launched. The conclusion of this phase will also result in the recalculation of the Common Equity Tier 1 ratio by the EBA. In the adverse scenario, or the most critical scenario for the issuer, it is expected that the recalculated Common Equity Tier 1 ratio cannot be lower than the threshold of 5.5% (8.0% threshold for the base scenario).

The entire Comprehensive Assessment process is expected to be completed by October 2014.

As a result of the Comprehensive Assessment and, more specifically, from the Asset Quality Review and Stress Test, the Common Equity Tier 1 ratio may be found to be less than the thresholds defined by the ECB and, therefore, it may be necessary for the Bank to take new capital enhancement measures.

As regards the Stress Test, note that the complex process of applying the methodologies and scenarios recently published by the EBA is made more uncertain by the Restructuring Plan that was announced prior to 31 December 2013 and formally agreed with the European Commission. The Restructuring Plan replaces the base scenario and constitutes the initial element for applying the adverse scenario, whose results will be subject to specific review by the ECB, Bank of Italy, and the EBA.

Part G – Business combinations

Section 1 – Business combinations during the period

No business combinations were completed as at 31 March 2014 pursuant to IFRS 3.

1.1.2 Transactions within the Group (business combinations of entities under common control)

Business combinations under common control include the merger by absorption of Monte dei Paschi Ireland Limited in the Parent Company on 11 February 2014.

Section 2 – Business combinations completed after the period

There are no transactions to report.

Part H – Related-party transactions

1 Compensation of key management personnel........ 200
2. Related-party transactions........ 201

Compensation of key management personnel

items/Amounts	Total 31 03 2014	Total 31 03 2013
Short-term benefits	1,203	2,000
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	-	-
Total compensation paid to key management personnel	**1,203**	**2,000**

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 Financial Intermediation, please refer to the document "Report on Corporate Governance and Ownership Structure – Remuneration Report" which contains data reported in the past financial statements, including:

- A detailed breakdown of compensation paid to the Governing and Control bodies, General Management and, in aggregate form, to Key Management Personnel, as well as stock option plans reserved for members of the Governing and Control bodies, the General Management and Key Management Personnel;
- Details and developments regarding stock option plans for Key Management Personnel;
- The shares of the Parent Company and its subsidiaries held by members of the Governing and Control bodies, General Management, Key Management Personnel and other related parties.

2. Related-party transactions

"Regulations containing provisions relating to transactions with related parties" was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

This regulatory framework combines into a new and comprehensive set of Regulations all principles regarding prompt and periodic disclosure obligations; it implements articles 114 and 154-ter of the Consolidated Law on Financial Intermediation, supersedes the rules previously set out by Consob's Issuer Regulations and implements the provisions under Article 2391-bis of the Civil Code.

In its meeting of 10 November 2010, the Board of Directors established the Parent Company's Committee of Independent Directors which, as of 18 July 2013, has been renamed "Committee on Related-Party Transactions"; as at today, the Committee is composed solely of independent directors pursuant to the principles and criteria of the Corporate Governance Code of listed companies (latest version: December 2011), which BMPS adhered to by its resolution of 20 December 2012, and the Consolidated Law on Financial Intermediation.

On 25 November 2010, the Board of Directors of the Parent Company resolved to approve "Group Directive on related-party transactions", which sets out the model for related-party transactions establishing roles and responsibilities of internal relevant functions and related implementing processes. The Directive was subsequently updated and renamed "Group Directive on BMPS Related Parties and Group Associated Parties", with reference to "Associated Parties" as governed by the Bank of Italy in its 9th update of Circular no. 263/2006. The update was in implementation of art. 53 of the Consolidated Law on Banking and in compliance with resolution no. 277 of the Interministerial Committee for Credit and Savings (ICRC) of 29 July 2008, to govern regulations concerning risk assets and conflicts of interest in relation to the Associated Parties of the Group. The regulatory framework of the Bank of Italy (which applies to banks authorised to operate in Italy, on an individual basis, and banking groups, on a consolidated basis) entered into force on 31 December 2012 and regards both compliance with prudential individual or consolidated limits and the application of deliberative procedures for risk assets and conflicts of interest in relation to Associated Parties.

In this regard, by resolution of the Board of Directors of the Parent Company of 26 June 2012 and in compliance with regulatory provisions, approval was given to the "Deliberative Procedures governing transactions with Associated Parties" and, at the same time, the decision was made to review the "Procedures governing transactions with Related Parties"; both translate the contents of the Directive into practice and illustrate the organisational choices and solutions identified by the MPS Group for alignment with existing regulations.

