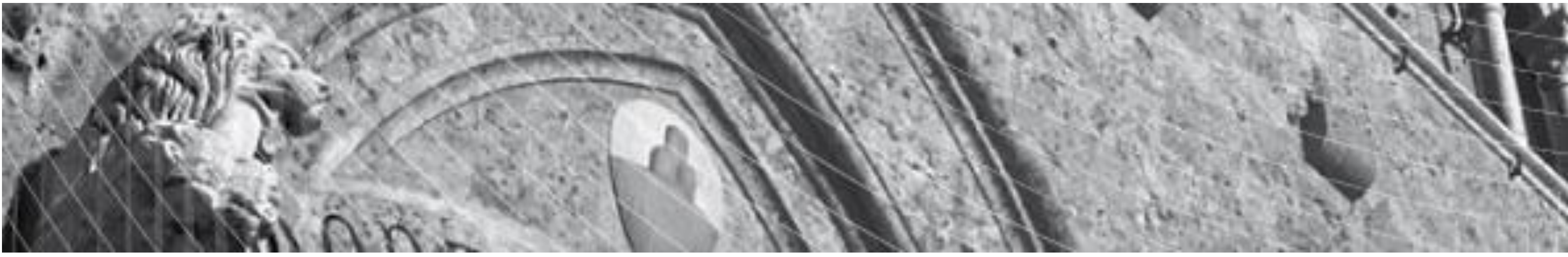
BANCA MONTE DEI PASCHI DI SIENA S.p.A.

2012 ANNUAL REPORT



Monte dei Paschi di Siena Group – Consolidated Annual Report 2012

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

NOTICE OF ORDINARY SHAREHOLDERS' MEETING

The shareholders of Banca Monte dei Paschi di Siena S.p.A. (hereinafter"**BMPS**" or "**the Company**" or "**the Bank**") are hereby convened to an Ordinary Shareholders' Meeting to be held on **29 April 2013** at **10.00** a.m. in Siena, Viale Mazzini 23, and on **30 April 2013**, at the same time and location on second call **if necessary**, to consider and pass resolutions on the following

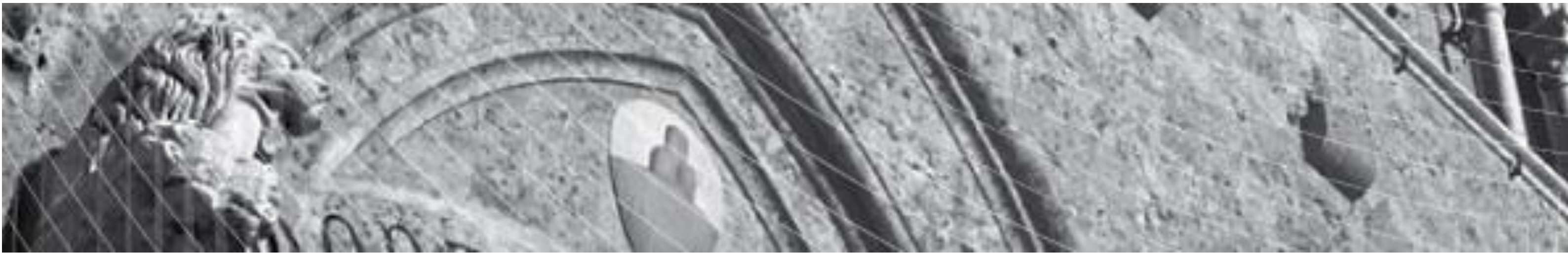
AGENDA

1. Approval of Shareholders' Meeting regulations;
2. Approval of separate and consolidated Financial Statements as at 31 December 2012; related and ensuing resolutions:
3. Appointment of a deputy chairman for the Board of Directors;
4. Initiation of liability actions; related and ensuing resolutions;
5. Remuneration Report, pursuant to art. 123-ter of the Consolidated Law on Finance.

The full version of the notice is available on the following website:

http://www.mps.it/NR/rdonlyres/75522216-28B3-4BC0-BD95-E9ABB08F1E7A/67132/AVVISODICONVOCAZIONEDELLASSEMBLEAORDINARIA.pdf

Siena, 28 March 2013



GOVERNING AND CONTROL BODIES

BOARD OF DIRECTORS

Alessandro Profumo	Chairman
Marco Turchi	*Deputy Chairman*
Fabrizio Viola	*Chief Executive Officer*
Alberto Giovanni Aleotti	Director
Michele Briamonte	Director
Turiddo Campaini	*Director (*)*
Pietro Giovanni Corsa	Director
Frédéric Marie de Courtois d'Arcollières	Director
Paola Demartini	Director
Angelo Dringoli	Director
Lorenzo Gorgoni	Director
Tania Groppi	Director

(*) until resignation from Deputy Chairman office on 20/12/2012

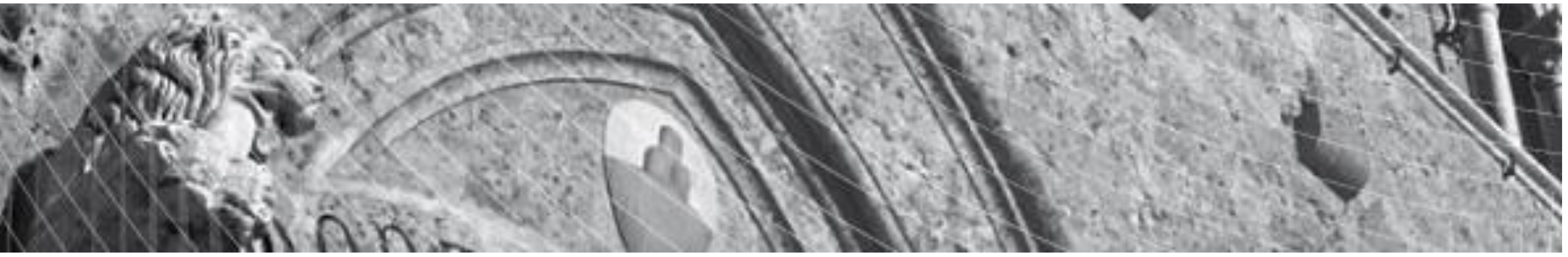
BOARDS OF STATUTORY AUDITORS

Paolo Salvadori	*Chairman*
Paola Serpi	*Standing Auditor*
Claudio Gasperini Signorini	Standing Auditor
Stefano Andreadis	*Alternate Auditor*
Gianni Tarozzi	*Alternate Auditor*

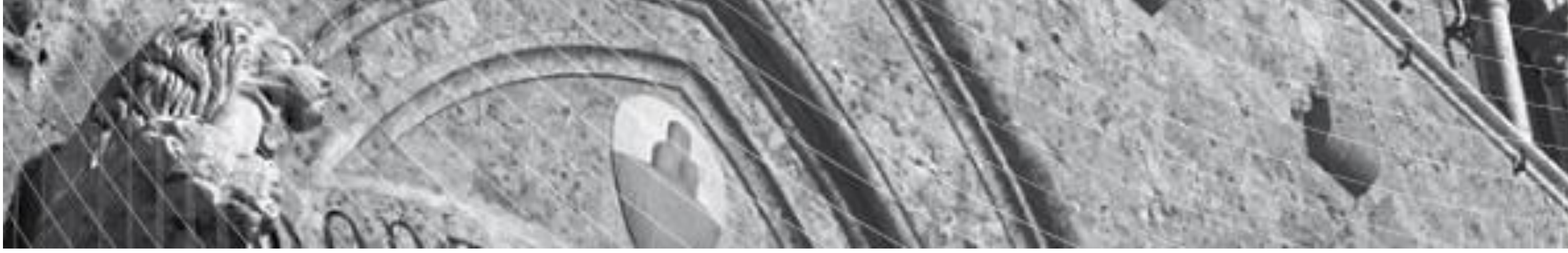
SENIOR MANAGEMENT

Fabrizio Viola	General Manager
Antonio Marino	Acting Deputy General Manager
Giuseppe Menzi	Deputy General Manager

INDEPENDENT AUDITORS	**RECONTA ERNST & YOUNG S.p.A.**



CONSOLIDATED ANNUAL REPORT



CONSOLIDATED REPORT ON OPERATIONS

Basis of preparation

The Report provides a snapshot of the activities and results which largely characterised the Montepaschi Group's operations in 2012, 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.

With regard to the results published in previous reports, it should be noted that 2011 data and data from the first three quarter of 2012 have been restated to take account of adjustments made by the Parent Company in compliance with IAS 8 (Accounting policies, changes in accounting statements and errors). For further details, *see* Chapter “Reclassifed Accounts”.

In addition, the Report contains non-financial information providing the details on resources, risk and customer relations that are significant to the Group's current and future performance. More detailed information is provided in other corporate reports available at www.mps.it, including the: Corporate Governance & Ownership Report, Remuneration Report, Pillar 3 Disclosure, Sustainability Report.

Auditing and errors detected

With regard to errors in the accounting representation of structured transactions and personnel costs, described in the chapter “Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting statements and errors)”, special auditing activities were conducted in order to obtain a correct method of evaluation and accounting.

With reference to structured transactions subject to correction, the auditing process performed led to the quantification of impacts relating to the errors identified and the adjustment of values for the transactions mentioned above. In the light of evidence that emerged, amounts were corrected and reallocated to in application of the accrual principle.

With regard to personnel costs subject to correction, the checks carried out revealed the presence of certain errors which were corrected and accounted forin application of the accrual principle.

Other "extraordinary" analyses were carried out by the Financial Reporting Departmernt, the Financial Reporting Officer, Internal Audit and by independent consultants with a view to improving and strengthening the process of governance and preparation of the financial statements.

Within the general framework of control activities:

- several checks were carried out in the sectors of Proprietary Finance, Human Resources, IT systems and costs with the aim of verifying the adequacy of the organisational structure, governance processes, operational procedures and controls;
- a process was initiated for the ISAE3402 attestation on the Group's information systems.

Of particular significance was the analysis initiated for the purpose of revising the control model and process under Law 262/2005 which, at the end of 2013, will allow the:

a) further expansion of both the scope of controls to be performed and their target functions;

b) strengthening of monitoring and control processes with respect to the accounting procedures with a more precise identification of key controls;

c) efficiency and integration of IT support for process mapping and control.

Major corporate actions

Events in 2012

April
- Entry into office of New Board of Directors.

May
- Appointment of Fabrizio Viola as Chief Executive Officer.
- Launch of new Parent Company's organisational setup .

June
- New 2012-2015 Business Plan launched.

July
- Termination of the shareholders' agreement with the company *Spoleto-Credito e Servizi* concerning the Bank's shareholding in Banca Popolare di Spoleto.

October
- Board accorded authority to increase share capital for a maximum amount of EUR 1 billion.
- Amendments to the Articles of Association. The amendments concerned provisions relating to shareholders' approval of corporate actions, definition of matters delegated to the Board of Directors and, among these, identification of matters that may be delegated to other corporate bodies.

November
- Reorganisation of the Sales & Distribution network
- Authorisation by the BoD for the issuance of New government-backed Financial Instruments qualifying as Core Tier 1 regulatory capital, for a total maximum amount of EUR 3.9 bn. The amount is inclusive, among other things, of EUR 500 mln to cover the potential capital impact from certain structured transactions carried out in previous years.

December
- Disposal of the 60.42% shareholding in *Cassa di Risparmio di Biella e Vercelli* (BiverBanca) to *Cassa di Risparmio di Asti*.
- Draft agreement on Business Plan reached with trade unions.
- The retrospective correction of errors in the accounting representation of derivative transactions, “Alexandria”, Santorini and “Nota Italia” and a number of mismatches in personnel expenses, resulted in the restatement of prior period accounts with a negative impact on capital.

Events after the reporting period

January

- BoD accorded authority by the Extraordinary shareholders' meeting to increase share capital for up to a maximum of EUR 4.5 bn, at the exclusive service of the bank's option to convert the new government-backed financial instruments.
- Draft deeds filed for merger of Banca Antonveneta and Mps Gestione Crediti Banca into the Parent Company.
- Rating agency, Dominion Bond Rating Service (DBRS), initiated coverage on BMPS. Their initial rating was *investment grade*, with long-term rating at 'BBB' with negative outlook and short-term rating at 'R-2(mid)' with stable outlook. This rating was affirmed on 8 Febraury 2013.
- Moody's placed Banca Monte dei Paschi's 'Ba2' long-term rating on review for possible downgrade.
- Standard&Poor's lowered long-term rating to BB from BB+, maintaining a negative outlook.

February

- Issuance of government-backed New Financial Instruments completed for a total of EUR 4,071 million.

March

- Completion of the process for the acceptance in full of all applications for admission to the Solidarity Fund, whereby 1,660 employees will leave employment earlier than scheduled.
- BoD initiatied liability actions and claims for damages in relation to certain structured transactions carried out in previous years.
- Fitch Ratings affirmed long and short-term ratings at BBB/F3 and revised its outlook from "stable" to "negative".

Results in brief

In 2012 **the economic situation progressively weakened**: consensus forecasts estimate an annual fall of over 2% for Italy's Gross Domestic Product. Against a backdrop of high uncertainty, tensions in financial markets eased somewhat in the latter part of the year, in close correlation with developments in the sovereign debt crisis. The **yield spread between the 10-year BTP and the corresponding German Bund**, fell from approx. 500 basis points to around 300 between July and December, to then reach 240 in January 2013 before climbing back up. Such developments were also impacted by the ECB's announcement over the summer that it would undertake Outright Monetary Transactions aimed at harmonising the monetary policy transmission in Europe, renewed support for Greece, agreement to establish a single supervisory mechanism. **An abrupt drop was seen in interest rates** (1M Euribor lost about 90 bps during the year and reached its low at around 11 bps) and the yield-to-maturity curve has flattened to a notable extent. Wholesale funding conditions for Italian banks continued to be very difficult for most of the year; consequently, the LTROs introduced by the ECB in the first quarter significantly contributed to maintaining adequate liquidity in the banking system. Moreover, the unfavourable economic cycle combined with persisting financial instability and a reduced confidence level of businesses and households led to an exceptional **deterioration in credit quality**: in October, the share of loans to businesses in temporary financial difficulty (substandard and restructured loans) was almost 8% of total loans in the banking industry.

Within this crisis scenario, in 2012 the **Group registered a decline in lending and funding volumes with customers** with direct funding- despite **substantial stability in retail and corporate funding -** being penalised by difficult conditions of access to wholesale bond markets; while **loans** were affected by a lower demand for credit and a particularly attentive loan selection process. **Non-performing loans**, on the other hand, **increased** considerably. Nevertheless, the Group operated with a view to improving its liquidity profile, by stabilising funding sources and considerably increasing the available level of **CounterBalancing Capacity (CBC)**. As to financial assets, the **securities portfolio** benefitted from the higher value of fair-valued assets as a result of the narrower Italian spread thereby improving the balance of valuation reserves.

These operating and contextual trends strongly conditioned the Group's P&L results in 2012. The abrupt drop in market interest rates led to a sharp **fall in net interest income**, which was also affected by significant elements of discontinuity with respect to the results of previous periods, while net fees and commissions were impacted by the cost of the Government guarantee required to gain access to ECB LTROs, as against a slight growth in retail and corporate components. These factors were only partially offset by the **increase in trading income**, dragging down the Group's overall revenues. At the same time, **the cost of credit rose sharply** , reflecting the increase in non-performing loans and adjustments to provisioning funds on a substantial number of positions made necessary at the end of the year in view of the protracted crisis and future prospects which are still uncertain. In response to these developments, the Group stepped up its execution of restructuring plans aimed at improving operational efficiency, achieving, from as early as 2012, a **considerable reduction in operating costs owing to the personnel plan implemented**, from which further benefits are expected in 2013. Such a large-scale crisis has further reduced the prospects for growth of some of the Group's business segments while notably increasing the rate of return required to pay back the venture capital or private equity invested, with **negative repercussions on the impairment testing on goodwill allocated to the various Cash Generating Units (CGUs)**.

In particular:

- **total funding volumes** for the Group came to approx. **EUR 250 bn**, down 9.3% from the end of 2011, as a result of both **direct funding**, which fell by 5.7% primarily due to volumes from institutional counterparties, and **indirect funding** (-13.1%), which was largely affected by fluctuations in volumes of assets under custody by Large Corporates with impact being almost insignificant. Total funding was down 3.2% on the previous quarter.
- Group **loans to customers** amounted to approx. **EUR 142 bn**, down 1.6% on December 2011 and 2.3% on September 2012, owing to the recessive economic cycle, which has led to a lower demand for loans from households and businesses, as well as to the Group's special attention for loan selection. With regard to the forms of lending, this context has led to a significant reduction in mortgage loans (-9% compared to 31/12/2011; -3.1% compared to 30/9/2012), which was partly penalised by a drop in the

buying and selling of real estate properties, and current accounts (-5.5% as compared to 31/12/2011; -2.8% from 30/9/2012);

- with respect to credit quality, **the coverage of non-performing loans** came to 41% as at the end of 2012, largely in line with levels at the end of 2011 despite an increase in the portion of loans having a higher "cure rate" and therefore less risky (past-due and "objective" substandard loans). Compared to 30/09/2012, loan coverage increased by 260 bps on the back of provisioning adjustments to a large cluster of doubtful (coverage +290 bps on 30/9/12), substandard (+160 bps) and restructured (+280 bps) loans, driven by the ongoing market distress.
- With regard to capital ratios, as at 31 December 2012 the **Tier I ratio stood at 9.6%** (10.3% at the end of 2011) and the **Total Capital Ratio at 13.8%** (14.9% at the end of 2011).
- In 2012, **Group income from banking and insurance** totalled approx. **EUR 4,995 mln**, down 6.2% on the end of 2011 (- EUR 332.2 mln) with **Q4 contributing approx. EUR 778 mln**, down from 3Q12 (- EUR 628.3 mln; -44.7%). **Net interest income** was affected by some elements of discontinuity occurring in the fourth quarter of 2012 (especially the posting of interest on Tremonti Bonds for the entire amount accrued in 2012; the elimination of the "urgent facility fee" and changes in the calculation of interest payable on overdrawn amounts; changes in criteria for the consolidation of Banca Popolare di Spoleto), net of which annual changes in the aggregate came to -11% (-5% QoQ) as a result of the reduction in market rates and of the negative impact on volumes primarily owing to the fall in interest-bearing assets. **Net fee and commission income** registered a downturn of 7.4% on the previous year (-7.3% QoQ), mainly accounted for by institutional funding charges (particularly commision on the Governement guarantee required to gain access to ECB LTROs).
- Not including the above-cited elements of discontinuity, **income from banking and insurance would show a less marked decline, at around -1.3% on 31/12/2011 and approx. -26% QoQ.**
- As for the **cost of credit**, within the Group's unchanged policy of rigorous provisioning, the ratio of loan loss provisions over total loans to customers for the period is expressive of a **provisioning ratio of 188 bps**, 98 bps higher than the one registered in 2011. In terms of operational efficiency, the **cost-to-income ratio stood at 66%** (vs. 64.2% as at the end of 2011).
- As at 31/12/2012, **operating expenses** were down 3.7% on the previous year, particularly for the component "personnel expenses" (-6.7% YoY). **Net provisions for risks and charges and other operating expenses (income)** stood at approx. - EUR 326 mln (approx. EUR -346 mln as at 31/12/2011).
- At the time of preparation of the 2012 Half Year Report, in view of the worsening macreoeconomic conditions which deteriorated significantly in the last few months together with banking sector forecasts for the period 2012-2015 and in consideration of the Group's 2012-2015 Business Plan approved on 26 June 2012, goodwill recognised in the Financial Statements was tested for impairment. The test revealed the need to recognise a total **impairment loss of consolidated goodwill for an amount of EUR 1,528 mln**, of which approx. EUR 1,436 mln allocated to the Retail Banking Cash Generating Unit (CGU) of BMPS and approx. EUR 92 mln to the Retail Banking CGU of BAV. In view of the Business Plan projects, it was also deemed appropriate to recognise an impairment loss on the full value of **Banca Antonveneta's trademark** for a net amount of EUR 15.2 mln. The following must also be added to impairment losses (reversals): **the writedown of the investment held in Asset Management Holding** (EUR 14.3 mln) **and of software-related intangibles** (for a net amount of approx. EUR 97 mln) mainly due to technological obsolescence, understood as the loss of value of a good as a result of inefficiency or inadequacy when compared to a more efficient and less expensive good that has been developed using new market technologies. Considering the net effects of PPA (around EUR 50 mln) and impairment losses discussed above (totalling EUR 1,654 mln, **the loss for 2012 amounts to approximately EUR 3,170 mln** (vs. a loss of -EUR 4,694.3 mln as at 31 December 2011).