The Procedures were published on the Parent Company's website and are therefore available in full-text version at the following links:

http://www.mps.it/Investor+Relations/Corporate+Governance/Procedura+in+materia+di+operazioni+con+parti+correlate.htm

http://www.mps.it/Investor+Relations/Corporate+Governance/Procedure+in+materia+di+operazioni+con+soggetti+collegati.htm

Information is provided below regarding related-party transactions carried out by the MPS Group in the first quarter of 2014, which deserve specific mention and were conducted based on reciprocal assessments of economic advantages.

February 2014

- On 7 February 2014, the General Manager authorised the extension and increase of the ordinary credit lines for a total of EUR 26.8 mln for ALERION CLEAN POWER S.P.A. This was an ordinary transaction of minor relevance, subject to related party procedures pursuant to Consob Regulation no. 17221/2010, as BMPS exercises significant influence over said company, due to the shareholders' agreement signed with other large shareholders in Alerion Clean Power S.p.A.

- On 20 February 2014, the Executive Committee resolved in favour of signing a debt moratorium agreement through 30 June 2014 for the principal and interest on all outstanding loans amounting to EUR 106.507 mln for SANSEDONI SIENA SPA and EUR 109.351 mln for SVILUPPO ED INTERVENTI IMMOBILIARI SRL. The transaction is subject to related party procedures pursuant to Consob Regulation no. 17221/2010, in consideration of the significant influence exercised by BMPS on Sansedoni Siena S.p.A. due to the equity investment of 21.75% of its share capital, which in turn, controls 100% of Sviluppo ed Interventi Immobiliari Srl.

- On 20 February 2014, the Board of Directors authorised an update to the Framework Agreement with AXA Group, through the signing of agreements with certain companies within AXA Group, regarding the arrears for the price adjustment resulting from the sale to AXA of 50% of the share capital of AXA MPS Assicurazioni Vita S.p.A. and of AXA MPS Assicurazioni Danni S.p.A., and relative to the acquisition by BMPS of 100% of the share capital of AXA SIM S.p.A., for which AXA paid BMPS a total of EUR 40 mln. This transaction of minor relevance is included in the application of Consob Regulation no. 17221/2010, as the counterparties to the agreement, AXA SA, AXA Mediterranean Holding SA and AXA Assicurazioni Italia S.p.A., are related parties given the joint bancassurance venture between MPS Group and AXA Group. Under the agreements reached and notwithstanding the provisions of the Framework Agreement, AXA was granted authorisation for the distribution of insurance products (via third-party banking networks) through subsidiary companies 100% owned by AXA rather than through the companies AXA MPS Assicurazioni Vita S.p.A. and AXA MPS Assicurazioni Danni S.p.A. On the basis of this authorisation, AXA also granted a call option on 50% minus one share of the share capital of the new companies which will be specifically set up for this purpose. The price of the call option will be determined on the basis of the policies outstanding at the time of disposal, without taking into account goodwill.

- On 20 February 2014, the Executive Committee resolved in favour of granting a transitional credit line for EUR 46 mln to ANIMA HOLDING S.P.A. (as the participation share of the syndicated medium-term long for a total of EUR 185 mln) and the resulting release of guarantees. This is an ordinary transaction of minor relevance that falls within the scope of application of Consob Regulation no. 17221/2010, insofar as the company is subject to significant influence from BMPS due to the equity investment of 21.63% of the share capital.

The detailed list of Group companies and investees subject to significant influence as at 31 March 2014 is provided in Section 10, Part B of these Explanatory Notes.

The following tables summarise the Group's relationships with its associates and other related parties as at 31 March 2014, as well as the economic effects of transactions during the quarter. In calculating the shares of total, it is noted 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 Group's total interest income and expense;
- For fees and commissions, other revenues and other expenses, the denominator is represented by the Group's profit (loss) for the year, before tax.

2.a Associates

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items/Amounts	Amounts	% on Consolidated
Total financial assets	1,181,889	0.63%
Total other assets	1,390	0.05%
Total financial liabilities	1,153,415	0.61%
Total other liabilities	6	0.00%
Guaranties issue	59,640	-
Guaranties riceived	633,210	-

2.b Transactions involving Key Management Personnel and other related parties

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items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	2,487	30,150	0.02%
Total financial liabilities	1,846	339,895	0.18%
Total functioning costs	1,203	-	
Guarantees issued	-	8,577	
Guarantees received	5,686	36,321	

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).

As at 31 March 2014, no resolutions were approved by the Parent Company regarding the incentive system for these individuals for 2014.

Part L – Segment reporting

This section of the consolidated Explanatory Notes is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS8 "Operating Segments".

The aforementioned accounting standard, applied as of 1 January 2009 to replace IAS14 "Segment reporting" and the adoption of which has no effect on the valuation of balance sheet items, requires reports to be drafted in relation to operating segments on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group operations by business segment

The Montepaschi Group operates in the following areas of business:

- *Retail and commercial banking*: includes lending activities, traditional banking services, the offering of banking and insurance products through the strategic partnership with AXA, financial advisory services, wealth management and investment products;
- *Leasing and Factoring*: includes the offering of leasing and factoring packages for businesses, artisans and professionals;
- *Consumer credit*: special purpose loans, personal loans, option and revolving credit cards;
- *Corporate finance*: mid- and long-term lending, corporate finance, capital markets and structured finance;
- *Investment banking*: trading and global markets;
- *Foreign banking*: products and services in support of market expansion and investments of Italian companies abroad.

Operations in the business areas are conducted by the following operating units of the Group:

- Distribution network, comprising the branches and specialised centres of Banca Monte dei Paschi di Siena;
- Product factories, i.e. Group banks and companies expressly dedicated to developing specialised financial instruments to offer on the market, particularly including: Consum.it (consumer credit company), MPS Capital Services (specialised in corporate finance, capital markets and structured finance), and MPS Leasing & Factoring (specialised in leasing and factoring services for businesses);
- Foreign network, geographically present in all major financial and economic centres as well as in emerging countries with the highest rates of growth and/or key relations with Italy. It includes the foreign units of Banca Monte dei Paschi di Siena (4 operational branches, 10 representative offices) and 2 banks under foreign law (MP Belgium: 8 branches; MPS Banque: 17 branches).

The Group also includes service operations dedicated to the management of IT and telecommunications (Consorzio Operativo di Gruppo), and value creation from the Group's real estate assets (MPS Immobiliare).

For the purpose of identifying the Operating Segments provided for by IFRS 8, the Montepaschi Group has adopted the business approach. Profit & loss balance sheet data is then aggregated based on criteria including business area and operating unit of reference, relevance and strategic importance of operations involved, and cluster of clients served. These aggregation criteria, into which reporting for the highest decision-making levels is organised, enabled the identification of two operating segments as at 31 March 2014, the Operating Segments indicated below. These Segments reflect the organisational changes made by the Group in the 1st quarter of 2014, (refer to "Corporate and organisational developments and significant events" in the Interim Report on Operations). More specifically:

- *Retail Banking*: includes the P&L/balance sheet results of the Family, Affluent, Small Business, and Private client clusters of Banca Monte dei Paschi di Siena; results of trust and consumer credit services provided respectively by MPS Fiduciaria and Consum.it;
- *Financial Advisory and Digital Banking*: consists of the results of the Financial Advisory Network as well as the subsidiary WIDIBA, the Group's newco in the digital banking sector, which will begin operations in the second half of 2014;
- *Corporate Banking*: includes the P&L/balance sheet results of the Corporate, Institutional and Public Administration customers of Banca Monte dei Paschi di Siena; results of the corporate finance business of MPS Capital Services and the business of MPS Leasing & Factoring. 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:
  - banks under foreign law (MP Banque and MPS Belgio);
  - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (Consorzio Operativo di Gruppo) and value creation from the Group's real estate assets (MPS Immobiliare);
  - 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.

Compared to the structure of Segment Reporting presented in the financial statements as at 31 December 2013, the Corporate Banking results from the former "Commercial Division" are now shown in the new "Corporate Banking" Operating Segment. The new "Retail Banking" Operating Segment includes the values for the retail banking department of the former "Commercial Division", excluding the results of the Financial Advisory Network, which are now shown in the "Financial Advisory and Digital Banking" Operating Segment.

In 2001 the Montepaschi Group introduced and gradually implemented Value Based operational management instruments, with the objective of monitoring profitability by business areas and units. The Value Based Management system adopted by the Group proved appropriate to manage the criteria for the identification of business segments and the review of segment reporting principles set out by existing regulations, as well as to meet regulatory requirements for the reconciliation of internal management reporting with data used for external reporting.