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/12/12

■ INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP			
INCOME STATEMENT FIGURES (in EUR mln)	**31/12/12**	**31/12/11 (*)**	**% chg**
Income from banking activities	4,462.4	5,216.4	-14.5%
Income from financial and insurance activities	4,994.9	5,327.2	-6.2%
Net operating income	(1,195.1)	455.4	n.s.
Parent company's net profit (loss) for the period	(3,170.3)	(4,694.3)	-32.5%
BALANCE SHEET FIGURES AND INDICATORS (in EUR mln)	**31/12/12**	**31/12/11 (*)**	**% chg**
Direct funding	135,670	143,927	-5.7%
Indirect funding	114,176	131,458	-13.1%
of which: assets under management	*44,540*	*45,270*	-1.6%
of which: assets under custody	*69,636*	*86,188*	-19.2%
Loans to customer	142,015	144,332	-1.6%
Group net equity	6,452	9,964	-35.2%
KEY CREDIT QUALITY RATIOS (%)	**31/12/12**	**(*) 31/12/11**	**Abs. chg**
Net doubtful loans/Loans to Customers	5.14	4.41	**0.73**
Net substandard loans/Loans to Customers	4.20	**3.05**	**1.15**
PROFITABILITY RATIOS (%)	**31/12/12**	**(*) 31/12/11**	**Abs. chg**
Cost/Income ratio	66.0	64.2	**1.77**
Net loan loss provisions / End-of-period loans	1.9	0.90	**0.98**
CAPITAL RATIOS (%)	**31/12/12**	**(*) 31/12/11**	**Abs. chg**
Solvency ratio	13.8	14.9	**-1,1**
Tier 1 ratio	9.6	10.3	**-0,7**
INFORMATION ON BMPS STOCK	**31/12/2012**	**31/12/11**	
Number of ordinary shares outstanding	11,681,539,706	10,980,795,908	
Number of preference shares outstanding	**Fully converted into ordinary shares**	681,879,458	
Number of savings shares outstanding		18,864,340	
Price per ordinary share:	**from 31/12/11 to 31/12/12**	**from 31/12/10 to 31/12/11**	**% chg**
average	0.25	0.56	-55.4%
low	0.16	0.24	-33.3%
high	0.42	0.86	-51.2%
OPERATING STRUCTURE	**31/12/12**	**31/12/2011 (*)**	**Abs. chg**
Total head count - end of period	30,265	30,424	**(159)**
Number of branches in Italy	2,671	2,793	**(122)**
Financial advisory branches	138	143	**(5)**
Number of branches & representative offices abroad	39	41	**(2)**

(*) Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

Group description

Key activities

The Montepaschi Group (hereinafter identified as the "Group") is one of the leading Italian banking groups. Consumer banking, which has a strong retail vocation, constitutes the Group's core business.

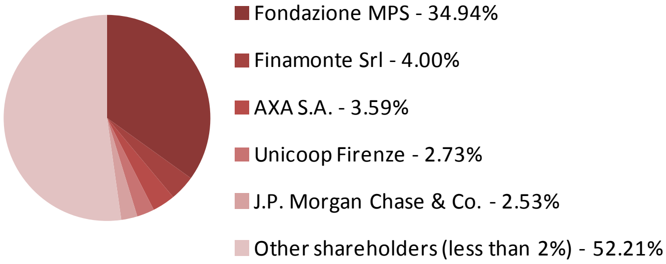
The Group is also active through specialised product companies in business areas such as leasing, factoring, consumer loans, corporate finance and investment banking. On the distribution side, the insurance-pension sector is covered by a strategic partnership with AXA, while asset management activities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

Areas of business	Assets	Main companies of the Group
Retail & Corporate banking	Lending, traditional banking services, the offer of banking and insurance products through the strategic partnership with AXA, financial advisory, wealth management and the offer of investment products through the associate AM Holding.	Banca Monte dei Paschi di Siena Banca Antonveneta MPS Fiduciaria
Leasing and Factoring	Offer of integrated leasing and factoring packages for businesses, artisans and professionals.	MPS Leasing & Factoring
Consumer lending	Special-purpose loans, personal loans, credit cards (option and revolving).	Consum.it
Corporate Finance	Medium-long term credit facilities, corporate finance, capital markets and structured finance.	MPS Capital Services
Investment banking and proprietary finance	Finance, trading, global markets.	Banca Monte dei Paschi di Siena MPS Capital Services
Foreign banking	Products and services supporting business trade and investments by Italian companies abroad.	Banca Monte dei Paschi di Siena MP Banque MP Belgio
Business support	Information systems and telecommunications, management of non-performing loans, value creation from owned property.	Operating Consortium MPS Gestioni Crediti Banca MPS Immobiliare
Other	Includes operations of centralised treasury and equity accounted companies.	

Ownership structure

The role of the Parent company is carried out by Banca Monte dei Paschi di Siena SpA (hereinafter identified as "Bank" or "Parent company") whose main headquarters are in Siena. Founded in 1472 as a public pawnbroking establishment (*Monte di Pietà*), the bank is listed on the Italian Stock Exchange and is a member of FTSE MIB40 (the main benchmark index of the Italian stock market) with market capitalisation of approximately EUR 2.6 bn as at the end of 2012.

Breakdown of Bmps share capital as at 31.12.2012

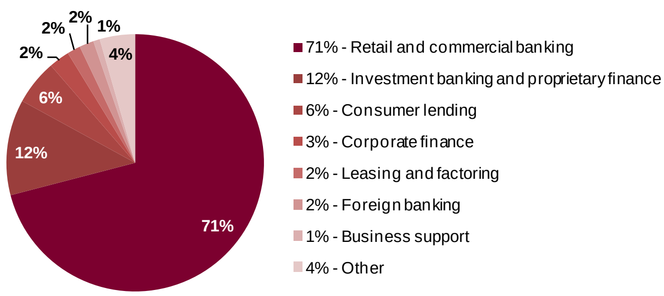


The major shareholders of the Bank hold a total of 47.79% in ordinary share capital.

Key figures as at 31/12/2012

- Employees: 30,265.
- Branches: 2,671 in Italy.
- Customers: approx. 6 million (mainly retail).
- Total assets: approx. 219 billion.
- Equity: approx. 6.45 billion.
- Revenues (financial and insurance income): approx. 5 billion.

Breakdown of 2012 Group revenues by area of business



The graph does not include cancellation of intragroup entries totalling -972.9 million euros.

Markets served and distribution systems

The Group mainly operates in Italy through a fixed network of 2,671 branches, 270 specialised centres and 138 financial advisory offices open to the public, and a full range of direct banking channels.

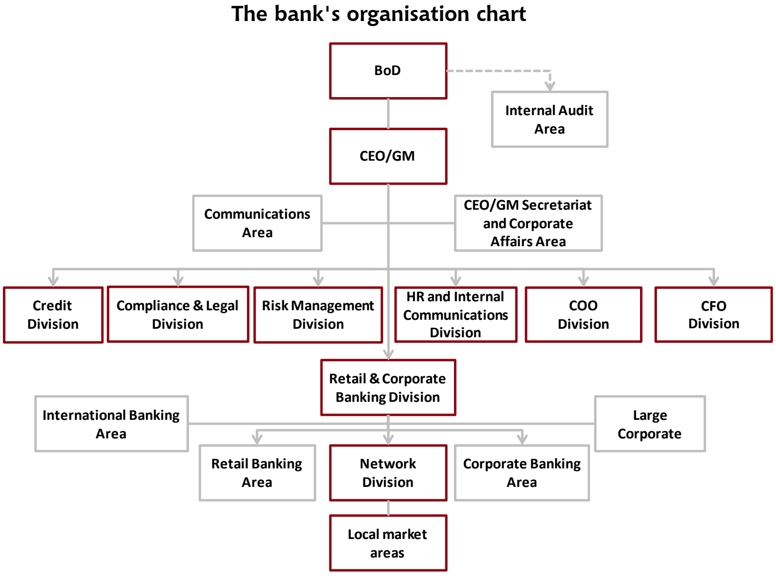
It has significant market shares in all areas of business activities and is the third largest Italian bank by main balance sheet aggregates.

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

Further information on the distribution systems is provided in the chapter "Customerbase".

Organisational structure

The bank's organisation chart



In the course of the year, the organisational set-up of the Parent Company was re-designed with the aim of simplifying the structure, achieving utmost effectiveness in the governance of the Group, ensuring continuous operational adequacy to market developments.

Main actions taken involved the following Functions:

Governance and control

- Setup of the Risk Management division, with centralisation of development and validation of risk measurement models, the definition of models for credit risk assumption and monitoring to reduce the "transmission belt" between credit assumption and credit management policies, concentrating all activities of corporate risk supervision into a single organisational function.
- Setup of the 'General Secretariat and Corporate Affairs' Area,.
- Setup of the Compliance & Legal Division.

- Merging finance responsibilities and activities into a single function reporting to the Chief Financial Officer, integrating the activities of Treasury and Capital Management so as to ensure more effective ALM for the Group as well as the optimal monitoring of liquidity.
- Transfer of the Internal Audit Area's reporting hierarchy from the Head Office Unit to the BoD in order to ensure greater independence of internal controls.

Business

- Establishment of the Retail & Corporate division, reporting directly to the CEO/GM, responsible for the overall management of the Group's business and distribution activities across all customer segments. The division is also entrusted with the coordination of both marketing and sales activities so as to maximise overall business efficiency.
- Centralisation of all responsibilities regarding credit management to the Credit Division in order to ensure the independence of operational credit management from the sales & distribution supply chain as well as the better management of credit quality, with a focus on developing the culture of credit within the network.

Business support

- Creation of the Human Resources and Internal Communications Division, reporting directly to the CEO/GM in order to ensure utmost focus on these strategic objectives.
- Introduction of the role of Chief Operating Officer (COO) so as to ensure optimal focus on the management of Group operations.

Resources and relations

In order to support the group's value and performance, it is not only important to guarantee the adequate availability of financial resources (capital, liquidity, cashflow, etc.) but also to be able to rely on high-level non-financial resources, such as: operating efficiency, human capital, the customerbase, reputation and social responsibility.

The management and development of these resources over the year are examined in the chapter "Non-financial asset management".

As part of Group value and performance, it is also important to develop effective relationships with stakeholders and succeed in combining the goal of meeting their different expectations with the delivery of business objectives. To this effect, the relationships particularly focused on by the Group in 2012 were those with:

- the Italian Government and the Supervisory Authorities, especially in the area of capital strategy.
- Human resources, for the continuous involvement of employees in corporate developments.
- Trade Unions, through second-level bargaining processes and agreements regarding the Business Plan in place.
- Customers, to assist them in properly assessing the security requirements in their relationship with the Bank.
- the media, to make sure that the public has an accurate perception of corporate matters .

Main stakeholder expectations and the Group's commitment to them

CUSTOMERS
- Retail customers
- Corporate customers
- Institutional customers
- Consumer associations
- Business associations

Expectations
- Relationship quality
- Product suitability
- Financial education and assistance

Group commitment
- Relationships of trust
- Quality and innovation
- Full support to customer needs
- Transparency and fairness

SHAREHOLDERS
- Shareholders
- Institutional investors
- Analysts

Expectations
- Return on capital
- Information on corporate performance

Group commitment
- Create sustainable value
- Adequacy of corporate communications

EMPLOYEES
- Human resources
- Trade unions

Expectations
- Growth opportunities
- Equal opportunities
- Working environment
- Work-family balance

Group commitment
- Professional training and development
- Engagement and work quality
- Focus on employee needs

BUSINESS PARTNERS
- Vendors
- Business partners

Expectations
- Relationship sustainability

Group commitment
- Selection transparency
- Relationship sustainability

INSTITUTIONS
- State
- Supervisory authority
- Trade associations

Expectations
- Compliance with regulations
- Support economy
- Industry agreements

Group commitment
- Compliance
- Collaboration

COMMUNITY
- Non-profit organisations
- Local institutions
- Community
- Media

Expectations
- Support local growth
- Participate in social initiatives
- Finance environmental projects
- Information on company activities

Group commitment
- Financial inclusion
- Local investments
- Solidarity
- Environmental protection
- Prompt and transparent information

Operating framework

Global economic growth is being penalised by the sovereign debt crisis and related tensions in financial markets. The new estimates released by the International Monetary Fund (IMF) point to a global recovery in 2013, albeit a very gradual and unsettled one. Political response managed to prevent an even greater crisis but dampened prospects for recovery in the short term.

In Italy, the economic downturn (GDP down by 2.1% in 2012 and by a further 1% in 2013 according to IMF and Bank of Italy estimates) is adversely affecting the banking industry.

In particular, lending continues to be weak in both demand and supply and the quality of portfolios is worsening significantly. The limited savings capacity of households restricts funding while tensions in foreign funding were eased by interventions from the European Central Bank (ECB) regarding cost of money and by the lower spreads registered in the last quarter of the year. Interest rates were affected by these trends: interest rates on loans fell whereas those on direct deposits increased. The narrower spread (1.7% compared to 2.23% at the end of 2011) combined with the increase in provisions and lending losses had a negative impact on the bank's income statement.

New capital and liquidity requirements set by Basel 3 and the European Banking Authority (EBA) are pushing banks to strengthen their capital which, given the limited growth prospects, is primarily achieved through a strong reduction in operating costs and a review of the business model.

Strategy, objectives, results and outlook

The Group's strategy, outlined in the 2012-2015 Business Plan and approved by the BoD on 26 June 2012, focuses upon strengthening capital, rigorously safeguarding asset quality, achieving structurally balanced liquidity and returning to sustainable profitability.

Business Plan mission

- Tradition and innovation come together in Italy's oldest bank.
- The bank for families and small and medium enterprises.
- Listening must be a real differentiating and enabling factor.
- Not just Credit but also Insurance.
- The Bank as a real or virtual intermediary of supply and demand for solutions and services.
- Information is the Bank's new “factor of production”.

Objectives by 2015

Share capital

- Increase quality and quantity of capital. Common Equity Tier1 at 8%.

Liquidity

- Achieve a structurally balanced liquidity position. Retail/Corporate Loan to Deposit ratio at 110% and phase out of ECB funding.

Profitability

- Accelerate revenue diversification: Net fee and commission income at 47% of the revenue basis
- Become the leading bank in bancassurance services: exceed the 24% threshold for account holders with Life and P&C insurance products
- Reduce the cost of credit: provisioning rate at 77 bps
- Align levels of operational efficiency with best pracitces: reduce operating expenses by 16% (reaching a threshold of EUR 2.9bn)

Implementation

With regard to the implementation of the Business Plan, a strong focus was given to the 100-day Plan in the second half of 2012 in order to revive sales & distribution activities and optimise costs. Furthermore, the planned capital strengthening process and alignment with EBA requirements were put underway and, in the fourth quarter, the Executive Plan actions were launched, focusing in particular on:

- rationalisation of distribution network - closure of the first 98 branches out of the 400 estimated in the Plan; reduction of regional head offices; disposal of Biverbanca and initiation of the Banca Antonveneta merger;
- sales & distribution actions - launch of the plan to strengthen the sales force; increased effectiveness of marketing campaigns; introduction of new products in the bancassurance segment; rationalisation of payment cards offered and definition of partnership with CartaSi for the operational management of a new issuing/acquiring platform for credit cards; new internet banking platform;
- human capital - agreement reached with the majority of trade unions regarding the Business Plan; identification of over 1,600 resources who will leave employment, some earlier than scheduled due to the introduction of a

Solidarity Fund which will assist resources until they reach eligibility for full pension benefits; termination of the employment relationship with 106 senior managers; introduction of the 4-6 day work suspension per year for the next three years; launch of the new talent and performance management model; a new merit-based award system (Work By Objectives - WBO);

- operational efficiency through a variety of initiatives, the most significant of which concerned activities of space management, value creation from real estate, optimisation of supply costs and increased digitalisation of information as part of the "paperless" goal.

Prospects and outlook on operations

The macro-economic environment in which the Group operates continues to be particularly challenging and strong elements of uncertainty regarding possible future prospects remain:

- the domestic economy, weighted down by the drop in domestic demand and anti-cyclical effects from public finance stabilisation reforms, is in recession.
- trends in sovereign debt spreads continue to be marked by high volatility impacted further by the uncertain domestic and European political climate.

Through the implementation of the new Business Plan, the Group expects to create a solid basis for long-term growth leveraging on a strategy which will be developed along the following lines: capital strengthening, structural rebalancing of liquidity and the return to sustainable profitability.

In particular, the increase in capital was pursued through a series of actions which were in line with recommendations by the EBA and the national Supervisory Authorities following the EU capital exercise, so as to ensure an adequate level of Group capitalisation to cover even the lower ratings of exposures in securities issued by sovereign governments.

Against this backdrop, recourse was made to “State Aid”, i.e. financial instruments subscribed by the Ministry of Economy and Finance and included in Core Tier 1 capital, the amount of which was determined by also considering the requirements connected with the negative impact on capital following the assessment of a number of errors in the accounting representation of certain transactions and personnel expenses. On 28 February 2013, the issuance of the “New Financial Instruments” was completed, details of which can be found in the Notes to the Financial Statements. A part of the Instruments are intended for the full replacement of “Tremonti Bonds” already issued by the bank in 2009 and the related interest accrued in the course of 2012. The disbursement of State Aid provides for approval by the European Commission of a Restructuring Plan whose process has already been initiated.

Given the above assumptions and in view of the outlook for the Group subsequent to implementation of the Business Plan as well 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 as a going concern.

Key economic-financial indicators

Reclassified accounts

P&L and balance sheet reclassification principles

The following accounting statements illustrate balance-sheet and profit-and-loss accounts reclassified on the basis of operating criteria. In particular, with regard to the income statement of the two periods under comparison, in addition to the usual aggregations and reclassifications of accounts, for the purpose of providing a clearer overview of Group performance, 2011 and 2012 quarterly results were restated to take account of the:

- Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting statements and errors), with retrospective correction of accounting errors in the financial statements (for further details, please see the Notes to the Financial Statements):
  - in relation to transactions “Alexandria”, “Santorini” and “Nota Italia” which impacted the following reclassified items: Net interest income; Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities.
  - as a result of audits conducted on accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel which had an impact on the following reclassifed items: Personnel expenses; Net provisions for risks and charges and other operating income (expense).
- Allocation of Biverbanca's contribution to the Profit (loss) from groups of assets held for sale and discontinued operations as of 30/06/2012; accordingly, periods prior to this date were restated. The Company was sold to *Cassa di Risparmio di Asti* on 28/12/2012.

In addition, it is noted that, by reason of the dissolution of Banca Popolare di Spoleto's corporate bodies as provided for by the Ministry of Economy and Finance with the decree issued on 8 February 2013 (*see* Notes to the Financial Statements), joint control over the company ceased to exist and it was therefore consolidated at equity as at 31/12/2012 and no longer using the proportional method. Considering that this element of discontinuity does not cause any significant misinterpretations of the Group's accounts, prior periods were not restated; the effect was indicated in the commentary, when necessary.

Following are the reclassifications made to the consolidated profit and loss account as at 31 December 2012 (for further details, please see section “Annexes: Montepaschi Group – reconciliation of reclassified accounts and accounting tables"):

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 portfolio (approx. EUR 59.4 mln). Furthermore, losses arising from disposal of loans (approx. EUR 17.9 mln) were eliminated from the aggregate and classified under item **"Net impairment losses (reversals) on loans"**.

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 71.7 mln, corresponding to the share of profit and loss for the period contributed by investments in associates -AXA and Intermonte Sim- consolidated at equity). Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate;

c) **“Net impairment losses (reversals) on loans”** in the reclassified income statement was determined by including losses on disposal of Consum.it loans accounted for under Item 100a "Gains (losses) on disposal/repurchase of loans" (EUR 17.9 mln) and excluding provisions taken in connection with securities classified in the loan book (approx. EUR 9.1 mln) which were allocated to “Net impairment losses (reversals) on financial assets”. Furthermore, the aggregate excludes charges relating to financial plans (EUR 3.8 mln), which are more properly classified under “Net provisions for risks and charges and other operating income (expenses)”.

d) "**Net impairment losses (reversals) on financial assets**" includes item 130b "Financial assets available for sale", 130c "Financial assets held to maturity" and 130d "Other financial transactions" as well as the loss provision taken in connection with securities classified in the loan book referred to under the item above.

e) The income statement item "**Personnel expenses"** was reduced by approx. EUR 300 mln in restructuring charges referring to costs associated with the facilitated terms and conditions of early-retirement schemes for staff following the Union agreement of 19 December 2012. The amount was reclassified under "Restructuring costs/One-off charges".

f) **"Other administrative expenses"** in the reclassified income statement was deducted of the portion of stamp duty and client expense recovery (approx. EUR 269.7 million) posted under item 220 "Other operating expenses (income)".

g) 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 220 "Other operating expenses (income)", includes value adjustments to financial plans described under item c) and stamp duty and client expense recovery as described under item f) above. The reclassified item was cleared of the amount of restructuring charges provisioned against closure of around 400 branches as per Business Plan (approx. EUR 11 mln), which was posted to "Restructuring costs/One-off charges".

h) "**Restructuring costs/ One-off charges**" in the reclassified income statement includes: "One-off charges" for an amount of approximately EUR 300 mln associated with the facilitated terms and conditions of early-retirement schemes for staff following the Union agreement, which were reclassified out of Personnel expenses (see item e), as well as provisions taken against closure of around 400 branches as per Business Plan (see item g).

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

j) The effects of Purchase Price Allocation (PPA) were reclassified out of other items (in particular "**Interest income"** for approx. EUR 45 mln and **Depreciation/amortisation** for approx. EUR 29.6 mln, net of a theoretical tax burden of approx. - EUR 24.3 mln which integrates the item).

k) "**Impairment on Goodwill, intangibles and writedown of investment in Asset Management (AM) Holding**" in the reclassified income statement incorporates: groupwide impairment on goodwill (item 260 "Impairment on Goodwill" for an amount of EUR 1,528 mln), impairment of intangibles connected with the Banca Antonveneta trademark (approx. EUR 22.5 mln, gross, included in item 210 "Net adjustments to intangible assets"; net value: EUR 15.2 mln), software-related intangibles (approx. EUR 145 mln gross, included in "Net value adjustments to intangible assets"; net value: EUR 97 mln), and write-down on investment in AM Holding (roughly EUR 14 mln under item 240 "Gains/losses on investments"). The fiscal effect of the reduction in the appraisal value of intangibles connected with the Banca Antonveneta trademark (EUR 7.4 mln) and software-related intangibles (EUR 47.8 mln), amounting to EUR 55.2 mln in total, was reclassified into "Tax expense (recovery) on income from continuing operations".

With regard to the reclassified **Balance sheet**, data for periods prior to 31 December 2012 take account of the effects from retrospective restatement of errors in the Parent Company's accounting representation of derivative transactions "Alexandria", "Santorini" and "Nota Italia", as well as errors revealed by audits conducted by the Parent Company on accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel. This had an impact on the following reclassifed items: Loans to customers /Deposits from customers, Other Assets/Liabilities, Deposits from banks, Financial liabilities held for trading.

Balance sheet items referring to Biverbanca for periods prior to 30 June 2012, were not restated in the balance sheet accounting tables below. Conversely, in order to obtain a like-for-like comparison, the data and comments reported in the tables of the Section "Analysis of P&L and balance sheet figures" have been restated to take account of the impact from the disposal of Biverbanca.

As at 31/12/12, by reason of loss of joint control as described above, Banca Popolare di Spoleto was consolidated at equity, while it was previously consolidated under the proportional method. Considering that this element of discontinuity does not cause any significant misinterpretations of the Group's accounts, prior periods were not restated; the effect was indicated in the commentary.

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

l) **“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".

m) **“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 and groups of assets held for sale and discontinued operations" and item 160 "Other assets";

n) **“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";

o) **“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 associated with non-current assets held for sale and discontinued operations” and item 100 “Other liabilities”.

The accounting statements and the comparative statements of the reclassified consolidated income statement and balance-sheet are enclosed with the “Annexes” section.

Reclassified income statement (in EUR mln)

MPS GROUP	31/12/12	31/12/11 (*)	Change Ins.	Change %
Net interest income	2.829,6	3.453,9	(624,3)	-18,1%
Net fee and commission income	1.632,8	1.762,5	(129,7)	-7,4%
Income from banking activities	**4.462,4**	**5.216,4**	**(754,0)**	**-14,5%**
Dividends, similar income and gains (losses) on investments	75,1	70,8	4,3	6,1%
Net profit (loss) from trading	454,3	72,1	382,2	n.s.
Net profit (loss) from hedging	3,1	(32,2)	35,2	n.s.
Income from financial and insurance activities	**4.994,9**	**5.327,2**	**(332,2)**	**-6,2%**
Net impairment losses (reversals) on:	**(2.894,2)**	**(1.450,8)**	**(1.443,4)**	**99,5%**
a) loans	(2.671,6)	(1.297,5)	(1.374,1)	n.s.
b) financial assets	(222,6)	(153,4)	(69,2)	45,1%
Net income from financial and insurance activities	**2.100,7**	**3.876,4**	**(1.775,6)**	**-45,8%**
Administrative expenses:	(3.097,0)	(3.228,0)	130,9	-4,1%
a) personnel expenses	(1.989,4)	(2.131,9)	142,5	-6,7%
b) other administrative expenses	(1.107,7)	(1.096,1)	(11,6)	1,1%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(198,8)	(193,0)	(5,8)	3,0%
Operating expenses	**(3.295,8)**	**(3.420,9)**	**125,1**	**-3,7%**
Net operating income	**(1.195,1)**	**455,4**	**(1.650,5)**	**n.s.**
Net provisions for risks and charges and other operating expenses/income	(326,2)	(346,1)	19,9	-5,8%
Gains (losses) on investments	(58,1)	(24,3)	(33,9)	n.s.
Riorganization charges / One-off charges	(311,0)	(25,8)	(285,2)	n.s.
Gains (losses) on disposal of investments	7,3	34,6	(27,4)	-79,0%
Profit (loss) before tax from continuing operations	**(1.883,1)**	**93,9**	**(1.977,0)**	**n.s.**
Tax expense (recovery) on income from continuing operations	385,0	(223,2)	608,2	n.s.
Profit (loss) after tax from continuing operations	**(1.498,1)**	**(129,4)**	**(1.368,8)**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	10,8	(211,9)	222,7	n.s.
Net profit (loss) for the period including non-controlling interests	**(1.487,3)**	**(341,3)**	**(1.146,1)**	**n.s.**
Net profit (loss) attributable to non-controlling interests	21,6	3,5	18,1	n.s.
Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown of investment in AM Holding	**(1.465,7)**	**(337,8)**	**(1.127,9)**	**n.s.**
PPA (Purchase Price Allocation)	(50,2)	(82,6)	32,4	-39,2%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	(1.654,4)	(4.273,9)	2.619,6	n.s.
Parent company's net profit (loss) for the period	**(3.170,3)**	**(4.694,3)**	**1.524,0**	**-32,5%**

(*) Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

Quarterly trend in reclassified income statement (in EUR mln)

MPS GROUP	2012 4th quarter	2012 3rd quarter (**)	2012 2nd quarter (**)	2012 1st quarter (*)	2011 (*) 4th quarter	2011 (*) 3rd quarter	2011 (*) 2nd quarter	2011 (*) 1st quarter
Net interest income	434,5	724,4	788,1	882,6	918,3	861,4	808,9	865,4
Net fee and commission income	382,9	413,1	412,6	424,3	400,3	450,0	448,8	463,3
Income from banking activities	**817,4**	**1.137,4**	**1.200,7**	**1.306,9**	**1.318,6**	**1.311,4**	**1.257,7**	**1.328,6**
Dividends, similar income and gains (losses) on investments	18,5	17,5	28,5	10,6	9,4	15,4	18,7	27,4
Net profit (loss) from trading	(59,2)	255,1	76,5	182,0	(59,8)	(109,8)	101,4	140,3
Net profit (loss) from hedging	1,6	(3,6)	1,9	3,2	(30,9)	(0,9)	(1,1)	0,8
Income from financial and insurance activities	**778,3**	**1.406,5**	**1.307,5**	**1.502,7**	**1.237,3**	**1.216,1**	**1.376,8**	**1.497,1**
Net impairment losses (reversals) on:	**(1.464,8)**	**(474,8)**	**(518,8)**	**(435,8)**	**(521,4)**	**(340,7)**	**(311,8)**	**(276,9)**
a) loans	(1.371,6)	(461,0)	(408,7)	(430,3)	(464,3)	(268,9)	(291,7)	(272,5)
b) financial assets	(93,2)	(13,8)	(110,1)	(5,5)	(57,1)	(71,8)	(20,1)	(4,4)
Net income from financial and insurance activities	**(686,5)**	**931,7**	**788,7**	**1.066,8**	**715,9**	**875,4**	**1.065,0**	**1.220,2**
Administrative expenses:	(773,6)	(773,3)	(781,5)	(768,7)	(871,7)	(786,3)	(777,4)	(792,6)
a) personnel expenses	(471,3)	(486,5)	(526,4)	(505,2)	(583,3)	(520,1)	(502,0)	(526,4)
b) other administrative expenses	(302,3)	(286,8)	(255,0)	(263,5)	(288,4)	(266,2)	(275,3)	(266,2)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(59,2)	(48,5)	(45,7)	(45,4)	(73,3)	(40,2)	(38,6)	(40,9)
Operating expenses	**(832,7)**	**(821,8)**	**(827,1)**	**(814,1)**	**(945,0)**	**(826,5)**	**(815,9)**	**(833,5)**
Net operating income	**(1.519,2)**	**109,9**	**(38,4)**	**252,7**	**(229,1)**	**48,8**	**249,1**	**386,7**
Net provisions for risks and charges and other operating expenses/income	(184,7)	(47,1)	(66,1)	(28,3)	(172,8)	(65,6)	(70,1)	(37,7)
Gains (losses) on investments	(57,8)	1,5	(5,8)	4,0	(9,5)	(7,8)	(7,1)	0,1
Riorganization charges / One off charges	(278,2)	(11,7)	(20,0)	(1,1)	(10,1)	(15,7)	-	-
Gains (losses) on disposal of investments	0,1	6,4	0,6	0,3	0,3	33,9	0,3	0,1
Profit (loss) before tax from continuing operations	**(2.039,9)**	**59,0**	**(129,7)**	**227,5**	**(421,1)**	**(6,4)**	**172,2**	**349,2**
Tax expense (recovery) on income from continuing operations	516,7	(76,6)	71,9	(127,0)	(11,4)	(22,2)	(38,0)	(151,5)
Profit (loss) after tax from continuing operations	**(1.523,2)**	**(17,5)**	**(57,9)**	**100,5**	**(432,6)**	**(28,6)**	**134,2**	**197,7**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	(3,0)	3,2	6,6	4,0	(235,5)	6,0	11,0	6,7
Net profit (loss) for the period including non-controlling interests	**(1.526,3)**	**(14,4)**	**(51,2)**	**104,6**	**(668,1)**	**(22,7)**	**145,2**	**204,3**
Net profit (loss) attributable to non-controlling interests	27,0	(1,1)	(2,7)	(1,7)	7,2	(1,0)	(0,8)	(1,9)
Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown of investment in AM Holding	**(1.499,2)**	**(15,4)**	**(53,9)**	**102,8**	**(660,9)**	**(23,7)**	**144,4**	**202,4**
PPA (Purchase Price Allocation)	(11,7)	(10,9)	(13,3)	(14,4)	(14,2)	(18,8)	(26,5)	(23,2)
Impairment on goodwill, intangibles and writedown of investment in AM Holding	(80,0)	-	(1.574,3)	-	(4.273,9)	-	-	-
Parent company's net profit (loss) for the period	**(1.591,0)**	**(26,3)**	**(1.641,5)**	**88,5**	**(4.949,1)**	**(42,4)**	**118,0**	**179,2**

(*) Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

Reclassified balance sheet (in EUR mln)

ASSETS	31/12/12	31/12/11 (*)	Chg. YoY abs.	Chg. YoY %
Cash and cash equivalents	2.433	878	1.555	n.s.
Receivables :				
a) Loans to customers	142.015	146.609	(4.594)	-3,1%
b) Loans to banks	11.225	20.695	(9.470)	-45,8%
Financial assets held for trading	49.163	55.482	(6.319)	-11,4%
Financial assets held to maturity	-	0,002	(0,002)	-100,0%
Equity investments	1.040	895	145	16,3%
Property, plant and equipment / Intangible assets	2.526	4.365	(1.839)	-42,1%
of which:				
a) goodwill	*670*	*2.216*	*(1.547)*	-69,8%
Other assets	10.480	11.869	(1.389)	-11,7%
Total assets	**218.882**	**240.794**	**(21.912)**	**-9,1%**

LIABILITIES	31/12/12	31/12/11 (*)	Chg. YoY abs.	Chg. YoY %
Payables				
a) Deposits from customers and securities issued	135.670	146.608	(10.938)	-7,5%
b) Deposits from banks	43.323	47.121	(3.798)	-8,1%
Financial liabilities held for trading	21.517	26.515	(4.998)	-18,8%
			-	
Provisions for specific use			-	
a) Provisions for staff severance indemnities	242	266	(24)	-9,1%
b) Pensions and other post retirement benefit obligations	40	193	(153)	-79,4%
c) Other provisions	1.401	1.016	385	37,9%
Other liabilities	10.236	8.895	1.341	15,1%
Group net equity	6.452	9.964	(3.512)	-35,2%
a) Valuation reserves	(2.224)	(3.842)	1.618	-42,1%
c) Equity instruments carried at equity	3	1.903	(1.900)	-99,8%
d) Reserves	4.128	5.774	(1.645)	-28,5%
e) Share premium	255	4.118	(3.863)	-93,8%
f) Share capital	7.485	6.732	752	11,2%
g) Treasury shares (-)	(25)	(26)	2	-7,3%
h) Net profit (loss) for the year	(3.170)	(4.694)	1.524	-32,5%
			-	
Non-controlling interests	3	217	(214)	-98,7%
Total Liabilities and Shareholders' Equity	**218.882**	**240.794**	**(21.912)**	**-9,1%**

(*) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

Reclassified balance sheet - Quarterly Trend (in EUR mln)

ASSETS	31/12/12	30/09/12 (*)	30/06/12 (*)	31/03/12 (*)	31/12/11 (*)	30/09/11 (*)	30/06/11 (*)	31/03/11 (*)
Cash and cash equivalents	2.433	750	678	676	878	760	979	850
Receivables :								
a) Loans to customers	142.015	145.329	144.462	146.628	146.609	155.062	156.396	153.634
b) Loans to banks	11.225	12.371	17.130	14.877	20.695	16.294	10.793	10.420
Financial assets held for trading	49.163	47.704	51.565	52.341	55.482	59.464	54.295	45.307
Financial assets held to maturity	-	0	0	0	0	0	0	0
Equity investments	1.040	972	931	940	895	873	916	926
Property, plant and equipment / Intangible assets	2.526	2.662	2.685	4.369	4.365	8.949	8.936	8.943
of which:								
a) goodwill	*670*	*670*	*670*	*2.216*	*2.216*	*6.474*	*6.474*	*6.474*
Other assets	10.480	14.312	14.713	10.892	11.869	10.465	9.256	9.420
Total assets	**218.882**	**224.098**	**232.164**	**230.723**	**240.794**	**251.868**	**241.570**	**229.500**

LIABILITIES	31/12/12	30/09/12 (*)	30/06/12 (*)	31/03/12 (*)	31/12/11 (*)	30/09/11 (*)	30/06/11 (*)	31/03/11 (*)
Payables								
a) Deposits from customers and securities issued	135.670	135.570	132.673	137.604	146.608	160.524	165.902	159.622
b) Deposits from banks	43.323	41.327	46.995	45.173	47.121	32.886	28.557	22.703
Financial liabilities held for trading	21.517	24.301	30.161	26.399	26.515	31.081	25.578	20.570
Provisions for specific use								
a) Provisions for staff severance indemnities	242	247	248	265	266	268	287	288
b) Pensions and other post retirement benefit obligations	40	39	40	193	193	196	199	202
c) Other provisions	1.401	961	939	1.000	1.016	902	858	848
Other liabilities	10.236	12.077	11.993	8.345	8.895	10.134	8.701	8.249
Group net equity	6.452	9.347	8.893	11.510	9.964	15.686	16.223	16.745
a) Valuation reserves	(2.224)	(2.822)	(3.304)	(2.387)	(3.842)	(2.797)	(181)	65
c) Equity instruments carried at equity	3	1.903	1.903	1.903	1.903	1.983	1.983	1.949
d) Reserves	4.128	4.131	4.131	1.080	5.774	5.754	5.755	6.083
e) Share premium	255	255	255	3.366	4.118	3.917	3.988	3.989
f) Share capital	7.485	7.485	7.485	7.485	6.732	6.654	4.502	4.502
g) Treasury shares (-)	(25)	(25)	(25)	(25)	(26)	(30)	(21)	(28)
h) Net profit (loss) for the year	(3.170)	(1.579)	(1.553)	88	(4.694)	255	297	179
Non-controlling interests	3	230	223	234	217	240	265	273
Total Liabilities and Shareholders' Equity	**218.882**	**224.098**	**232.164**	**230.723**	**240.794**	**251.868**	**241.570**	**229.500**

(*) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

Balance Sheet

Direct funding

As at 31/12/2012, **total funding volumes** for the Group came to approx. **EUR 250 bn**, down 9.3% from the end of 2011, as a result of both **direct funding**, which fell by 5.7% primarily due to volumes from institutional counterparties, and **indirect funding** (-13.1%), which was largely affected by fluctuations in volumes of assets under custody by Large Corporates with impact, however, being almost insignificant. Total funding was down 3.2% on 30/09/2012.

Background
The economic recession weakens the savings capacity of households. Investments are conservative and focused upon products that give better protection against market volatility.
Banking customers prefer deposits to current accounts.
The average return on bank funding registered an increase of 8 bps for the year.
Direct bank funding closed the year at -1.7%; the Group's market share stood at 6.24%.
Mutual funds are bouncing back with a rise of over 15% in total assets under management; the market share for products distributed by the Group reached 4.2%.
The system's deficit in funding from individual asset management in the retail portfolio came to EUR 6.9 mln with an 8% decrease in assets managed; the Group's market share climbed to 4.9%.
New production for the life insurance sector slumped 9% (index-linked products decreased though unit-linked products managed to hold steady); the Group's market share grew to 8.7%.

Customer funding (in millions of euros)	31/12/12	(**) 30/09/12	(**) 30/06/12	(*) 31/12/11	Chg % vs 30/09/12	Chg % vs 31/12/11
Direct funding	**135,670**	**135,570**	**132,673**	**143,927**	**0.1%**	**-5.7%**
Indirect funding	**114,176**	**122,406**	**128,738**	**131,458**	**-6.7%**	**-13.1%**
assets under management	*44,540*	*44,766*	*44,286*	*45,270*	*-0.5%*	*-1.6%*
assets under custody	*69,636*	*77,641*	*84,452*	*86,188*	*-10.3%*	*-19.2%*
Total funding	**249,846**	**257,976**	**261,411**	**275,385**	**-3.2%**	**-9.3%**

(*)Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

More specifically:

- The Group's **direct funding** was in the region of **EUR 136 bn** as at year-end, down 5.7% on the previous year, mainly reflecting the reduction in **bonds placed with institutional counterparties** due to restricted access to the international funding markets. **Funding volumes from retail and corporate customers** (see "Segment Reporting" section for further details) showed a slight decrease over the year (ca. -1.6%, of which -1.4% retail and -2.5% corporate), with a remix in current accounts and time deposits (*Conto Italiano di Deposito*). Trends in the aggregate were affected by two elements of discontinuity with respect to previous quarters: direct funding has been positively recording the value of the Tremonti Bonds as of 31/12/2012 (approx. EUR 1.9 bn, under item "Bonds" in the following table) classified as debt rather than equity instruments;[1] the aggregate was instead weighted down for an amount of approximately -EUR 0.6 bn by the Banca Popolare di Spoleto which was

[1] Reclassification is a consequence of changes in the conditions of interest payable on Tremonti Bonds introduced by the Decree of the Ministry of Economy and Finance of 21 December 2012. The original conditions for interest payable on these instruments provided for interest not to be paid if a loss is posted at the end of the year. By contrast, the aforementioned decree introduced the obligation for the Parent Company to pay *pro rata temporis* interest of 9% of nominal value p.a. for the period from 1 January to 31 December 2012, even if a less is posted for financial year 2012. As a result of this amendment, the Tremonti Bonds were reclassified as liabilities, and not as equity instruments, in the financial statements and interest payable for 2012 was posted to net interest income. From a Capital Adequacy standpoint, Tremonti Bonds continue to be included in Core Tier 1, by reason of their subordination *pari passu* with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and as a going concern. For further details, *see* the Notes to the Financial Statements

consolidated at equity rather than using the proportional method, following loss of joint control. Net of these components, the variation in direct funding would come to -6.6% YoY and -0.9% on 30/09/12. **The Group's market share stood at 6.24%**, down 47 bps as compared to the end of 2011.