Income statement criteria by operating segment

The net operating income by operating segments was constructed based on the following criteria:

- **Net interest income**: in relation to the business centres of Banca Monte dei Paschi di Siena, it is calculated by way of contribution on the basis of internal transfer rates broken down by products and maturities. With reference to non-divisionalised entities, net interest income is the difference between "interest income and similar revenues" and "interest expense and similar charges".
- **Net fee and commission income** is determined by direct allocation of commissions to the operating segments.
- **Net impairment losses/reversals on loans** are allocated to the operating segments which generated them.
- **Operating expenses** include the 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, in relation to specific criteria relating to the operations performed.

Balance-sheet criteria by business segment

Balance-sheet aggregates were defined by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to the income/expenses allocated to each segment. In particular:

- **Interest-bearing loans to customers** are the assets used for the operations of a business segment, which are directly attributable to the segment itself;
- **Deposits from customers and debt securities issued** are the liabilities arising from the operations of an operating segment, which are directly attributable to the segment itself.

Transactions between operating segments

Each segment's income and results include transfers between operating segments. These transfers are reported in accordance with the best practices accepted by the market (i.e. the fair value method or cost method increased by a proper margin) both with respect to commercial and financial transactions.
The income of each operating segment is determined before intragroup balances and intragroup transactions are eliminated during the process of consolidation. If intragroup transactions are made between entities belonging to the same operating segment, the respective balances are eliminated within such segment. In line with the internal reporting system used by the Montepaschi Group, balances of intragroup transactions are not shown separately.

Basis of preparation

In accordance with the recommendations of IFRS 8, the table below presents the Group's P&L and balance sheet results as at 31 March 2014, developed in consideration of the Operating Segments defined above, which reflect the Group's organisation structure as at 31 March 2014:

SEGMENT REPORTING	Business segments				
Primary segment	Retail banking	Corporate banking	Financial advisory and digital banking	Corporate Center	Total MPS Group
(million of Euro)	31/03/14	31/03/14	31/03/14	31/03/14	31/03/14
PROFIT AND LOSS AGGREGATES					
Income from banking and insurance	949.0	460.8	8.5	(461.1)	957.2
Net impairment losses (reversals) on loans and financial assets	(202.2)	(286.9)	0.0	(2.6)	(491.7)
Operating expenses	(508.3)	(145.8)	(3.2)	(3.1)	(660.5)
Net operating income	238.4	28.0	5.3	(466.8)	(195.0)
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	54,228	56,646	131	12,340	123,345
Deposits from customers and debt securities issued	66,288	25,925	677	35,968	128,859

Figures for the previous year 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)" following the introduction of new accounting principles effective 1 January.

SEGMENT REPORTING	Retail & Corporate Banking division			Corporate Center	Total MPS Group
Primary segment (million of Euro)	Retail banking	Corporate banking	Total		
PROFIT AND LOSS AGGREGATES	**31/03/13**	**31/03/13**	**31/03/13**	**31/03/13**	**31/03/13**
Income from banking and insurance	1,016.3	462.7	1,479.0	(307.2)	1,171.8
Net impairment losses (reversals) on loans and financial assets	(182.5)	(305.1)	(487.7)	(6.8)	(494.5)
Operating expenses	(540.3)	(153.0)	(693.3)	(35.6)	(728.9)
Net operating income	293.5	4.5	298.0	(349.6)	(51.7)
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	59,385	62,038	121,423	11,432	132,855
Deposits from customers and debt securities issued	73,022	35,992	109,014	26,297	135,311

For a like-for-like comparison of operations between the first quarter of 2014 and the same period of 2013, see section "Segment reporting" in the Interim Report on Operations as at 31 March 2014.

DECLARATION OF THE FINANCIAL REPORTING OFFICER

Pursuant to para. 2, article 154-bis of the Consolidated Law on Financial Intermediation, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this Interim Report as at 31 March 2014 corresponds to the underlying documentary evidence and accounting records.

Arturo Betunio

The Financial Reporting Officer

AUDITOR’S REVIEW REPORT ON THE INTERIM 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

Auditors' review report on the interim consolidated financial statements
(Translation from the original Italian text)

To the Board of Directors of
Banca Monte dei Paschi di Siena S.p.A.