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

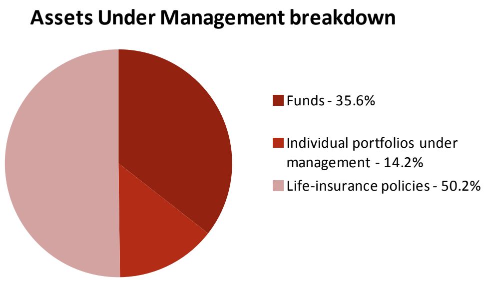
Direct funding (in millions of euros)

Type of transaction	31/12/12	(**) 30/09/12	(**) 30/06/12	(*) 31/12/11	Q/Q change Abs.	Q/Q change %	Y/Y change Abs.	Y/Y change %
Current accounts	56,006	57,975	56,928	60,725	(1,968)	-3.4%	(4,719)	-7.8%
Time deposits	5,802	4,801	3,743	1,508	1,001	20.9%	4,294	284.8%
Reverse repurchase agreements	13,839	10,823	8,877	14,528	3,016	27.9%	(690)	-4.7%
Bonds	52,115	55,829	57,096	59,188	(3,714)	-6.7%	(7,073)	-11.9%
Other types of direct funding	7,908	6,142	6,027	7,979	1,766	28.8%	(70)	-0.9%
Total	**135,670**	**135,570**	**132,673**	**143,927**	**100**	**0.1%**	**(8,257)**	**-5.7%**

(*)Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

- As at 31/12/2012, the Group's **indirect funding**, totalling EUR 114 bn, was down 13.1% as compared to the end of 2011 and 6.7% as compared to 30/09/2012. More specifically:
  - **Assets under Management** closed the year with EUR 44.5 bn in volumes, substantially stable on the previous quarter, though down 1.6% as compared to 31/12/2011, with positive market effects offsetting net outflows for an amount of over EUR 2 bn, in line with trends in the banking system. The Group's market share stood at 4.69% (-15 bps compared to 31/12/2011). A breakdown of the aggregate shows:



    - **an insurance component**, of approx. **EUR 22.4 bn** (-4.6% compared to end of previous year; -0,2% on Q3 2012), benefitting from insurance premiums collected for an amount of approximately EUR 3.6 bn, driven by Unit-Linked products. Performance in this segment has enabled the Group to increase its market share to 8.66% (+194 bps on 2011);
    - **Mutual investment funds and open-end collective investment schemes (Sicavs)**, amounting to EUR 15.8 bn, were up 0.9% compared to 31/12/2011 on account of market rates, with net funding approximately at -EUR 0.9 bn and Group market share of 4.19% (-52 bps on 2011);
    - **Wealth Management**, with outflows for an amount of around EUR 0.3 bn during the year, grew 3.4% to EUR 6.3 bn as compared to the end of the previous year, with Group market share reaching 4.87% (+160 bps on 2011).
  - **Assets under custody**, amounting to EUR 69.6 bn, registered a fall of 10.3% compared to 30/09/2012 and 19.2% compared to 31/12/2011 owing principally to movements in shares under custody by some of the Group's Key Clients with impact, however, not being significant.

Loans to customers

Group **loans to customers** amounted to approx. **EUR 142 bn** at the end of December 2012, down 1.6% on 31/12/2011 and 2.3% on 30/09/2012, owing to the recessive economic cycle, which has led to a lower demand for loans from households and businesses, as well as to the Group's special attention for loan selection. With regard to the forms of lending, this context has led to a significant reduction in: mortgage loans (-9% compared to 31/12/2011; -3.1% compared to 30/09/2012), which were partly penalised by a drop in the buying and selling of real estate properties; and current accounts (-5.5% as compared to 31/12/2011; -2.8% from 30/09/2012).

Background

Bank lending was essentially at a standstill owing to a fall in demand (decline in real estate buying and selling and return on investments) and supply (tensions in funding and a greater focus on credit risk).

The weighted average interest rate on total loans to households and non-financial businesses dropped sharply over the year (-45 bps); this downtrend eased off in the fourth quarter (- 3 bps).

The Group's market share continued to stand at around 7.1%.

Doubtful loans are rising significantly. The banking system saw an increase from 104 to 125 billion over the year. The rate of decay climbed to an average of 2.2% and 3.3% for businesses (data as at the third quarter of 2012).

Loans to customers (in millions of euros)

Type of transaction	31/12/12	(**) 30/09/12	(**) 30/06/12	(*) 31/12/11	Q/Q change Abs.	Q/Q change %	Y/Y change Abs.	Y/Y change %
Current accounts	13.099	13.480	13.570	13.862	(381)	-2,8%	(764)	-5,5%
Mortgages	72.329	74.640	76.756	79.451	(2.311)	-3,1%	(7.122)	-9,0%
Other forms of lending	34.770	35.215	34.596	33.696	(445)	-1,3%	1.074	3,2%
Repurchase agreements	2.199	1.815	508	882	384	21,2%	1.317	149,3%
Securities lending	2.221	2.755	3.016	3.107	(534)	-19,4%	(886)	-28,5%
Non performing loans	17.397	17.424	16.016	13.333	(28)	-0,2%	4.064	30,5%
Total	**142.015**	**145.329**	**144.462**	**144.332**	**(3.314)**	**-2,3%**	**(2.317)**	**-1,6%**

(*) Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

As for special-purpose loans, EUR 1.3 bn worth of new loans were granted by MPS Capital Services in 2012, down 37.7% on the previous year, with Q4 2012 contributing approximately EUR 321 mln (+2.6% as compared to Q3 2012).

Revenues from leasing contracts for the year totalled approximately EUR 862 mln (-32.1% YoY), with Q4 2012 contributing ca. EUR 181 mln, down 6.4% on Q3 2012. Factoring turnover amounted to approx. EUR 8 bn, down 14.7% on the previous year (EUR 1.9 bn contributed to in Q4 2012; +17.2% QoQ).

In consumer lending, disbursements in 2012 totalled EUR 2.4 bn (-7.6% YoY), with Q4 contributing approximately EUR 657 mln, up on the previous quarter (+15.4%), thanks to the positive performance in personal loans.

Special purpose loans and corporate finance	31/12/12	4Q2012	3Q2012 (*)	2Q2012 (*)	1Q2012 (*)	31/12/11 (*)	Q/Q Abs.	Q/Q %	Y/Y Abs.	Y/Y %
MPS Capital Services (disbursements	1,301.0	321.3	313.3	311.7	354.7	2,089.5	8.0	2.6%	-788.5	-37.7%
MPS Leasing & Factoring	8,650.4	2,116.8	1,844.6	2,095.1	2,593.9	10,402.2	272.2	14.8%	-1,751.8	-16.8%
incl.: leases negotiated	*861.8*	*180.7*	*193.0*	*205.5*	*282.7*	*1,269.4*	*-12.3*	*-6.4%*	*-407.5*	*-32.1%*
factoring turnover	*7,788.5*	*1,936.1*	*1,651.6*	*1,889.6*	*2,311.2*	*9,132.8*	*284.5*	*17.2%*	*-1,344.3*	*-14.7%*
Consumit (disbursements)	2,431.9	656.6	568.8	604.2	602.3	2,632.4	87.7	15.4%	-200.5	-7.6%

(*) Values were restated excluding operating flows channeled by Biv erbanca, whose sale to Cassa di Risparmio di Asti was completed on 28/12/12.

Non-performing loans

As at the end of December 2012, the Group's **net exposure to non-performing loans totalled approximately EUR 17 bn**, up by over 30% compared to 31/12/2011, partly in connection with the lowering of Past Due reporting thresholds from 180 to 90 days, **accounting for a 12.25% share of total loans to customers** (+301 bps YoY).

In Q4, the aggregate **remained relatively stable**, due to the increase in gross non-performing loans being substantially offset by a higher provisioning level, making up for both new inflows and adjustments to the provisioning funds. The prolonged impact of the crisis and uncertainties over the prospects for recovery in the demand for loans have in fact led to the adoption of particularly prudential criteria for the assessment of bad debt recoverability, and, therefore, to an increase in coverage ratios.

Customer loans by risk

Risk category - Net book values *in million EUR*	31/12/12	30/09/12 (**)	30/06/12 (**)	31/12/11 (*)	weight % 31/12/12	weight % 30/09/12	weight % 30/06/12	weight % 31/12/11
A) Non performing loans	**17.397**	**17.424**	**16.016**	**13.333**	**12,25**	**11,99**	**11,09**	**9,24**
a1) Doubtful loans	7.299	7.358	6.991	6.370	5,14	5,06	4,84	4,41
a2) Substandard loans	5.963	5.775	4.993	4.406	4,20	3,97	3,46	3,05
a3) Restructured	1.399	1.581	1.575	1.428	0,98	1,09	1,09	0,99
a4) Past due	2.737	2.711	2.457	1.129	1,93	1,87	1,70	0,78
B) Performing loans	**124.618**	**127.905**	**128.446**	**130.999**	**87,75**	**88,01**	**88,91**	**90,76**
Total customer loans	**142.015**	**145.329**	**144.462**	**144.332**	**100,00**	**100,00**	**100,00**	**100,00**

(*)Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

As at 31 December 2012, **Non-performing loan coverage increased to 41%**, substantially back in line with levels as at the end of the previous year (+260 bps as compared to 30/09/2012), on the back of provisioning adjustments to a large cluster of doubtful (coverage +290 bps on 30/09/12), substandard (+160 bps) and restructured (+280 bps) positions, driven by the ongoing market distress.

Provisioning ratios

	31/12/12	30/09/2012 (**)	30/06/2012 (**)	31/12/2011 (*)
"provisions for NPLs" / "gross NPLs"	41,0%	38,4%	39,2%	41,3%
"provisions for sub standard loans" / "gross sub standard loans"	21,9%	20,3%	21,6%	22,2%
"provisions for doubtful loans" / "gross doubtful loans"	57,9%	55,0%	55,2%	55,4%

(*)Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

The table below reports the figures for the Group's major companies, within which Banca Mps and Banca Antonveneta show a provisioning ratio for doubtful loans which, on average, stands at around 60%. For an accurate interpretation of the details contained in the table, it should be noted that NPLs under litigation are normally written down by direct transfer to P&L losses, while mid-long term loans are generally supported by collaterals thus requiring more limited provisioning. This is particularly evident in MPS Capital Services, for which NPL coverage stood at lower levels (40.8%), whose business is mainly characterised by the disbursement of mortgage loans:

Npls and Net Substandard loans by business unit

Risk category - Net values at 31/12/2012 *in million EUR*	Group	BMPS	BAV	MPS Capital Services Banca per le Imprese	MPS Leasing & Factoring	Consum.it
net doubtful loans	7.299	4.392	661	1.749	298	137
% of total customer loans	5,14%	3,57%	4,84%	12,56%	4,07%	2,28%
"loan loss provisions" / "gross doubtful loans"	**57,9%**	**60,1%**	**62,4%**	**40,8%**	**62,3%**	**80,4%**
Net sub standard loans	5.963	4.101	371	971	447	69
% of total customer loans	4,20%	3,34%	2,72%	6,97%	6,10%	1,15%
"loan loss provisions" / "gross substandard loans"	**21,9%**	**23,0%**	**20,6%**	**16,7%**	**19,3%**	**42,4%**

With regard to **gross performing loans**, provisions continued to stand at around 0.57%, in line with the previous year and slightly over levels as at 30 September 2012.

As for management of the doubtful loan book, which is assigned to the company specialising in this area, MPS Gestione Crediti Banca, **recoveries totalled approx. EUR 441 mln** (-23.1% YoY.), of which EUR 150 mln in 4Q12 (+81.7% on 3Q12).

A plan for the overall improvement of credit collection activities was launched in the part of the year. The aim was to optimise the management of costs, step up collection activities while reducing collection times, manage non-performing portfolios in a more specialised and industrialised way.

In particular, all activities relating to first out-of-court collections were centralised to a single collection bureau with a view to delivering cost savings and other benefits that may derive from the use of specialised expertise in the recovery of exposures.

The Group's securities and derivatives portfolio

As at 31/12/2012, the Group's securities and derivatives portfolio, amounting to EUR 38.4 bn, was up by approx. EUR 1 bn on 31/12/2011. In the fourth quarter, the aggregate benefitted from the increase in value of fair-valued securities brought about by the narrowing of Italian spreads (which impacted primarily on the portfolio of Government Bonds classified as AFS) and new investments in short-term positions, offset by the disposal of higher capital-absorption instruments. The HFT component remained substantially in line with the levels of the previous quarter, while the decline in the L&R segment was primarily attributable to securities reaching natural maturity.

Portfolio of treasury securities and derivatives (exact year-end figures in millions of euros)

MONTEPASCHI GROUP Type of portfolio	31/12/12	30/09/12 (**)	30/06/12 (**)	31/12/11 (*)	Chg. Q/Q		Chg. Y/Y	
					Abs.	%	Abs.	%
Held For Trading (HFT) [1]	9,568	9,561	9,740	9,854	7	0.1%	(286)	-2.9%
Available For Sale (AFS) [2]	25,649	23,692	22,293	22,205	1,957	8.3%	3,444	15.5%
Loans & Receivable (L&R) [3]	3,216	4,008	4,301	5,222	(792)	-19.8%	(2,006)	-38.4%
Total	**38,433**	**37,261**	**36,334**	**37,281**	**1,172**	**3.1%**	**1,152**	**3.1%**

(1) "Financial Assets Held for Trading" excluding "Loans" and net of the value of derivatives recognised under "Financial Liabilities held for Trading"

(2) "Financial Assets Held for Sale" excluding "Loans", including Equity Investments.

(3) Securities classified as "Loans and Receivables" posted to "Loans and advances to Customers" e "Loans and advances to banks".

(*)Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

The portfolio's exposure is concentrated in Italian government bonds, mainly classified as AFS and, to a lesser degree, as HFT. The approach reflects the policy pursued by the Group in the past years with a view to boosting interest income through investments, both strategic and short-term, within a market framework that continues to be characterised by a steep yield curve.

Main initiatives

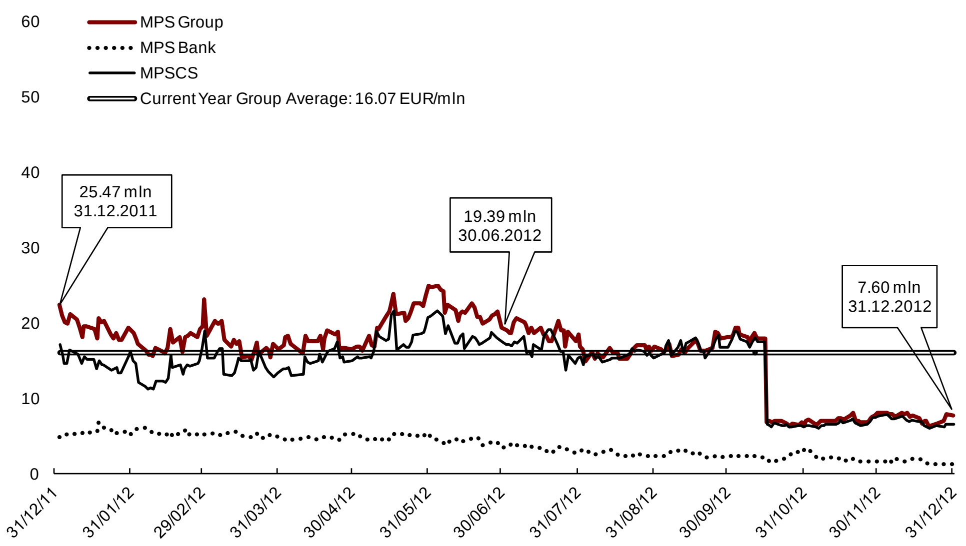
In delivering the Business Plan goal, which provides for a greater contribution from net interest income in 2013, partly through the increase in financial assets, new net purchases of short-term BTPs were made without hedging interest rate risk. Regarding the disposal of high capital-absorption instruments, plans were defined to gradually reduce the hedge fund portfolio. As for the corporate bonds portolio, a series of corporate securities resulting as non-eligible with the ECB (mainly in the financial sector) were liquidated.

The Group's Regulatory Trading Book

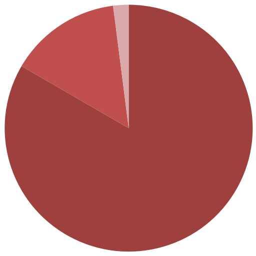
With regard to the Group's Regulatory Trading Book, market riskshowed an overall downward trend in VaR in the course of 2012, continuing the pattern that began at the end of 2011 which was characterised by the narrowing yields on Italian government bonds that became evident as of the end of July. The level of VaR tended to be stable until the third quarter (average VaR at EUR 18.4 mln up to 30/09/2012).

The reduction in VaR in the last quarter (approx. -40%) was due to a change in methodology introduced in October whereby the VaR pertaining to structuring and hedging of securities-backed policies of the subsidiary MPS Capital Services, is now calculated on the basis of actual market volatility in order to more accurately represent the impact of hedges on key risk components (credit spread risk), replacing the conservative approach previously adopted. In the last quarter of 2012, the level of VaR remained largely stable, registering a value of EUR 7.6 mln as at 31 December 2012. For further information *see* Part E of the Notes to the Financial Statements.

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

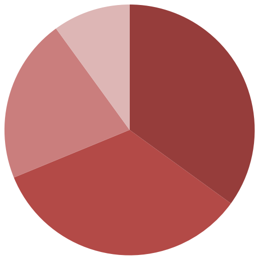


VAR - Regulatory trading book
Breakdown by legal entity



As at 31/12/2012 the Group's market risk continues to be concentrated in MPS Capital Services (83% of total risk) and Banca Monte dei Paschi di Siena (approx. 15%), with the remaining part attributable to other banks (2%).

VAR - Regulatory trading book
Breakdown by risk factor



As at 31/12/2012, the Group's portfolio was divided as follows; 35% allocated to Interest rate risk factors (IR VaR), 34% absorbed by Credit spread risk factors (CS VaR), 21% absorbed by equity risk factors (EQ VaR) and the remaining 10% came from foreign exchange risk (FX VaR).

In the course of 2012, the Group's VaR fluctuated between a low of EUR 6.2 mln recorded on 25 October and a high of EUR 25 mln on 4 June. The Group's average VaR stood at EUR 16 mln.

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

	VaR	Date
End of Period	7.60	31/12/2012
Min	6.25	25/10/2012
Max	24.97	04/06/2012
Average	16.07	

Interbank position

As at 31/12/2012, the Group's net interbank position reached EUR 33.7 bn in funding, up by EUR 7.8 bn on December of the previous year and approx. EUR 3 bn compared to the previous quarter. The decrease in loans to banks (- EUR 10 bn from 31/12/2011) is largely the result of deposits pledged as collateral in OTC derivatives and Repo transactions (approx. - EUR 4.2 bn from 31/12/12) and time deposits with central banks (- EUR 3.5 bn from 31/12/2011). As for Deposits from banks, the ECB exposure, consisting of the two three-year Longer Term Refinancing Operations (LTROs), remained fairly stable as compared to the previous quarter and to 31/12/2011, while a reduction was registered in Repurchase Agreements.

Interbank balances (end-of-period; in millions of euros)

		(**)	(**)	(**)	Q/Q change		Y/Y change	
	31/12/12	30/09/12	30/06/12	31/12/11	Abs.	%	Abs.	%
Loans to banks	11,963	13,041	18,205	22,395	(1,078)	-8.3%	(10,432)	-46.6%
Deposits from banks	45,725	44,148	48,741	48,421	1,577	3.6%	(2,696)	-5.6%
Net position (*)	**(33,762)**	**(31,107)**	**(30,535)**	**(26,026)**	**(2,655)**	**8.5%**	**(7,736)**	**29.7%**

(*) Loans to/deposits from banks include loans to /from banks classified under financial assets/liabilities held for trading.
(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

At the end of December 2012, the short-term and structural liquidity position showed a considerable increase in the **unencumbered CounterBalancing Capacity** to approx. **EUR 16.5 bn** against EUR 9.5 bn as at 31 December 2011. This variation is mainly due to the increase in eligible assets which benefitted from both retained covered bonds and from a positive market effect, mainly as a result of the improvement in the BTP-Bund spread.

Shareholders' equity

As at 31/12/2012, the Group's shareholders' equity and non-controlling interests came to around EUR 6.4 bn, sliding by approximately EUR 3.7 bn on the previous year. Changes in the figure were negatively affected by losses for the year and the reclassification of "Tremonti Bonds" under the balance sheet item "Direct funding" (*see* relevant section for further details); and positively impacted by the improvement in valuation reserves, which largely benefitted from the increase in value of the AFS portfolio resulting from the narrower BTP-Bund spread (*see* section "The Group's Securities and Derivatives Portfolio").

As for the individual items under shareholders' equity, a decrease was posted to Reserves and Share premiums due to the fact that they were used to cover yearly losses for 2011. In addition, share premiums were affected by the conversion to Equity of the Fresh bonds issued in 2008 (see section "Capital Strengthening Processes and alignment with EBA requirements). Finally, non-controlling interests were down, primarily owing to the sale of the subsidiary, Biverbanca:

	31/12/12	31/12/11	Chg. YoY	
LIABILITIES		(*)	abs.	%
Group net equity	6,452	9,964	(3,512)	-35.2%
a) Valuation reserves	(2,224)	(3,842)	1,618	-42.1%
c) Equity instruments	3	1,903	(1,900)	-99.8%
d) Reserves	4,128	5,774	(1,645)	-28.5%
e) Share premium	255	4,118	(3,863)	-93.8%
f) Share capital	7,485	6,732	752	11.2%
g) Treasury shares (-)	(25)	(26)	2	-7.3%
h) Net profit (loss) for the year	(3,170)	(4,694)	1,524	-32.5%
			-	
Non-controlling interests	3	217	(214)	-98.7%
Total Liabilities and Shareholders' Equity	**6,455**	**10,181**	**(3,726)**	**-36.6%**

(*)Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

Capital adequacy

Capital for regulatory purposes and capital ratios

Regulatory capital was estimated on the basis of calculation metrics introduced by Basel 2 (Advanced Internal Rating Based (IRB) and Advanced Measurement Approach (AMA) methodologies for legal entities and portfolios that are subject to validation). The comparative figures for 2011 have been restated and therefore differ from those published in the 2011 Annual Report as they include the retrospective correction of accounting errors in the financial statements in compliance with IAS 8 (Accounting principles, changes in accounting statements and errors) as illustrated in the section "Reclassified Accounts".

Background

Postponement of the entry into force of Basel 3 initially scheduled for 2013: new timeline and methods are yet to be defined,

EU agreement of December 2012 provides for the centralisation and further strengthening of banking supervision.

Banks continue their process of capital strengthening, both by increasing capital base and through a reduction in risk-weighted assets.

Regulatory capital (EUR mln)	31/12/2012	31/12/11	Chg. %
Core Tier 1	8,289	9,222	-10.1%
Tier 1 capital	8,917	10,836	-17.7%
Tier 2 capital	4,446	5,363	-17.1%
Items to be deducted	564	502	12.2%
Total regulatory capital	12,800	15,697	-18.5%
Risk Weighted Assets	92,828	105,194	-11.8%
Core Tier 1 Ratio	8.9%	8.8%	0.2%
Tier 1 Ratio	9.6%	10.3%	-0.7%
Total Capital Ratio	13.8%	14.9%	-1.1%

As at 31/12/2012, the **Group's regulatory capital** amounted to **EUR 12,800 mln**, with a Core Tier 1 Ratio (including the EUR 1,900 mln in Tremonti Bonds) of 8.9% (8.8% as at 31 December 2011); **Tier 1 Ratio at 9.6%** (10.3% as at 31 December 2011) and a **total Capital Ratio of 13.8%** (14.9% as at 31 December 2011).

In particular, **Tier I** came to **EUR 8,917 mln**, down by approx. EUR 1,919 mln on 31/12/2011 (when it was EUR 10,836 mln). Reductions in Tier 1 were largely the result of loss for the year (for the surplus on the writedown of goodwill and other intangible assets), the increase in deductions from the surplus of expected losses against total value adjustments for the Group and the repurchase of innovative capital instruments (a transaction which was carried out as part of the EBA action plan) and the loss in non-controlling interests following the sale of the subsidiary, Biverbanca.

Tier II stood at **EUR 4,446 mln**, a fall of approx. EUR 947 mln from the value registered at the end of 2011 (EUR 5,363 mln). Reductions in Tier 2 were largely the result of the repurchase of subordinated liabilities and hybrid instruments (a transaction which was carried out as part of the EBA action plan) and the increase in deductions from the surplus of expected losses against total value adjustments for the Group.

The **items to be deducted** from Tier 1 and Tier 2 were slightly up compared to year end, amounting to **EUR 564 mln**.

Risk Weighted Assets (RWA) came to approx. **EUR 92.8 bn** as at 31 December 2012 (approx. 105.2 bn at the end of 2011). The significant reduction in risk-weighted assets helped mitigate the fall in capital ratios and was the result - in addition to trends in lending and other risky assets for the period - of multiple efficiency drivers in the risk weighting of the Group's exposures, including the extension of advanced models to the subsidiary MPS Leasing & Factoring, the deconsolidation of Biverbanca's loans subsequent to its disposal and a shift in the allocation of risk assets to lower risk and/or more collateralised assets. It should also be noted that a EUR 5.9 bn increase in the overall level of RWAs was accounted for by the emergence of the Basel 1 floor (RWAs calculated under Basel 2 cannot be lower than 85% of the absorption calculated according to the rules of Basel 1)[2], thus in the absence of the floor, the reduction in RWAs would have been greater.

Capital strengthening and EBA alignment processes

The exercise conducted by the EBA in the second half of 2011 on the capital requirements of major European banks revealed the Group's need for exceptional and temporary capital strengthening in the amount of approx. EUR 3,267 mln in order to achieve a Core Tier 1 (EBA) of 9% by the end of June 2012. The target value also includes 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.

[2] Given the events which characterised the Group's financial portfolios in 2012, as announced in the press release of 6 February 2013, a number of in-house analyses were launched to determine the possible presence of an operational risk component to be considered within the Advanced Measurement Approach (AMA model).

Consequently, the Montepaschi Group has developed a plan of actions aimed at strengthening capital which, in addition to initiatives already implemented in 2011, generated a further increase of around EUR 1,627 mln in the first half of 2012:

- actions on capital: + EUR 763 million in connection with the transition of the premium reserve linked to the 2008 F.R.E.S.H. Notes (approx. EUR 750 mln) to share capital and the conversion of Savings Shares (approx. 13 mln);
- maintenance and other fine-tuning actions on existing portfolios as at 31/12/2011: + EUR 864 mln (measured as “EBA Capital Equivalent”) delivered by means of:
  - a reduction of EUR 6,905 mln in RWAs (changes in PD, LGD and EAD parameters on exposures in A-IRB already accounted for in December 2011, regulatory fine tuning, credit portfolio remixing);
  - a reduction in the Expected Loss vs. Portfolio adjustments delta by approx. EUR 240 mln (impact of just 50% on Tier 1).

On 3 October 2012, the EBA announced a new residual capital shortfall as at 30 June 2012 which – including the P&L, balance sheet and risk trends between the EBA exercise in September 2011 and the first half of 2012 - amounted to EUR 1,728 mln. In agreement with the Italian Supervisory Authority and Ministry of Economy and Finance, Banca Monte dei Paschi di Siena has identified recourse to "State-aid " as a measure to plug its residual capital shortfall (pursuant to Legislative Decree no. 87 “Urgent measures for increased efficiency, value creation and disposal of public assets and rationalisation of corporate assets of companies in the banking industry” of 27/06/2012), i.e. government-backed financial instruments subscribed by the Ministry of Economy and Finance (MEF) and included in Core Tier 1 capital.

In order to determine the total amount of financial instruments to be issued, the following factors were considered: additional capital benefits amounting to approx. EUR 550 mln relating to the disposal of Biverbanca and the repurchase of subordinated and innovative instruments, accounted for after 30/06/2012; the capital requirement arising from the negative impact on capital following the assessment of a number of errors in the accounting representation of certain derivative transactions and Personnel expenses (for details *see* Notes to the Financial Statements).

On 28 November 2012, the Bank's BoD thus approved the issuance of EUR 3.9 bn in government-backed New Financial Instruments; of these, EUR 1.9 bn was allotted to the full repayment of Tremonti Bonds (financial instruments pursuant to art. 12 of Legislative Decree no.185 of 29/11/2008, coverted by Law no. 2 of 28/01/2009) and the remaining amount to plug the capital shortfall from the EBA exercise.

On 28 February 2013, the issuance of the New Financial Instruments was completed, pursuant to articles 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. More specifically, the Ministry of Economy and Finance subscribed New Financial Instruments issued by the Bank for a total value of EUR 4,071 mln, of which EUR 1,900 mln for the full replacement of Tremonti Bonds previously issued by the Bank in 2009, and EUR 171 mln, effective 1 July 2013, for payment of interest accrued on Tremonti Bonds up to 31 December 2012, considering the loss for 2012.

Income statement

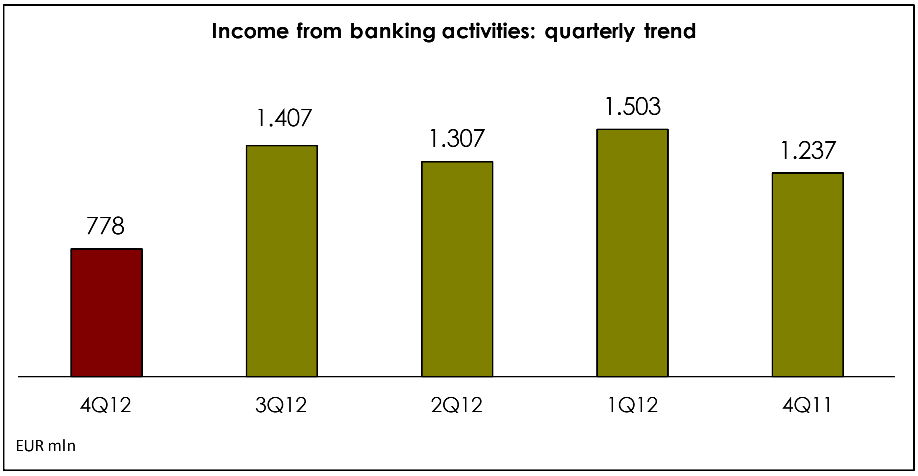
Net income from banking and insurance activities

In 2012, **Group income from banking and insurance** totalled approx. **EUR 4,995 mln**, down 6.2% on 31/12/2011 (- EUR 332.2 mln) with **Q4 contributing approx. EUR 778 mln**, down from 3Q12 (- EUR 628.3 mln; -44.7%).

Financial and insurance income (EUR mln)										
			(**)	(**)	(*)	(*)	Chg. QoQ		Chg. YoY	
	31/12/12	4Q12	3Q12	2Q12	1Q12	31/12/11	Abs.	%	Abs.	%
Net interest income	2.829,6	434,5	724,4	788,1	882,6	3.453,9	(289,9)	-40,0%	(624,3)	-18,1%
Net fee and commission income	1.632,8	382,9	413,1	412,6	424,3	1.762,5	(30,2)	-7,3%	(129,7)	-7,4%
Income from banking activities	**4.462,4**	**817,4**	**1.137,4**	**1.200,7**	**1.306,9**	**5.216,4**	**(320,0)**	**-28,1%**	**(754,0)**	**-14,5%**
Dividends, similar income and gains (losses) on equity investments	75,1	18,5	17,5	28,5	10,6	70,8	1,0	5,6%	4,3	6,1%
Net trading income (loss) / valuation of financial assets	454,3	(59,2)	255,1	76,5	182,0	72,1	(314,3)	n.s.	382,2	n.s.
Net profit (loss) from hedging	3,1	1,6	(3,6)	1,9	3,2	(32,2)	5,1	n.s.	35,2	n.s.
Financial and insurance income	**4.994,9**	**778,3**	**1.406,5**	**1.307,5**	**1.502,7**	**5.327,2**	**(628,3)**	**-44,7%**	**(332,2)**	**-6,2%**

(*) Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".



A closer look at the aggregate reveals the following:

- **Net interest income** amounted to approx. **EUR 2,830 mln**, down 18.1% on the previous year, with Q4 contributing approximately EUR 435 mln, down 40% on Q3 2012. The aggregate was affected by **some elements of discontinuity** occurring in 4Q12, including the: posting of interest on Tremonti Bonds for the entire amount accrued in 2012 (*see* section "Direct funding"), elimination of the "urgent facility fee" and changes in the calculation of interest payable on overdrawn amounts[3], as well as changes in criteria for consolidation of Banca Popolare di Spoleto following loss of joint control. Net of these factors, the quarterly variation in the aggregate would be around -5%, primarily on the back of the downturn in market rates (average 1-month Euribor in Q4 2012 at about 11 bps, down by an additional 5 bps as compared to the average rate in Q3 2012), which was partially offset by a positive "volumes effect" mainly driven by a shift towards short-term, more profitable forms of lending and funding. As compared to 31/12/2011, however, the variation would stand at -11%, likewise attributable to the downturn in market rates (average 2012 1-month Euribor approx. -86 bps as

[3] Legislative novelties introduced under art. 117-bis of the Consolidated Law on Banking, effective as of 1 July 2012, have led to major changes in interest and fees payable on lines of credit and overdraft current accounts. With regard to the latter, the Group - in compliance with recent provisions - eliminated the 'urgent facility' fee (*"commissione di istruttoria urgente"*, CIU) and reformulated methods for calculation of interest payable on overdrawn amounts. At the same time, pursuant to the aforementioned article, a "fast-track facility fee" (*"commissione di istruttoria veloce"*, CIV) was introduced, commensurate with the costs incurred on average by the Bank for preliminary activities necessary to properly assess the granting of overdraft facilities (this new fee is accounted for under "Other operating income").

compared to 2011) in addition to a negative "volume effect" mainly resulting from a reduction in interest-bearing assets.

- **Net fees and commissions,** stood at approx. **EUR 1,633 mln**, down 7.4% on the previous year, with Q4 contributing EUR 383 mln (-7.3% QoQ). The downtrend as compared to 2011 was mainly accounted for by institutional funding charges (particularly commissions on the Government guarantee required to gain access to ECB LTROs). A slight upturn was instead recorded in net revenues connected with marketing activities driven by asset management components (in particular, an increase was registered in fees on: portfolio management, trading and investment advice; product distribution (particularly insurance); transaction order receipt and transmission), partly offsetting the reduction in net revenues from services, which were particularly affected by the lower demand for loans.

- **Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities** stood at EUR 454 mln (approx. EUR 72 mln in the previous year), and was broken down as follows:

  - **net profit (loss) from trading** posted a positive balance of EUR 118.7 mln (- EUR 103.6 mln as at 31/12/2011) owing to the opportunites offered by the financial markets in the course of 2012;

  - Input from **disposal / repurchase of loans, financial assets and liabilities available for sale** (EUR 218 mln vs. EUR 171 mln as at 31/12/2011), mainly attributable to the capital gain arising from the public exchange offer closed in July. As part of the public exchange offer, a selection of subordinated securities qualifying as Group regulatory capital (Tier 1, Upper Tier 2, Lower Tier 2) were tendered in exchange for new Euro-denominated fixed-rate senior notes due on 10 July 2015. The nominal value of the new issuance underwritten by subscribers was approx. EUR 790 mln.

  - **Net profit (loss) on financial assets / liabilities designated at fair value** amounting to EUR 117 mln (EUR 4.7 mln as at 31/12/2011) accounted for by the reduction in value of certain BMPS subordinated securities placed with institutional customers.

  Net profit (loss) from trading/valuation/repurchase of financial assets / liabilities in Q4 2012 was approximately -EUR 60 mln, primarily on the back of the so-called Credit Value Adjustment (required by the new prudential regulatory framework of CRD IV and in line with market "best practices") relating to counterparty risk in fair value measurement of non-collateralised OTC derivatives, to integrate the Group's previously adopted collective writedown.

Net trading income (loss) / valuation of financial assets (in millions of euros)

	31/12/12	4Q12	(**) 3Q12	(**) 2Q12	(*) 1Q12	(*) 31/12/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Net profit (loss) from trading	118,7	(45,8)	54,4	(49,9)	160,0	(103,6)	(100,5)	n.s.	222,3	n.s.
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	218,3	(9,2)	194,4	14,0	19,1	171,0	(203,5)	n.s.	47,3	27,7%
Net profit (loss) from financial assets and liabilities designated at fair value	117,3	(4,2)	6,3	112,4	2,9	4,7	(10,6)	n.s.	112,6	n.s.
Net profit (loss) from trading	**454,3**	**(59,2)**	**255,1**	**76,5**	**182,0**	**72,1**	**(314,3)**	**n.s.**	**382,2**	**n.s.**

(*) Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

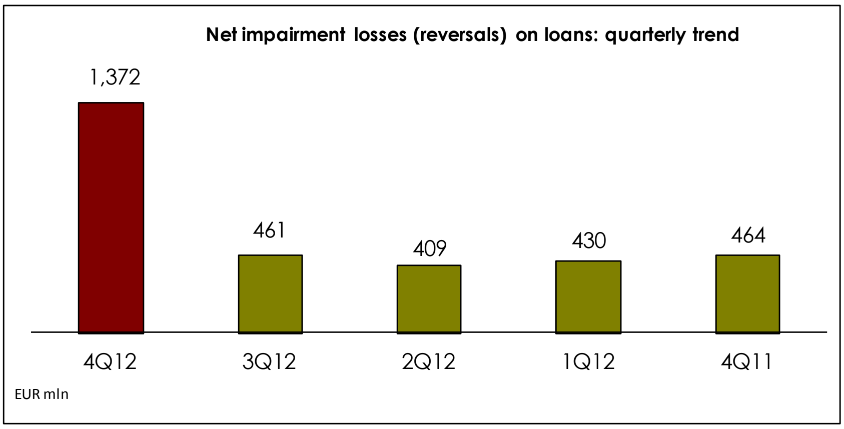
Net income from banking and insurance activities also includes:

- **Dividends, similar income and gains (losses) on investments** totalling EUR **75 mln** (vs. EUR 70.8 mln as at 31/12/2011), with 4Q 2012 contributing EUR 18.5 mln, were primarily attributable to the income of investments consolidated at equity with AXA-MPS insurance accounting for approx. EUR 69 mln.

- **Net hedging income** was **positive (+ EUR 3.1 mln** vs. - EUR 32.2 mln as at 31/12/2011; EUR 1.6 mln was registered in Q4 2012).

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

Against revenues from the disbursement of loans, in 2012 the Group **posted approx. EUR +2,672 mln in net impairment losses on loans** (+ EUR 1,374 mln on 31/12/2011), with Q4 2012 contributing roughly EUR 1,372 mln. The YoY variation is traceable to both the trendline in gross non-performing loans and adjustments to provisioning funds in Q4 2012 for doubtful and substandard loans. The prolonged impact of the crisis and still-uncertain prospects for recovery have, in fact, led to the application of particularly prudential criteria for the assessment of bad debt recoverability. As already reported in the section "Non-performing loans", the doubtful loans coverage ratio was up to 57.9% as at 31/12/12 (+290 bps on 30/09/12) while substandard loan coverage was at 21.9% (+160 bps). The ratio of annualised loan loss provisions over total customer loans is expressive of a **provisioning rate** of 188 bps, up 98 bps from 2011.