1. We have reviewed the interim consolidated financial statements as of March 31, 2014, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity and the statement of cash flows and the related explanatory notes, of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries (the "Montepaschi Group"). The Directors of Banca Monte dei Paschi di Siena S.p.A. are responsible for the preparation of the interim consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to issue this review report based on our review. The above mentioned interim consolidated financial statements have been prepared for the purposes set out in Part A - Accounting Policies of the explanatory notes.

2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements as we expressed on the annual consolidated financial statements.

   The interim consolidated financial statements include, for comparative purposes, the corresponding figures of the consolidated financial statements of the prior year and the financial figures of the corresponding period of the prior year. As described in the explanatory notes, the Directors restated the comparative figures related to the consolidated financial statements of the prior year, with respect to the figures previously presented and audited by us, upon which we issued our auditors' report on April 2, 2014. We have examined the criteria applied to restate the comparative figures related to the consolidated financial statements of the prior year and the information presented in the explanatory notes in this respect, for the purpose of the issuance of our review report. We have not examined the figures of the corresponding period of the prior year and, therefore, our conclusions reached in this report do not extend to such figures.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of Montepaschi Group as of March 31, 2014 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

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4. As described in the Interim Report on Operations and in the explanatory notes, on April 18, 2014 the Board of Directors approved to propose to the Extraordinary Shareholders' Meeting a share capital increase up to a maximum of Euro 5 billion, replacing the capital increase of Euro 3 billion approved on December 28, 2013, aimed at strengthening the capital base and redeeming the New Financial Instruments. The purpose of the additional amount of the capital increase is to align the capital ratios of the Group to the market best practice, in order to provide with an additional capital buffer to absorb any negative effects of the Comprehensive Assessment, so that the commitments made in the Restructuring Plan approved by the European Commission can continue to be met. Based on the expected evolution of the Group following the implementation of the Business Plan for the period 2013-2017 and on the assessments carried out on the current and prospective capital adequacy of the Group, the Directors do not foresee any element which could cast doubt on the ability of the entity to continue as a going concern.

Milan, May 14, 2014

Reconta Ernst & Young S.p.A.
Signed by: Massimiliano Bonfiglio, Partner

This report has been translated into the English language solely for the convenience of international readers

ANNEXES

Pro-forma statements for the accounting treatment of major long-term structured repos as synthetic derivatives

Below are the pro-forma balance sheet, income statement and statement of comprehensive income (the “Pro-forma statements”) as at 31 March 2014, which report the estimated effects had the Parent Company classified the “long-term structured repos” (the “Transactions”) as synthetic derivatives.

The pro-forma statements have been prepared on the basis of the consolidated annual report for the year ending 31 December 2013 and the interim Consolidated Financial Statements as at 31 March 2014 and 31 March 2013, by applying estimated pro-forma adjustments to the representation of transactions, should they qualify as synthetic derivatives, as required by the Bank of Italy/Consob/Ivass document no. 6 of 8 March 2013 - Bank of Italy/Consob/Ivass Coordination forum on the application of IAS/IFRS - Accounting treatment of “long-term structured repos” (the “Document”).

The Document provides that, in the case of transactions for significant amounts, preparers of financial statements should carefully consider the need for an adequate description, including the preparation of pro-forma statements, of the effects on financial statements that would arise from a re-classification of transactions as synthetic derivatives, after tax, as compared with previous year accounts.

The following statements summarise the balance sheet and profit and loss impacts which would result from a potential recognition of the two long-term repos “Alexandria” and “Santorini” as credit default swaps. Note that the latter transaction, closed with a settlement agreement on 19 December 2013, had no impact on the pro-forma balance sheet and profit and loss as at 31 March 2014.

For a description of the Transactions’ recognition and measurement criteria used in the preparation of the interim Consolidated Financial Statements as at 31 March 2014, see details in the 2013 annual report.

The pro-forma statements are presented using the balance sheet as at 31 December 2013 and 31 March 2014, and the income statement and statement of comprehensive income as at 31 March 2013 and 31 March 2014.

Pro-forma figures were determined by making appropriate pro-forma adjustments to the historical values in the 2013 annual report and the interim Consolidated Financial Statements as at 31 March 2014 in order to retroactively reflect the effects of recognising the Transactions as synthetic derivatives, as well as the estimated balance-sheet and profit and loss impacts arising therefrom.