Net impairment losses (reversals) on financial assets totalled - EUR 222.6 mln (-EUR 153.4 mln as at 31/12/2011; - EUR 93.2 mln in Q4 2012), primarily as a result of writedowns on equity investments (ca. EUR 58 mln), equity/debt securities (ca. EUR 93 mln) and UCITS (ca. EUR 59 mln), other instruments (ca. EUR 13 mln).

As a consequence, income from banking and insurance totalled approx. EUR 2,101 mln (ca. EUR 3,876 mln as at 31/12/2011; -45.8%), with a negative contribution in Q4 2012 by approx. EUR 687 mln (as compared to EUR 931.7 mln in Q3 2012).

Operating costs: operating expenses

As at 31/12/2012, **operating expenses** totalled approximately EUR **3,296 mln**, down 3.7% on the previous year (+1.3% on Q3 2012).

Operating expeses (in millions of euros)	31/12/12	4Q12	(**) 3Q12	(**) 2Q12	(*) 1Q12	(*) 31/12/11	Chg. QoQ Abs.	Chg. QoQ %	Chg. YoY Abs.	Chg. YoY %
Personnel expenses	1.989,4	471,3	486,5	526,4	505,2	2.131,9	(15,2)	-3,1%	(142,5)	-6,7%
Other administrative expenses (*)	1.107,7	302,3	286,8	255,0	263,5	1.096,1	15,5	5,4%	11,6	1,1%
Administrative expenses	**3.097,0**	**773,6**	**773,3**	**781,5**	**768,7**	**3.228,0**	**0,3**	**0,0%**	**(130,9)**	**-4,1%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	198,8	59,2	48,5	45,7	45,4	193,0	10,7	22,0%	5,8	3,0%
Operating expenses	**3.295,8**	**832,7**	**821,8**	**827,1**	**814,1**	**3.420,9**	**10,9**	**1,3%**	**(125,1)**	**-3,7%**

(*) Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

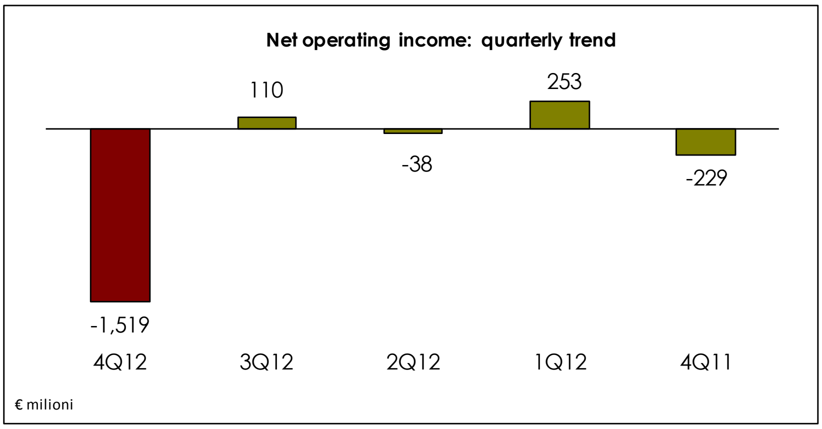
(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

In particular:

- **Administrative expenses** amounted to approx. EUR 3,097 mln, stable QoQ and down on previous year levels (-4.1%) as a result of:
  - **Personnel expenses**, amounting to approximately **EUR 1,989 mln,** which were down by EUR 143 mln on the previous year (-6.7% YoY). The aggregate was affected by headcount trends as well as by the new Collective Labour agreement and Second-level Bargaining, with additional benefits expected in 2013;

- **Other administrative expenses** (net of customer expense recovery), totalling approximately **EUR 1,108 mln**, up 1.1% on the same period of the previous year, mainly as a result of an increase in the ICT component and "Unified Municipal Tax" (IMU), which were partly offset by a reduction in sponsorship, entertainment, TLC, facility management and procurement expenses.

- **net adjustments to tangible and intangible assets** standing at approx. **EUR 199 mln** (EUR 193 mln as at 31/12//2011, +3%).



As a result of the above, **Net Operating Income** came to approximately - **EUR 1,195 mln** (EUR 455 mln as at 31/12/2011) with Q4 2012 contributing approx. – EUR 1,519 mln (vs. + EUR 110 mln in the previous quarter) and with a cost/income ratio of 66% (64.2% as at 31/12/11).

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

Profit for the year included:

- **Net provisions for risks and charges and other operating expenses/income,** showing a negative balance of -EUR 326 mln (vs. -EUR 346 mln as at 31/12/2011), with Q4 2012 accounting for approx. -EUR 185 mln, up on the previous quarter, when net provisions totalled -EUR 47.1 mln. As at 31/12/12, the aggregate included approx. - EUR 274 mln in provisions for risks and charges (covering primarily legal disputes/clawbacks and other provisions set aside on a particularly prudential basis; Other operating expenses (income), totalling approx. – EUR 52 mln (vs. +EUR 14 mln in Q4 2012), primarily affected by charges in connection with lawsuit settlement and writedowns on improvements of third-party goods and, on the income side, revenues from "fast-track credit facility" fees (CIV) introduced in the fourth quarter (*see* comments on interest income and related notes).

- -EUR 58.1 mln in **Gains (losses) on investments**, particularly including the loss on the investment in Banca Popolare di Spoleto (ca. EUR 39 mln), Sansedoni (ca. EUR 10 mln), MPS Ventures (ca. 5 mln) and other investments (ca. EUR 4 mln).

- Approximately -EUR 311 mln in **Restructuring costs / One-off charges**, in connection with early retirement incentive schemes following Union agreement (ca. EUR 300 mln), whereby over 1,660 workers will leave employment, earlier than scheduled, by the end of the first half of 2013 (o.w. around 1,000 already dismissed in Q1), and provisions for restructuring costs associated with the closure of roughly 400 branches as set out in the Business Plan (approx. EUR 11 mln).

- **Gains on disposal of investments**, totalling EUR 7.3 mln (vs. EUR 34.6 mln as at 31/12/2011) attributable to the capital gains earned from the sale of one building.

On the back of these components, the loss before tax from continuing operations as at 31/12/2012 totalled approximately **EUR 1,883 mln** (vs. a profit of approximately EUR 93.9 mln in 2011), with a negative contribution in Q4 of approx. EUR 2,040 mln.

Profit (loss) before tax from continuing operations (in millions of euros)										
			(**)	(**)	(*)	(*)	Chg. QoQ		Chg. YoY	
	31/12/12	4Q12	3Q12	2Q12	1Q12	31/12/11	Abs.	%	Abs.	%
Net operating income	**(1,195.1)**	**(1,519.2)**	**109.9**	**(38.4)**	**252.7**	**455.4**	**(1,629.1)**	**n.s.**	**(1,650.5)**	**n.s.**
Net provisions for risks and charges and other operating expenses/income	(326.2)	(184.7)	(47.1)	(66.1)	(28.3)	(346.1)	(137.6)	n.s.	19.9	-5.8%
Gains (losses) from Investments	(58.1)	(57.8)	1.5	(5.8)	4.0	(24.3)	(59.4)	n.s.	(33.9)	n.s.
Riorganization charges / One off charges	(311.0)	(278.2)	(11.7)	(20.0)	(1.1)	(25.8)	(266.6)	n.s.	(285.2)	n.s.
Gains (losses) on disposal of investments	7.3	0.1	6.4	0.6	0.3	34.6	(6.3)	n.s.	(27.4)	-79.0%
Profit (Loss) before tax from continuing operations	**(1,883.1)**	**(2,039.9)**	**59.0**	**(129.7)**	**227.5**	**93.9**	**(2,099.0)**	**n.s.**	**(1,977.0)**	**n.s.**

(*)Figures were restated excluding Biverbanca's contribution (sold on 28/12/12) and taking account of changes in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassifed Accounts".

(**) Figures were restated by taking account of changes made in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors) as illustrated in the section "Reclassified Accounts".

Profit (loss) for the year was also affected by the following items:

- **Tax expense (recovery) on income from continuing operations** was positive by approximately EUR 385 mln (vs. ca. -EUR 223 mln as at 31/12/2011). The aggregate was positively impacted by the recognition of approx. EUR 125 mln in tax credit arising from corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses for fiscal years prior to 2012.
- **Proft (loss) after tax from discontinued operations** totalled EUR 10.8 mln and essentially included Biverbanca's profit for the period and the capital gain arising from its disposal to Banca Popolare di Asti.
- **Profit (loss) attributable to non-controlling interests**, amounting to EUR 21.6 mln, essentially comprises losses attributable to non-controlling interests.

The consolidated net profit of the Montepaschi Group before Purchase Price Allocation (PPA) and impairment on goodwill, intangibles and writedown on investment in AM Holding, posts a loss of EUR 1,465.7 mln (vs. a loss of -EUR 337.8 mln as at 31/12/2011).

At the time of preparation of the 2012 Half Year Report, in view of a material deterioration in macreoeconomic conditions which worsened significantly in the last few months as did banking sector forecasts for the period 2012-2015 and subsequent to the approval of the Group's 2012-2015 Business Plan on 26 June 2012, goodwill recognised in the financial statements was tested for impairment. The test revealed the need to recognise a total **impairment loss of consolidated goodwill for an amount of EUR 1,528 mln**, of which approx. EUR 1,436 mln allocated to the Retail Banking Cash Generating Unit (CGU) of BMPS and approx. EUR 92 mln to the Retail Banking CGU of BAV.

In view of the Business Plan projects, it was also deemed appropriate to recognise **an impairment loss on the full value of the Banca Antonveneta trademark** (net amount of EUR 15.2 mln). The following must also be added to impairment losses (reversals): **the writedown of the investment held in AM Holding** (EUR 14.3 mln) **and of software-related intangibles** (for a net amount of approx. EUR 97 mln) mainly due to technological obsolescence, understood as the loss of value of a good as a result of inefficiency or inadequacy when compared to a more efficient and less expensive good that has been developed using new market technologies.

Considering the net effects of PPA (around EUR 50 mln) and impairment losses discussed above (totalling EUR 1,654 mln), **the loss for 2012 amounts to approximately EUR 3,170 mln** (vs. a loss of -EUR 4,694.3 mln as at 31/12/2011).

For the purpose of determining the profit (loss) for the period and, in general, reporting the "long-term structured repos" in the 2012 Financial Statements, the Board of Directors thoroughly considered the intents underlying the set of contractual agreements relating to these transactions and confirmed the 'open balances' accounting representation by way of an explicit reference made thereto in the resolution passed by the Board to approve the Draft Annual Report for 2012. The transactions were therefore accounted for by considering the individual contractual components separately. For further details on the matter, *see* Notes to the Financial Statements - Part A "Accounting policies" - item 17 Other information - letter c) Significant accounting choices in the preparation of the consolidated financial statements (with specific reference to the provisions of IAS 1, paragraph 122 and documents no. 4 of 3 March 2010 and no. 2 of 6 February 2009 issued jointly by the Bank of Italy/Consob/Isvap.

Had the Group classified the transactions in question as synthetic derivatives, the impact net of tax effects would have been:

- on equity + EUR 31 mln in 2011 and - EUR 105 mln in 2012;
- on P&L - EUR 1,017 mln in 2011 and + EUR 243 mln in 2012;

For further details, *see* Notes to the Financial Statements and Annexes.

***

Following is a reconciliation between the Parent Company's and consolidated net equity and profit for the period, in compliance with Consob instructions.

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

Amounts €/000	**Shareholders' equity**	**Net profit (loss)**
Balance as per Parent Company's Accounts	5,142,658	(3,122,307)
including Parent Company's valuation reserves	*(2,211,237)*	-
Impact of line-by-line consolidation of subsidiaries	1,033,156	(119,004)
Impact of associates	146,942	76,569
Reversal of dividends from subsidiaries	- -	(140,004)
Other adjustments	142,223	134,411
Subsidiaries' valuation reserves	(13,224)	-
Consolidated balance	**6,451,755**	**(3,170,335)**
including valuation reserves	*(2,224,461)*	

Results by operating segment

Identification of operating segments

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

The following Operating Segments, reporting to the highest decision-making level, were thus identified: the Retail & Corporate division, made up by the Retail Banking and Corporate Banking segments and the Corporate Centre.

Segment reporting process

With a view to more accurately defining the performance of the various business units in relation to the Group's overall results, a review of the segment reporting process has been carried out as of early 2012. This specifically focused on:

- financial expenses: the rules applied to determine the internal cost of funding were updated, with particular reference to the product companies and the banking book;
- operating expenses: the techniques used to allocate non-divisionalised entities to the Retail and Corporate banking divisions were fine-tuned, in order to provide more accurate allocation of Group costs to the cash generating units.

The values of 2011 operating costs have been restated so as to allow for a like-for-like comparison.

The comparative data for the Corporate Centre differ from those published in the Annual Report as at 31/12/2011 having been restated, not only to account for methodological changes in the allocation of operating expenses, but also to reflect the new allocation of results from the foreign banks (MPS Banque and MP Belgio), previously posted to the Corporate segment. In addition, Biverbanca was classified as held for sale at the end of June 2012 and therefore posted to "Profit (loss) after tax from groups of assets held for sale and discontinued operations" and the criteria for consolidation of Banca Popolare di Spoleto were modified.

Results in brief

The following table reports the main income statement and balance sheet items that characterised the Operating segments in 2012.

SEGMENT REPORTING	Retail & Corporate Banking division						Corporate Center		Total MPS Group	
Primary segment	Retail banking		Corporate banking		Total					
(million of Euro)	31/12/12	Var. %	31/12/12	Var. % Y/Y	31/12/12	Var. %	31/12/12	Var. %	31/12/12	Var. %
PROFIT AND LOSS AGGREGATES										
Income from banking and insurance	3.321,4	5,9%	2.081,4	12,4%	5.402,7	8,3%	(407,8)	n.s.	4.994,9	-6,2%
Net impairment losses (reversals) on loans and financial assets	(907,7)	83,8%	(1.901,3)	129,5%	(2.809,0)	112,4%	(85,2)	-33,6%	(2.894,2)	99,5%
Operating expenses	(2.455,2)	-3,4%	(663,8)	-2,7%	(3.119,0)	-3,2%	(176,9)	-10,9%	(3.295,8)	-3,7%
Net operating income	(41,5)	-140,4%	(483,8)	n.s.	(525,2)	n.s.	(669,8)	n.s.	(1.195,1)	n.s.
BALANCE SHEET AGGREGATES										
Interest-bearing loans to customers	60.042	-4,3%	63.837	-3,6%	123.879	-3,9%	10.837	-4,1%	134.717	-3,9%
Deposits from customers and debt securities issued(*)	75.689	-1,4%	21.185	-2,5%	96.874	-1,6%	38.796	-19,4%	135.670	-7,5%
Indirect funding - Distribution network	65.146	-2,0%	27.869	-30,1%	93.015	-12,6%	21.161	-15,6%	114.176	-13,1%
Assets under management	*40.807*	*-1,2%*	*1.347*	*-23,7%*	42.154	*-2,1%*	*2.385*	*7,3%*	44.540	*-1,6%*
Assets under custody	*24.339*	*-3,5%*	*26.522*	*-30,4%*	50.861	*-19,7%*	*18.776*	*-17,9%*	69.636	*-19,2%*

(*) Retail Banking and Corporate Banking figures are only referred to the distribution networks of BMPS and BAV. It is noted 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 like-for-like since 2011 figures for comparison were restated excluding input from Biverbanca which was classified among assets held for sale and discontinued operations at the end of June 2012.

Retail & Corporate Banking Division

Retail banking

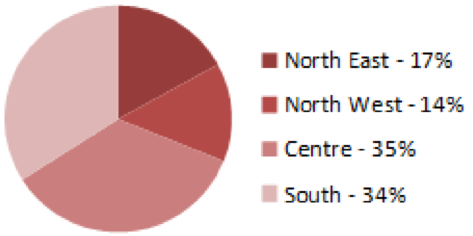
Areas of business

- Funding, lending and provision of financial and non-financial services (including through electronic payment instruments) to Retail customers.
- Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on non-strictly financial services (tax planning, real estate, art & legal) and financial advisory.
- Consumer lending (through the subsidiary, Consum.it).

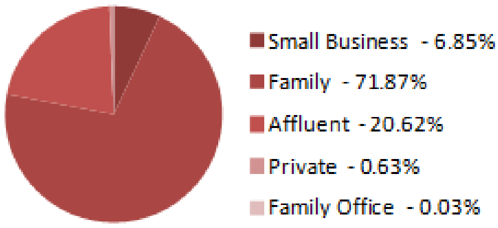
Target customers

Retail customers amount to around 5.6 mln.

Retail customers: breakdown by geography



Retail customers: breakdown by type



Retail Banking also includes customers managed by the financial advisory network (approx. 120 thousand customers, partly shared with the Network).

Profit & loss and balance sheet results

As at 31/12/2012 **total funding from Retail banking customers** stood at approx. **EUR 141 bn**, continuing to be substantially in line with the result in the previous quarter (-0.6%) though falling by 1.7% from 31/12/2011. **Direct funding,** which came to approx. **EUR 76 bn**, registered an increase in short-term deposits by Affluent customers in Q4 while a decline in current account deposits was recorded for Small Business customers. A year-on-year comparison, on the other hand, shows an overall fall in volumes of approx. EUR 1 bn as an offsetting effect from the drop in on-demand products, evenly distributed among the markets, and from the increase in short-term investments particularly by Affluent customers.

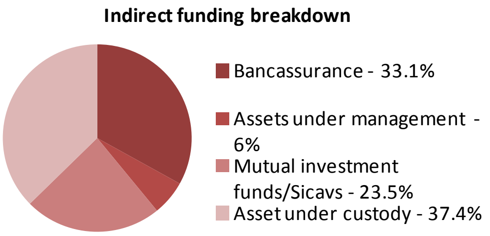
Indirect funding, accounting for approx. **EUR 65 bn,** fell by 1.7% from 30/09/2012 owing to the decline in assets under custody. As compared to the end of 2011, the aggregate registered a downturn of 2% as a result of the lower revenues from bancassurance (- EUR 752 mln) and the reduction in assets under custody (- EUR 874 mln).

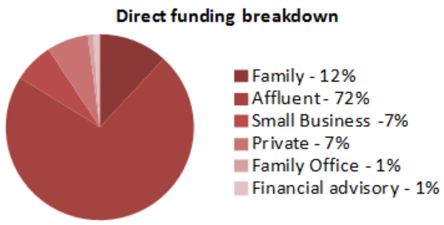
With regard to credit management, **"interest-bearing loans"**, which stood in the region of **EUR 60 bn**, were down from both 30/09/2012 (-1.1%) and from the previous year (-4.3%) primarily on the back of a lower demand for medium/long term credit by households and small businesses.

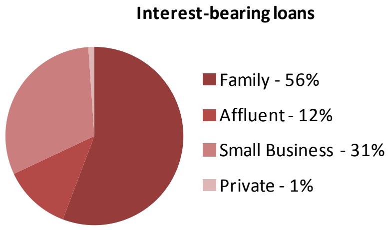
Retail Banking - balance Sheet aggregates

(million of Euro)	31/12/12	30/09/12	31/12/11	chg. %q/q	chg. %Y/Y
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES ISSUED - DISTRIBUTION NETWORK(*)	**75,689**	**75,481**	**76,762**	**0.3%**	**-1.4%**
Assets under management	*40,807*	*40,876*	*41,283*	*-0.2%*	*-1.2%*
Assets under custody	*24,339*	*25,369*	*25,212*	*-4.1%*	*-3.5%*
INDIRECT FUNDING - DISTRIBUTION NETWORK	**65,146**	**66,245**	**66,495**	**-1.7%**	**-2.0%**
TOTAL FUNDING - DISTRIBUTION NETWORK	**140,834**	**141,727**	**143,257**	**-0.6%**	**-1.7%**
INTEREST-BEARING LOANS TO CUSTOMERS	**60,042**	**60,731**	**62,742**	**-1.1%**	**-4.3%**

(*) Franchise of Banca Monte dei Paschi di Siena and Banca Antonveneta







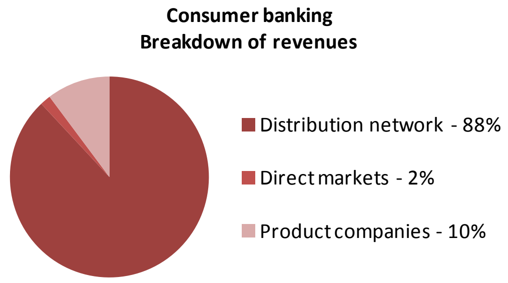
With regard to profit and loss, Retail banking achieved **total revenues** of approx. **EUR 3.3 bn** in 2012, a 5.9% improvement on the level reached in the same period of 2011. The aggregate registers:

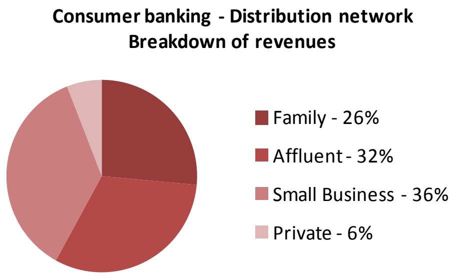
- a rise in net interest income (+1.9%), owing largely to the repricing of interest-bearing assets and increased return on demand deposits resulting from higher internal transfer rates;
- an increase in net fee and commission income (+2.6%), boosted by the positive trend for income from placement of wealth management products;
- an increase in “other revenues” (EUR 194.9 mln against EUR 78.3 mln in the previous year), which was affected by a greater input from activities aimed at improving liquidity profiles.

As for cost components, there was an increase in net impairment losses (reversals) on loans and financial assets, reflective of the persistently difficult economic cycle, and a decline in operating expenses (-3.4%).

As a result of the above components, in 2012 the Retail banking division posted a **Net Operating Income** of approx. **EUR 41.5 mln**, with a **cost-to-income ratio of 74%.**

RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(million of Euro)	31/12/12	31/12/11	chg. %q/q
Net interest income	*1,838.0*	*1,803.4*	*1.9%*
Net fee and commission income	*1,288.5*	*1,255.4*	*2.6%*
Other income	*194.9*	*78.3*	*n.s.*
INCOME FROM BANKING AND INSURANCE	3,321.4	3,137.1	5.9%
Net impairment losses (reversals) on loans and financial assets	*(907.7)*	*(494.0)*	*83.8%*
Operating expenses	*(2,455.2)*	*(2,540.5)*	*-3.4%*
NET OPERATING INCOME	(41.5)	102.7	-140.4%





PERFORMANCE OF COMPANIES REPORTING TO THE RETAIL BANKING DIVISION (net profit/loss for the period)

(million of Euro)	31/12/12	31/12/11	chg. % q/q
Consum.it	9.7	23.7	-59.3%
MPS Fiduciaria	0.9	1.0	-15.5%

Main initiatives

A plan to revive sales & distribution activities was set into motion and strongly stepped up in the second half of the year with the launch of new products, marketing campaigns and promotions which saw over 100 initiatives being implemented in total. Particular focus was placed on direct funding with the offering of new current accounts as part of the "Conto Italiano" range, with features differentiated according to customer segment and needs (the relevant marketing and advertising campaign received a number of important awards and acknowledgments), and the launch of the deposit account, "Conto Italiano di Deposito". "Core banking" objectives were pursued on several fronts, including through the financial advisory network which, as of this year, was able to draw benefit from the further development of supporting operational tools.

The implementation of Business Plan projects focused on the following lines:

Rationalisation of the Sales & Distribution network

Objective - Increase operational efficiency and sales force effectiveness in the branches.

First results - The first 98 branches were closed as part of the plan to rationalise the Group's local footprint, which provides for the closure of 400 branches in total by the end of 2013. Customers and staff of the branches closed have been transferred to nearby branches. A plan to strengthen the sales force was launched.

Business productivity

Objective - Define a new management model for sales & distribution activities in the Network, based upon planning and regional marketing criteria that better tap into the potential of a customer's specific profile and socio-economic background

First results - The 2013 business plan was developed according to micro-based market analyses and initial campaigns have confirmed the effectiveness of the new approach with an increase in the hit ratio of approx. 35%.

Marketing Factory and Multichannels

Objective – Strengthen the Group's marketing activities and increase channels of access to banking services.

First results – The new internet banking platform was made available to all Group customers. Direct marketing was introduced in the insurance sector. The first sales promotions were launched and included "*Un Monte di Risparmi*" to encourage the transfer of savings from other intermediaries.

Bancassurance

Objective - Enhance the value of the partnership with AXA to consolidate the Group's leadership in the distribution of insurance solutions with a particular focus on consumer protection products.

First results - New investment policies were launched in the range of protected unit-linked products known as "Valore Performance" and, in the fourth quarter, in the range of unit-linked "Valore Selezione" which allows customers to link investment performances to funds chosen from a selected portfolio of counterparties. A variety of new insurance products were marketed, including the multi-guarantee product "Mia Protezione", the policy "Pagamento Protetto" which covers an insured party against theft or loss of means of payment, the policy "Vita Preziosa" covering risks associated with the sudden onset of serious illness, the car insurance "Guidare Protetti".

E-money, Payments and Collections

Objective – Strengthen the Group's competitive positioning in the sector, increasing its market share for payment cards and volume of POS transactions to 6%.

First results - The new issuing/acquiring platform for credit cards was implemented (launch planned for the first quarter of 2013), signing an agreement with CartaSi for the technological and administrative management of operations and the provision of after-sales services and customer care. Within the area of card issues, a new payment card offering was completed with the significant rationalisation of products in the catalogue (from around 40 cards to 8) and the provision of new features (e.g.contactless) and new services for Group customers (24/7 call centre, online card information & query, loyalty program).

Asset management and Advice

Objective - Strengthen the Group's competitive positioning in the asset management sectors (direct placement of UCITS and Wealth Management) bringing its market share to 6%.

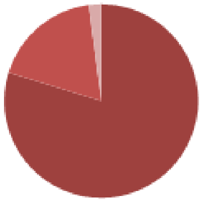
First results – A review was carried out on the offer of coupon/structured funds, with the launch of a new fund "Anima Traguardo" in the second half of the year, and on assets under managment which saw the introduction of a new line of Wealth Management with Prior Consent (GPA Plus). The expansion of customer advisory services continued with investment volumes for the year totalling EUR 29.4 bn.

Finally, the offering of products and services with a particularly significant environmental and social impact was continued and further developed (see Section "Reputation and Social Responsibility").

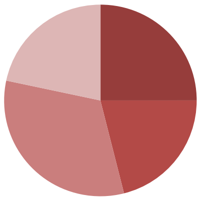
Corporate Banking

Areas of business	Target customers
▪ Lending and offer of financial products and services to businesses, including through strategic partnerships with trade associations and Confidi credit guarantee consortia. ▪ Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring). ▪ Corporate finance – medium-long term credit facilities, corporate finance, capital markets and structured finance). ▪ Products and services issued by the bank's foreign branches to support business expansion and investments by Italian companies abroad.	Corporate Banking customers amount to approximately 76 thousand.

Corporate Customers: breakdown by type



Corporate customers: breakdown by geography



Profit & loss and balance sheet results

As at 31/12/2012, volumes of **total funding with Consumer and Corporate banking customers** amounted to approx. **EUR 49 bn**, down 11.9% on 30/09/2012 and 20.4% on the previous year. **Direct funding**, which came to approx. **EUR 21 bn**, registered a quarterly decrease (-8.1%) owing to the fall in current account deposits and short-term investments, mainly by Institutional customers and, partly, by SMEs. In the year-on-year comparison, volumes dipped 2.5% against 31/12/2011, with a shift between markets which, on the one hand, saw an increase in current account deposits and short-term instruments from SMEs and Large Corporates and, on the other, a decline in volumes from Institutional customers (- EUR 2.6 bn), linked to the reduction in liquidity owing in particular to PA treasury centralisation processes.

Indirect funding, consisting largely in assets under custody, stood at approx. **EUR 28 bn**, down 14.6% from 30/09/2012 and 30.1% as compared to 31/12/2011, having been affected to a considerable extent by the changes in deposits of certain Large Corporate accounts, whose contribution to earnings is, however, almost insignificant.

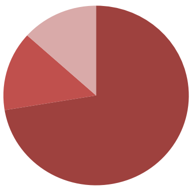
With regard to lending, as at the end of 2012, **interest-bearing loans** stood at EUR 63.8 bn, down on both 30/09/2012 (-3%) and on 31/12/2011 (-3.6%).

CORPORATE BANKING - BALANCE SHEET AGGREGATES

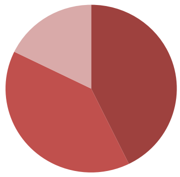
(million of Euro)	31/12/12	30/09/12	31/12/11	chg. % q/q	chg. % y/y
DEPOSITS FROM CUSTOMERS AND DEBT SECURITIES ISSUED - DISTRIBU	21,185	23,054	21,735	-8.1%	-2.5%
Assets under management	*1,347*	*1,405*	*1,766*	*-4.1%*	*-23.7%*
Assets under custody	*26,522*	*31,236*	*38,115*	*-15.1%*	*-30.4%*
INDIRECT FUNDING - DISTRIBUTION NETWORK	27,869	32,641	39,880	-14.6%	-30.1%
TOTAL FUNDING - DISTRIBUTION NETWORK	49,055	55,694	61,616	-11.9%	-20.4%
INTEREST-BEARING LOANS TO CUSTOMERS	63,837	65,837	66,194	-3.0%	-3.6%

(*) Franchise of Banca Monte dei Paschi di Siena and Banca Antonveneta

Corporate banking - Distribution network
Interest-bearing loans



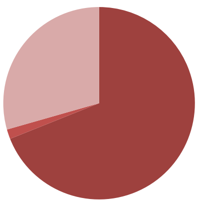
Corporate banking - Distribution network
Direct funding breakdown



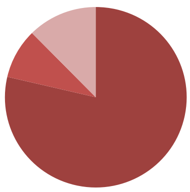
With reference to profit and loss aggregates, **total revenues** for the Corporate banking division came to approx. **EUR 2.1 bln** in 2012 (+12.4% on the previous year) thanks to net interest income (+4% YoY) and higher revenues from trading of MPS Capital Services. **Net operating income** totalled approx. - **EUR 484 mln** reflecting the higher net impairment losses on loans and financial assets compared to the previous year (+121.5%) and a reduction in operating costs (-2.7%). **The Corporate Banking cost-income ratio stands at 32%.**

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(million of Euro)	31/12/12	31/12/11	chg. %y/y
Net interest income	*1,348.7*	*1,297.0*	*4.0%*
Net fee and commission income	*517.8*	*532.5*	*-2.8%*
Other income	*214.9*	*22.0*	*n.s.*
INCOME FROM BANKING AND INSURANCE	2,081.4	1,851.5	12.4%
Net impairment losses (reversals) on loans and financial assets	*(1,901.3)*	*(828.5)*	*129.5%*
Operating expenses	*(663.8)*	*(682.0)*	*-2.7%*
NET OPERATING INCOME	(483.8)	341.0	n.s.

Corporate banking
Breakdown of revenues



Corporate banking - Distribution network
Breakdown of revenues



PERFORMANCE OF COMPANIES REPORTING TO THE CORPORATE BANKING DIVISION (net profit/loss for the period)			
(million of Euro)	31/12/12	31/12/11	chg. %y/y
MPS Capital Services	1.3	45.4	-97%
MPS Leasing & Factoring	(32.9)	10.5	n.s.

Main initiatives

Corporate banking was given a greater impetus in the latter part of the year with the launch of the new Business Plan and was characterised by a number of initiatives, of which the following are of particular relevance:

- Sales & distribution activities were stepped up in the aim of maintaining and increasing market shares in volumes, with a particular focus on the Mid-Corporate segment as a high potential for operations with foreign countries;
- actions have been implemented aimed at improving the quality of loans through an even more attentive analysis of insolvency risk factors and the increase in collateral used to hedge them;
- customer relations with Institutions and Public Administration gave priority to the placement of collection services, risk hedging products (particularly on energy commodities) and the new product “MAV on line”;
- new ways of channeling foreign work flows were also sought using synergies with lending activities, both by reducing undrawn amounts on existing credit lines and by approving applications for new " Signature Loans for Exports" from Italian manufacturers of machinery, giving preference to countries with high growth potential such as Turkey, India and Russia.
- in collaboration with the Confidi credit guarantee consortia in the region of Veneto, a portfolio of loans was created to cover the need for liquidity of SMEs, with operations seeing further developments in 2013.

Furthermore, the offering of products and services with a particularly significant environmental and social impact was continued and further developed (see Section “Reputation and Social Responsibility”).

MPS Capital Services

Corporate finance

- Project Financing - a stronger focus was given to the sectors of infrastructure, utilities and renewable energy.
- M&A - the leading segment was that of medium businesses; major structured and financed transactions included the acquisition of Alpitour, Light Force, SIREMAR and Pool Services.
- Syndication - the company acted as mandated lead arranger for 3 lending transactions for a total of EUR 31.8 mln.
- Finance - in the first part of the year, which was characterised by a positive market trend, risk exposures were gradually reduced; this made it possible to tackle the subsequent phase of turbulence with a stronger positioning, drawing benefit from a financial framework that continued to settle in the last quarter.
- Production - key developments for investment-bancassurance products and hedging derivatives on foreign exchanges/commodities.

Investment banking

- Participation in the issuance of two senior bonds, ENI and Terna, for a total of EUR 2.25 bn.
- Dealer in the third issuance of Italian BTPs for over EUR 18 bn.

Private equity

Support was given to high-potential SMEs through operations of the asset management investee, MPVenture Sgr, which managed 7 closed-end funds over the year totalling over EUR 400 mln.

Subsidised financing

The company acted as the“arranger” for the ‘Ministry of Economic Development’ and the ‘Ministry of Education, Universities and Research’ in relation to public incentives for research and industrialisation. Activities over the year included: the execution of 9 significant research and development projects with the support of the Technological Innovation Fund (pursuant to Law 46/82) and 3 projects for the "Smart Cities - public tender" with funds from the 2007/2013 National Operational Programme (PON) for Research & Competitiveness. Financing under management of a Guarantee Fund for SMEs in the South of Italy was also set in operation.

The Corporate centre

Reporting scope

The segment includes the cancellation of intragroup entries as well as the results of the following:

- Banks governed by foreign law (MP Banque and MP Belgio).
- Head office units,including: governance and support functions, proprietary finance, the 'asset centre' of divisionalised entities, which comprises in particular: ALM, Treasury and Capital Management;
- Business service and support units , particularly with regard to the development and management of information systems (Group Operating Consortium), collection of doubtful loans (MPS Gestione Crediti Banca) and value creation from the Group's real estate (MPS Immobiliare).
- Companies consolidated at equity and companies held for sale.
- Operating units which, on an individual basis, are below the benchmarks required for primary reporting.

Key initiatives

For a description of key actions in the areas of proprietary finance and NPL management, *see* Section "Balance Sheet". For actions aimed at improving the efficiency of the operating model and Group processes as well as developing human capital, *see* chapters "Operational Efficiency" and "Human Resources".

Equity investments

Transactions carried out by the Parent Company:

New equity investments

Acquisition of 90% of Mps Covered Bond 2. The company was set up and became part of the Group as part of a covered bond programme; acquisition of the remaining shares of Agrisviluppo owned by other shareholders, bringing the investment in the company to 100%; acquisition of 5.72% of Cantine Riunite & Civ classified under Financial Assets Available for Sale; acquisition of 4.16% (20.54% at Group level) in Fenice Holding as part of the restructuring agreement with the BF Holding Group.

Capital raising/reinstatement transactions and increases in equity investments

Subscription of capital increase for the subsidiary MPS Leasing & Factoring, thereby maintaining full control; subscription of capital increase, a prerequisite to the extraordinary distribution of reserves, for AXA MPS Assicurazioni Danni and AXA MPS Assicurazioni Vita, leaving the shareholding unchanged; increase from 7% to 100% in the investment held in Mantegna Finance, which thus became part of the Montepaschi Banking Group; subscription of capital increase in Fidi Toscana, increasing the shareholding from 28.146% to 29.227%.

Merger by absorption

Agrisviluppo, effective as of 30/6/2012; Ulisse 2, effective as of 2/7/2012.

Disposal of equity investments

Disposal of investment in Cassa di Risparmio di Biella e Vercelli (Biverbanca) accounting for 60.420% of share capital; disposal of 0.300% investment in Mittel; disposal of 4.893% investment in Aeroporto di Firenze; disposal of 6.161% investment in Siteba Sistemi Telematici Bancari; disposal of 1.198% investment in Calp Immobiliare; disposal of 0.001% investment in Mastercard; reduction of investment in Swift Scrl Society for Worldwide Interbank Financial Telecommunication from 0.217% to 0.137%; disposal of 2.270% investment in Agenzia Polo Ceramico; reduction of investment in Bilanciai International from 2.620% to 1.870%; disposal of 34.060% investment in Beta Prima.

Moreover, following conclusion of the liquidation procedure, the following investments were sold: Giotto Finance 2; Merchant di Filiera; Società per la Promozione dello Sviluppo Economico dell'Area Sud Basilicata; Società per lo Sviluppo del Basso Tavoliere; Progetti; Promart Società di servizi per la promozione e lo sviluppo dell'artigianato e della piccola impresa; Crossing Europe GEIE (EEIG); Moda Mediterranea; Sistema Interportuale Jonico Salentino; Siena Mortgages 03 04.

Transactions by other companies of the Group

- MPS Capital Services: disposal of its 3.316% investment in Arkimedica; subscription to capital increase of Re.Ge.Im Realizzazioni e Gestioni Immobili di qualità; acquisition of 16.38% of Fenice Holding as part of the BF Holding Group's restructuring agreement.
- Monte Paschi Banque: merger by absorption of Monte Paschi Assurances France Societe Anonyme as of 30/09/2012.
- Agrisviluppo: acquisition of 23.101% of Caseificio Sociale del Parco Società Cooperativa; acquisition of 16.401% of the company Castel Carni following subscription to share capital increase; acquisition of 0.012% of Progeo Soc. Coop. Agricola; disposal of 6.368% investment in Consorzio Casalasco del Pomodoro Soc. Coop. Agricola; investment in Consorzio Granterre Caseifici e Allevamenti Soc. Coop. Agricola reduced from 10.430% to 7.630%; investment in Unipeg Soc. Coop. Agricola reduced from 17.722% to 1.488%.

Management of non-financial strategic resources

This section provides a yearly overview of the levels and trends of some of the most important non-financial resources when it comes to supporting Group performance and value, in line with the expectations of stakeholders: operational efficiency, human capital, customerbase, reputation and social responsibility.

Operational efficiency

The current Business Plan includes several measures aimed at improving the efficiency of the Group's business and process model.

It is expected that once these measures are fully operational, personnel costs will be cut by EUR 299 mln (-4%) and a structural reduction in other administrative costs will be achieved for a total of EUR 285 mln (-7%); the measures will also be a step towards:

- continuously ensuring the optimum efficiency of customer service channels.
- achieving additional savings in the use of natural resources and reducing related environmental impacts.
- further improving the protection of health and safety in the workplace.

Innovation in the business model

- Organisational restructuring of the Parent Company (Headquarters and Sales & Distribution network) and simplification/streamlining of the corporate structure: Regional areas were reduced from 12 to 8, Local Market Units from 115 to 62 and plans were initiated for the closure of 400 branches, identified owing to their proximity to other group branches and their underperformance (the first 100 have already been closed, the remaining 300 will be closed by June 2013), with no repercussions on personnel and with the objective of retaining almost all customers.
- Optimised use of the Headquarters through space management measures. Specifically, 13 properties have already been released with a further 27 being released in 2013.
- Value creation from real estate with the expected sale of 204 properties (43 were sold in 2012).
- Redesign of accounting, administrative, management and operating systems for the Headquarters and the Sales & distribution network. In particular, an ad hoc organisational Division was set up and several actions were planned to improve operational efficiency and related risk monitoring.
- Development and distribution of advanced communication tools to deliver "paperless" operations management.

Indicators	**31/12/2012**	31/12/2011
Cost/Income ratio (%)	**66.0**	64.2
Personnel expenses (EUR/mln)	**1,988.9**	2,131.9
Other administrative expenses (EUR/mln)	**1,107.7**	1,096.1
ATM service level (%)	**96.4**	96.3
Frequency of workplace accidents*	**3.13**	4.93
Energy consumption (GJoule)	**1,048,606**	1,076,589
Paper consumption (T)	**3,480**	4,434
CO_2 emissions (T)**	**21,048**	22,693

**Number of accidents per million hours worked.*
***The figure includes "scope 1" and "scope 2" greenhouse gas emissions according to the international GHG Protocol classification.*

Cost optimisation

Launch of a series of initiatives to eliminate non-indispensable administrative expenses, including sponsorships:

- reduction in decision-making powers of cost centres.
- higher levels of approval.
- set up of a specific task force (the Cost Optimisation Room).
- renegotiation of leasing contracts.
- review of contracting models with leading suppliers and launch of relevant renegotiations.