Reported in the pro-forma statements below are:

- In the first column (“31 12 2013*” and “31 03 2014”): balance sheet as at 31 December 2013 and 31 March 2014, income statement and statement of comprehensive income for 31 March 2013 and 31 March 2014;
- In the second column (“Pro-forma impact of LTR classified as CDS”): pro-forma adjustments estimated to be made to the annual/interim accounts, had the Parent Company classified the Transactions as synthetic derivatives;
- In the third and final column (“31 12 2013* pro-forma” and “31 03 2014 pro-forma”): estimated pro-forma balance sheet as at 31 December 2013 and 31 March 2014, pro-forma income statement and statement of comprehensive income as at 31 March 2013 and 31 March 2014.

In light of the above, for an accurate interpretation of the information underlying the pro-forma figures, the following aspects should be considered:

- The accounting representations are based on assumptions; therefore, pro-forma figures are not necessarily coinciding with those that would have ensued, had the Transactions (and related profit & loss and balance sheet effects) in fact been entered into as at the dates considered for preparation of the pro-forma accounts;
- Pro-forma data was prepared in such a way as to only represent an estimate of the identifiable and objectively measurable effects of the Transactions.

In the pro-forma accounting treatment as a synthetic derivative, the purchase of securities and its financing through a long term repo agreement are represented as a Credit Default Swap (sale of protection on the risk of the Italian government, i.e. issuer of the bonds).

In the event of issuer default, the Bank would incur a loss equal to the difference between the amounts to be returned to the repo counterparty and the value of the defaulted securities to be delivered to the Parent Company by the counterparty. Against this risk, the Bank earns a variable premium consisting in the difference between the coupons of bonds held and the interest rate paid on the repo entered into to finance the transaction.

For the purpose of the pro-forma accounting, the Transactions were thus assessed in a similar way to Credit Default Swaps, using the same market parameters.

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

- Balance sheet:
    - recognition of the CDS at Fair Value under "Financial Assets and liabilities held for trading" instead of:
        - securities classified as "Financial assets available for sale" and corresponding valuation reserves, gross of the hedge accounting component;
        - "Deposits from banks" and "Deposits from customers" which represent the liabilities associated with the long term repos;
    - reclassification of Interest rate swaps from "hedging derivatives" to "Financial liabilities held for trading";
    - ensuing tax effects.

- Income statement:
    - elimination from "Interest income and similar revenues" and "Interest expense and similar charges" respectively of: interest income from government bonds classified as "Assets available for sale" and interest expense from long term repos classified as "Deposits from banks" and "Deposits from customers", both posted by using the effective interest rate method;
    - elimination from "Interest income and similar revenues" and "Interest expense and similar charges" of amounts accrued on interest rate hedging swaps;
    - elimination from "Net profit (loss) from hedging" of: fair value changes attributable to the interest rate risk of hedged government bonds, accounted for as against the valuation reserve of assets available for sale; and fair value changes in the interest rate swaps, net of any accrued income;
    - recognition under "Net profit (loss) from trading" of: cash flows (coupons and floating spreads) paid on long term repos and fair value changes in IRSs and CDSs;

- ensuing tax effects;

- Statement of comprehensive income:
  - recognition of changes in "Financial assets available for sale" following adjustment to valuation reserves.

In brief, an estimate of transactions treated as synthetic derivatives produces significantly different impacts on the income statement by reason of changes in the fair value of Credit Default Swaps and reclassification of Interest Rate Swaps to trading. By contrast, the impact on equity is mitigated by the elimination of the negative AFS reserves stated within the "open balances" accounting, as disclosed in the statement of comprehensive income.

It is noted that, by reason of the different accounting classification of individual items, the Transactions' accounting treatment as CDSs entails a modification to the scope of the two regulatory portfolios (trading book and banking book), with resulting differences, essentially of an offsetting nature, in the VAR of the individual portfolios. As a result, this different representation does not generate any differential impact on the Group's overall VaR.

Pro-forma balance sheet

	Assets	31 12 2013*	pro-forma impact of LTR classified as CDS	31 12 2013* pro-forma	31 03 2014	pro-forma impact of LTR classified as CDS	31 03 2014 pro-forma
10	Cash and cash equivalents	877,276	-	877,276	822,982	-	822,982
20	Financial assets held for trading	19,238,566	-	19,238,566	20,404,231	128,000	20,532,231
40	Financial assets available for sale	23,680,249	(3,240,841)	20,439,408	23,095,777	(3,499,697)	19,596,080
60	Loans to banks	10,485,195	-	10,485,195	10,204,142	-	10,204,142
70	Loans to customers	130,597,727	-	130,597,727	132,677,167	-	132,677,167
80	Hedging derivatives	397,934	-	397,934	405,962	-	405,962
90	Change in value of macro-hedged financial assets (+/-)	159,889	-	159,889	161,989	-	161,989
100	Equity investments	970,378	-	970,378	959,866	-	959,866
120	Property, plant and equipment	2,883,820	-	2,883,820	2,856,718	-	2,856,718
130	Intangible assets	1,162,056	-	1,162,056	1,147,008	-	1,147,008
	of which: goodwill	669,692	-	*669,692*	*669,692*	-	*669,692*
140	Tax assets	5,515,357	(101,859)	5,413,498	5,421,175	(34,867)	5,386,308
150	Non-current assets and groups of assets held for sale and discontinued operations	80,108	-	80,108	116,264	-	116,264
160	Other assets	2,412,251	-	2,412,251	2,749,188	-	2,749,188
	Total Assets	**198,460,806**	**(3,342,700)**	**195,118,106**	**201,022,469**	**(3,406,564)**	**197,615,905**

**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.*

	Liabilities and Shareholders' Equity	31 12 2013*	pro-forma impact of LTR classified as CDS	31 12 2013* pro-forma	31 03 2014	pro-forma impact of LTR classified as CDS	31 03 2014 pro-forma
10	Deposits from banks	37,278,667	-	37,278,667	40,990,895	-	40,990,895
20	Deposits from customers	85,286,115	(3,366,636)	81,919,479	85,892,588	(3,363,645)	82,528,943
30	Debt securities issued	36,561,566	-	36,561,566	35,987,751	-	35,987,751
40	Financial liabilities held for trading	16,409,678	896,530	17,306,208	14,630,017	895,561	15,525,578
50	Financial liabilities designated at fair value	7,988,199	-	7,988,199	6,978,204	-	6,978,204
60	Hedging derivatives	3,421,635	(750,530)	2,671,105	3,576,861	(895,561)	2,681,300
80	Tax liabilities	185,521	(85,450)	100,071	174,694	(11,838)	162,856
90	Liabilities associated with non-current assets held for sale and discontinued operations	17,821	-	17,821	-	-	
100	Other liabilities	3,742,305	-	3,742,305	5,153,814	-	5,153,814
110	Provision for employee severance pay	261,390	-	261,390	273,120	-	273,120
120	Provisions for risks and charges:	1,127,312	-	1,127,312	1,079,555	-	1,079,555
140	Valuation reserves	(1,055,910)	411,116	(644,794)	(787,656)	333,815	(453,841)
160	Equity instruments carried at equity	3,002	-	3,002	3,002	-	3,002
170	Reserves	1,174,651	(1,301,231)	(126,580)	(274,403)	(450,358)	(724,761)
180	Share premium	-	-	-	-	-	-
190	Share capital	7,484,508	-	7,484,508	7,484,508	-	7,484,508
200	Treasury shares (-)	(24,532)	-	(24,532)	-	-	-
210	Non-controlling interests (+/-)	33,195	-	33,195	33,626	-	33,626
220	Profit (loss) (+/-)	(1,434,317)	853,501	(580,816)	(174,107)	85,462	(88,645)
	Total Liabilities and Shareholders' Equity	**198,460,806**	**(3,342,700)**	**195,118,106**	**201,022,469**	**(3,406,564)**	**197,615,905**

**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.*

Pro-forma income statement

	Items	31 03 2013*	pro-forma impact of LTR classified as CDS	31 03 2013* pro-forma	31 03 2014	pro-forma impact of LTR classified as CDS	31 03 2014 pro-forma
10	Interest income and similar revenues	1,552,700	(64,867)	1,487,833	1,399,970	(36,960)	1,363,010
20	Interest expense and similar charges	(963,263)	66,205	(897,058)	(961,302)	31,778	(929,524)
30	**Net interest income**	**589,437**	**1,338**	**590,775**	**438,668**	**(5,182)**	**433,486**
40	Fee and commission income	530,922	-	530,922	530,684	-	530,684
50	Fee and commission expense	(99,608)	-	(99,608)	(85,488)	-	(85,488)
60	**Net fee and commission income**	**431,314**	**-**	**431,314**	**445,196**	**-**	**445,196**
70	Dividends and similar income	6,999	-	6,999	2,213	-	2,213
80	Net profit (loss) from trading	55,602	58,795	114,397	41,617	131,978	173,595
90	Net profit (loss) from hedging	(4,031)	(621)	(4,652)	(4,590)	473	(4,117)
100	Gains/losses on disposal/repurchase	23,975	-	23,975	47,007	-	47,007
110	Net profit (loss) from financial assets and liabilities designated at fair value	33,303	-	33,303	(45,731)	-	(45,731)
120	**Net interest and other banking income**	**1,136,599**	**59,512**	**1,196,111**	**924,380**	**127,269**	**1,051,649**
130	Net impairment losses(reversals) on	(494,487)	-	(494,487)	(491,715)	-	(491,715)
140	**Net income from banking activities**	**642,112**	**59,512**	**701,624**	**432,665**	**127,269**	**559,934**
180	Administrative expenses:	(755,739)	-	(755,739)	(690,291)	-	(690,291)
190	Net provisions for risks and charges	(20,893)	-	(20,893)	(54,503)	-	(54,503)
200	Net adjustments to (recoveries on) property, plant and	(19,651)	-	(19,651)	(28,846)	-	(28,846)
210	Net adjustments to (recoveries on) intangible assets	(23,941)	-	(23,941)	(26,628)	-	(26,628)
220	Other operating expenses/income	95,510	-	95,510	78,574	-	78,574
230	**Operating expenses**	**(724,714)**	**-**	**(724,714)**	**(721,694)**	**-**	**(721,694)**
240	Gains (losses) on investments	27,886	-	27,886	67,659	-	67,659
260	Impairment on goodwill	-	-	-	-	-	-
270	Gains (losses) on disposal of investments	211	-	211	4,675	-	4,675
280	**Profit (loss) before tax from continuing operations**	**(54,505)**	**59,512**	**5,007**	**(216,695)**	**127,269**	**(89,426)**
290	Tax expense (recovery) on income from continuing	(33,281)	(19,550)	(52,831)	43,059	(41,807)	1,252
300	**Profit (loss) after tax from continuing operations**	**(87,786)**	**39,962**	**(47,824)**	**(173,636)**	**85,462**	**(88,174)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	(12,868)	-	(12,868)	-	-	-
320	**Profit (loss)**	**(100,654)**	**39,962**	**(60,692)**	**(173,636)**	**85,462**	**(88,174)**
330	Profit (loss) for the period attributable to non-controlling inter	521	-	521	471	-	471
340	**Parent company's net profit (loss)**	**(101,175)**	**39,962**	**(61,213)**	**(174,107)**	**85,462**	**(88,645)**

**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.*

Pro-forma consolidated statement of comprehensive income

	Items	31 03 2013*	pro-forma impact of LTR classified as CDS	31 03 2013* pro-forma	31 03 2014	pro-forma impact of LTR classified as CDS	31 03 2014 pro-forma
10	**Profit (loss)**	**(100,654)**	**39,962**	**(60,692)**	**(173,636)**	**85,462**	**(88,174)**
	Other comprehensive income after tax not recycled to profit and loss	**(4,070)**	**-**	**(4,070)**	**(7,758)**	**-**	**(7,758)**
40	Actuarial gains (losses) on defined benefit plans	(4,079)	-	(4,079)	(7,759)	-	(7,759)
60	Share of valuation reserves of equity-accounted investments	9	-	9	1	-	1
	Other comprehensive income after tax recycled to profit and loss	**(19,642)**	**(19,542)**	**(39,184)**	**276,034**	**(77,301)**	**198,733**
80	Exchange differences	1,476	-	1,476	36	-	36
90	Cash flow hedges	19,830	-	19,830	(23,127)	-	(23,127)
100	Financial assets available for sale	(34,413)	(19,542)	(53,955)	271,140	(77,301)	193,839
110	Non current assets held for sale	-	-	-	-	-	-
120	Share of valuation reserves of equity-accounted investments	(6,535)	-	(6,535)	27,985	-	27,985
130	**Total other comprehensive income after tax**	**(23,712)**	**(19,542)**	**(43,254)**	**268,276**	**(77,301)**	**190,975**
140	**Total comprehensive income (Item 10+130)**	**(124,366)**	**20,420**	**(103,946)**	**94,640**	**8,161**	**102,801**
150	Consolidated comprehensive income attributable to non-controlling interests	514	-	514	490	-	490
160	**Consolidated comprehensive income attributable to Parent Company**	**(124,880)**	**20,420**	**(104,460)**	**94,150**	**8,161**	**102,311**

**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.*