Also during the year, the BoDs of the subsidiaries were renewed with savings of approximately EUR 1.5 mln within their respective mandates.

Environmental sustainability

The Group's direct impact on the environment is monitored through an ad hoc management system compliant with ISO14001.

In particular, a number of actions were developed over the year to reduce the consumption of paper and energy and raise awareness of such objectives among employees.

Reduced paper consumption

Total paper consumption decreased by around 20% compared to 2011, the first result from a specific "paperless bank" project launched in the course of the year. Key measures undertaken include:

- extension of paperless instruments and work methods.
- rationalisation of the number of printers.
- promotion of the service, On-line documents, and its automatic activation for new internet banking contracts.
- elimination of accounting statements in branches.

In addition, there was a further increase in the use of recylced paper for in-house printing (21%) and, owing also to the above measures, there was a decrease in refuse (-22%) with a particular regard to "paper and cardboard” (-48%).

Energy savings and the carbon footprint

Energy consumption and resulting greenhouse gas emissions (the so-called Carbon Footprint) are regularly monitored in relation to relevant operational areas such as property & facility management, information technology, business travel.

During the year, 21,048 tonnes of CO_2 were produced (-7% from 2011) equal to 708 Kg per employee. This confirms the positive trend seen in recent years which has seen a gradual decline in (such) emissions as a result of the ever-increasing use of energy from renewable sources (99.8%) as well as the energy savings achieved: during the year, approximately 1.05 million GJoules were consumed (-3% compared to 2011).

The energy management function implements annuals plans for the reduction of energy consumption which, over the year, specifically regarded:

- completing the replacement of obsolete air conditioning systems.
- verifying and optimising the settings of air conditioning systems.
- further updating IT equipment with attention paid to the relative levels of consumption.
- space management activities.

Other initiatives consisted of:

- the installation of a photovoltaic system for self-production of electrical energy at the Siena-San Miniato headquarters.
- the acquisition of Energy Efficiency Certificates (a.k.a. ‘white certificates’) for guaranteed savings in the use of the roughly 30 thousand PCs within the Group.
- several initiatives undertaken by the Mobility Management Function, such as the cutback in business trips, a significant reduction in the company car fleet, the introduction of electric cars for shorter commutes.

Health & safety in the workplace

A system is in place to address employee health and safety issues in compliance with standard OHSAS18001.

During the year, the system was further improved with measures which included:

- the development of a new IT system for more efficient monitoring of safety matters;
- the monitoring of health and safety risks in the branches through checks for the presence of radon, asbestos, electromagnetic fields;
- training of around 10 thousand employees.
- the implementation of a new robbery prevention system, partly through technological solutions for handling cash and monitoring personal safety in the branches.

During the year, there were 136 accidents on the workplace: the frequency was lower than that of 2011 (3.13 compared to 4.93). On the other hand, there was an increase in the number of robberies (167 in 2012): an objective has been set to reduce the risk of robbery by around 50% over the next three years.

Human Resources

The Group employed 30,265 people as at 31/12/2012. Since the start of the year, there have been 125 new hires and 347 terminations. More specifically, the employment relationship with 106 executives was terminated, thereby decreasing the percentage of executives to total headcount to 1.5%, well below the industry average (2.1%).

The increase in Head Office Units, from 30.7% to 32.5% of total Group headcount is entirely attributable to a different organisational setup adopted by peripheral structures, which centralised the coordination activities, and thus accounting, of certain sales & distribution and credit activities managed by the Local Market Units to Area units.

Indicators	**31/12/201**	31/12/2011
Headcount*	**30,265**	**30,424**
Operational location (%)		
Head Offices	**32.5**	30.7
Italy Network	**65.7**	67.6
Foreign Network	**1.8**	1.7
Professional/occupational level		
Executives	**1.5**	1.7
Middle Managers	**38.8**	38.0
Other	**59.7**	60.3
Other indicators		
Training per capita (hours)	**36**	49
Training costs (Millions of euro)	**4.8**	5.4
Female staff (%)	**45.1**	44.8
Female executives (%)	**5.2**	4.6
Rate of absence (%)**	**5.31**	4.69

**The balance as at 31/12/2012 reflects, in addition to personnel inflows and outflows, other types of movement (63 resources) due to the return of staff seconded with companies outside the Group and indirect subsidiaries.*
**Days absent due to illness or injury in relation to total days woked during the year.*

Human resource development and management strategy

The human resource development and management strategy hinges on three essential criteria: renewal ability, sense of belonging, professionalism and motivation. This is as stated in the Business Plan and will be developed according to the following two main guidelines:

- a new HR management model (with the definition of "key" behaviours, to be shared with all staff) and a new performance evaluation system which will give direction to the business by establishing quali-quantitative and behavioural goals;
- a new merit-based reward system (Work By Objectives - WBO) ;
- a plan for stronger employee engagement, which will include: 1) the introduction of remuneration systems based on roles and relocations; 2) the strengthening of employee welfare with the introduction of benefits for individuals and families; 3) ongoing corporate climate monitoring.

In order to facilitate the delivery of all "industrial" actions and ensure the relaunch of the Group, the implementation phase was launched with the aim of ensuring maximum engagement of all employees and an active policy of human resource management.

Key activities during the year included:

- analysis of the quality of resources in positions of responsibility - skills specifications and potential for further development and professional growth were mapped out; "High-talented" resources were identified for involvement in major Business Plan projects;
- setup of a new talent and performance management process – the process will be effective as of 2013 and will seek a more comprehensive and systematic management of all activities aimed at assessing performance and supporting the professional growth of employees through strategies which include internal job rotation and job posting;
- a growing use of the so-called “self-development workshops” to help employees recognise their skills and grow professionally while creating a pool of resources from which to fill the Group’s future management positions (the initiative has involved 2,500 resources so far);
- implementation of a new management model for personnel working in the Bank's head offices. The model is centred around the Function of the “HR Business Partner” as an important reference point for the widespread implementation of human resource management and development strategies;

- Introduction of a newly developed incentive system based on the allocation of quantitative and qualitative objectives, diversified by business unit and professional category on the basis of transparent and shared criteria.

Equal opportunities

The professional development of human resources is oriented towards principles of equal opportunity. In particular, the following are in place as a support to female staff:

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

The percentage of female staff totalled approximately 45% as at 31/12/2012 (an increase of 7.2 percentage points in ten years).

Other equal opportunity indicators also show an improvement. Among these: women holding positions of responsibility (approx. 40%) and, albeit still low, the percentage of female executives (5.2%; it was less than half in 2002).

Training

Training activities involved around 94% of employees for a total of 1 million hours. On average, therefore, each employee took part in aound 36 hours of training (69% classroom-based and 31% online).

The investment in training (around EUR 4.8 mln was spent) was aimed at supporting:

- the development of a business approach focused on listening to and supporting customers in order to increase the efficiency and productivity of the sales and distribution network;
- the appropriate management of risk profiles/business opportunities;
- the development of technical and managerial skills necessary to be able to consistently rely on a level of professionalism capable of ensuring customer service excellence;
- the drive of resources in pursuing their career development paths.

Training activities were particularly focused on the following aspects: Life protection, pensions and savings; credit and the management of problem loans; financial matters for sales & distribution roles; updates for all personnel on key banking regulations; managerial skills for branch managers; corporate social responsibility and sustainable relationships with customers and other stakeholders.

Organisational restructuring and managing impact on personnel

With the new Business Plan, objectives of operational efficiency and rationalisation are pursued through the implementation of several important organisational restructuring actions: 1) new organisational setup of the Parent Company and regional coordination structures; 2) rationalisation of the sales & distribution network; 3) corporate mergers, asset disposals and outsourcing of administrative activities.

These actions, identified as necessary to strengthen the Group, were also evaluated from the perspective of social sustainability in order to manage (also through talks with the trade unions) any repercussions on employees.

More specifically, in the second half of the year, a significant project was put in place to reorganise Group's local coordination units (Local Market Units and Areas), both in terms of structure and headcount, with the consequent retraining of approx. 200 staff for “front line” funding and lending activities (previously accounted for under "Head Office Units”). The accounting effects from streamlining the structures of the Regional Areas will be seen in figures from as early as the first quarter of 2013 and will be completed in subsequent months.

The aspects of professional and geographical mobility as a result of reorganisation are managed in a number of ways, including through meetings aimed at balancing company needs with the aspirations, motivation and skill of personnel concerned.

In addition, specific actions to realign headcount were implemented in order to "sustain" the outflow of around 150 resources in 2012 without hiring new personnel.

Finally, with regard to the administrative outsourcing project, targeted safeguard clauses have been identified to maintain current occupational levels for personnel in scope(approx. 1,100 resources) with a view to protecting employment by exploringnew service revenue opportunities with a partner.

Industrial relations

Objectives of personnel cost containment and various other issues relating to the Business Plan were discussed with the trade unions.

After an initially difficult and demanding phase, which saw negotiations with the trade unions come to an end without reaching a common solution (and with strike actions by the employees) on 19/12/2012 the Bank and the majority of trade unions signed a draft agreement which focused on: 1) drafting a new Supplementary Corporate Labour Agreement; 2) defining the guidelines which will support the processes of outsourcing administrative activities; 3) managing the needs of personnel relocated as a result of Group reorganisation.

More specifically, the new Supplementary Corporate Labour Agreement safeguards the core elements of the employment relationship (welfare, health and safety, conditions for personnel, lunch vouchers, incentive system and company bonus) albeit within a more modern framework that is consistent with the prevailing context. It also confirms the Group's focus on young resources with the introduction of economic supplements for new recruits.

Moreover, the agreement provides for the retirement of over 1,600 resources, partly as a result of the Banking Industry's Solidarity Fund which will allow [eligible] employees to terminate their employment and be assisted until they reach eligibility for full pension benefits; in this case, the agreement provides for an economic supplement in addition to the one paid by the Fund itself. The transaction will be financed by initiatives of solidarity such as the '4-6 day a year' work suspension for all employees from 2013-15.

The customerbase

The customerbase

The Group has approximately 6 mln customers:

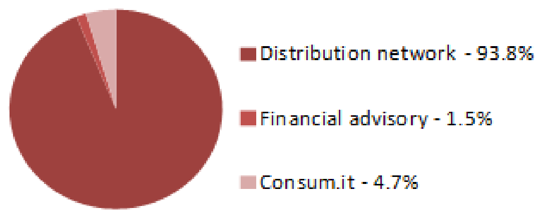
- Roughly 5.6 million are managed by the sales & distribution networks of Banca Mps and Banca Antonveneta;
- approximately 400 thousand customers are managed exclusively by Consum.it, the Group company specialised in consumer loans, and by the Financial Advisory Network.

Retail & Corporate customers are evenly distributed across the country. They are sub-divided into customer clusters, each of which is associated with an ad hoc service model.

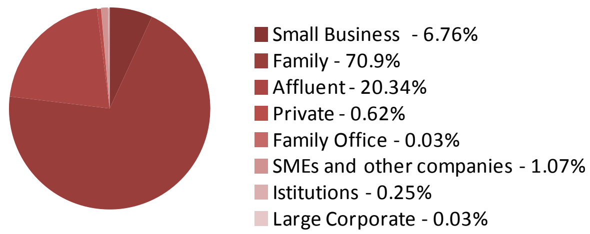
Indicators	31/12/2012	31/12/2011
Branches in Italy	**2,671**	2,793
ATMs	**3,426**	3,485
Active remote banking users	**907,426**	871,102
Acquisition (%)	**5.0**	5.0
Retention (%)	**95.7**	95.9
Complaints received	**9,740**	10,069
Complaints-average response time (days)*	**23**	24

**Complaints managed with regular procedure regarding disputes about investment services, complex issues and amounts exceeding 10 thousand euros.*

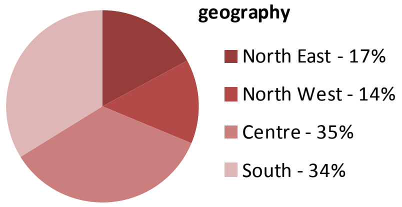
Customers breakdown



Customers: breakdown by type



Retail and corporate Customers: breakdown by geography



The customerbase remained substantially stable in 2012. The overall retention and acquisition rates were in line with 2011 values, with a particularly marked increase in the number of Family customers (approx. +80 thousand) and a net loss of around 1,000 SME customers.

Distribution channels

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

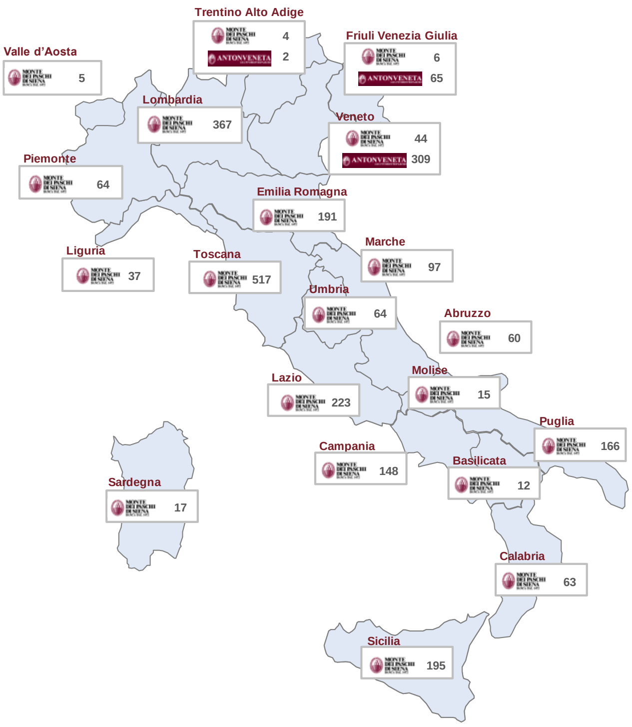
Physical channels

In Italy there are 2,671 branches, 270 specialised centres dedicated to SME customers (133), Private customers (82) and Institutions (55), and 3,426 ATMs. Operations include a further 771 Financial Advisors supported by 138 regional offices.

During the year, plans were initiated for the closure of 400 branches, identified owing to their proximity to other Group branches and their underperformance (the first 100 have already been closed, the remaining 300 will be closed in the course of 2013). Customers and staff of the branches closed have been transferred to nearby branches.

The Foreign network 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), MP Banque (17 branches).

Ripartizione per Regione delle filiali del Gruppo in Italia al 31.12.2012 – *Totale 2.671*



Remote channels

Active customers of multichannel services amounted to 907,426 as at 31/12/2012 (+4% year-on-year).

The new internet banking platform, "Paskey", became fully operational during the year. The platform, dedicated to retail customers, allows for the immediate use of all major banking services through the most advanced "user experience" criteria which also earned the bank the Innova@Retail Award in the category "best customer application".

Furthermore, mobile banking solutions were further developed with the release of an interface for iPad tablets and the Android smartphones.

Customer Satisfaction

In addition to the ordinary channels of customer care for direct banking services, i.e. the customer's branch experience and remote banking support (telephone and email), ad hoc surveys are used to monitor customer satisfaction. These surveys are normally carried out every three years for Corporate customers (the next is planned for 2013) and annually for Consumer customers.

With regard to the latter, the first web survey was carried out in 2012 and involved approximately 130 thousand customers who were also given the opportunity to provide any additional unsolicited feedback through a dedicated mailbox. The results are currently being processed and will be available in the first quarter of 2013.

The levels of customer service are also verified by monitoring a broad set of indicators which make up the quality dashboard "Tableau de Bord". During the year, the indicators particularly highlighted the following: 1) good performance in asset management, card fraud prevention, IT support for the network, level of internal training; 2) some weaknesses in credit response time, frequency of contacts with customers and contact centre services. To this effect, the Tableau constitutes an important reference point within the specific Improvement plans of all sales & distribution functions.

Complaints management

9,740 complaints were reported in 2012 (-3% as compared to 2011). Average resolution time through ordinary internal procedures was below the limits set by the Bank of Italy (23 vs 30 days). During the year, in order to increase overall efficiency in the management of customer complaints and reduce response time, procedures were simplified (for minor disputes and amounts below 5 thousand euros) and accelerated (in more complex cases and for amounts between 5 and 10 thousand euros). In these cases, average resolution time stood at 10 and 19 days respectively.

A further 1,438 complaints were handled through Alternative Dispute Resolution (777 in 2011).

Reputation and corporate social responsibility

Reputation

The Bank has a strong and widely-recognised brand which identifies its business, products and services.

For this reason, it is subject to the opinion of customers, other stakeholders as well as the general public, all of whom influence - for better or for worse - the Bank's reputation.

Brand and reputation together with related strengths and risk factors are continuously monitored through quantitative and qualitative analysis of the Group's exposure in the media and the level of consensus of banking service users is checked on a regular basis.

In 2012 the Bank's brand and reputation were affected by the perception of the banking system as a whole. In particular, it was penalised by criticism leveled at the system regarding the high cost of services and the reduction in lending. However, it continues to be recognised for the importance it attaches to customer relationships and the professionalism of personnel.

During the year, the Bank also had to cope with the media impact following the legal investigations regarding the acquisition of Banca Antonveneta and, in the first half of 2013, the structured transactions, "Alexandria", "Santorini" and "Nota Italia" which led to the restatement of prior years' accounts. The Bank's response was firm and decisive in safeguarding its interests, reputation and customer trust in line with the focus placed on transparency by the new management and the BoD. In particular, the Chairman and the Chief Executive Officer used every means of communication to give the correct information on these events and worked intensively with all relevant Head Office units to help the network respond to the legitimate questions of customers.

Indicators	**31/12/2012**	31/12/2011
Brand reputation (scale 0-100)*	**59.0**	63.4
Reputational risk (scala 0-10)**	**5.1**	2.0
Negative press coverage (%)***	**13.7**	4.4

**Index calculated on the basis of results from interviews with a sample of current account holders. Industry average = 59.0.*
***Index calculated on the basis of data from monitoring of web sources.*
****Percentage of negative press articles about the bank. Data as at 31/12/2012 refers to the first nine months of the year.*

Corporate social responsibility

Corporate social responsibility is important to the Bank's reputation. On the premise that there is no contradiction between corporate social responsibility, operational efficiency and productivity, the Group has, for several years, consciously integrated environmental and social aspects in its business strategies and has worked towards consolidating the quality of high added-value strategic resources such as human resources, the customerbase, reputation and reliability, as mentioned in previous chapters.

A lot of progress has been made in this area, establishing the Group as a source of good practice within the banking sector. In 2012 it was again recognised by the industry's leading analysts with the inclusion of BMPS in financial indices such as the Dow Jones Sustainability Index (World and Europe) and FTSE4Good.

Activities will continue over the coming years with the following priorities:

- fair business - strengthen management of the bank's administrative responsibilities and its Code of Ethics;
- skills and success at work - develop new talent & performance management and incentive systems;
- corporate welfare - maintain the company's welfare system within a context of major workforce restructuring;
- equal opportunities - introduce tools to boost value generation through greater involvement of female staff;
- consumer protection - increase the ability to satisfy customer needs through micro-based models of local marketing and an offer of simpler and more user-friendly products/services;
- financial inclusion - continue to focus on [the elimination of] factors which may limit access to banking services for the more vulnerable sections of society.
- business growth and innovation - increase business credit quality with the integration of sustainability-centric assessment models;
- climate change - implement programs with a more efficient and environmentally-friendly management of energy and paper.

Details are partly contained in this report in line with integrated reporting practices. Further information and insight can be found in the Sustainability Report published on the website www.mps.it in accordance with the "Sustainability Reporting Guidelines & Financial Services Sector Supplement" of the Global Reporting Initiative.

Corporate citizenship

Apart from the social function of lending and other core banking activities, the Group exercises its moral duties of corporate citizenship within its sphere of influence, contributing to the creation of added value in society by pushing short-term profit targets into second place.

Indicators	31/12/2012	31/12/2011
Financial inclusion *(weak customers)*		
-Young customers (n.)	**622,112**	620,304
-Immigrants (no.)	**312,444**	287,112
-Small business (no.)	**382,415**	382,109
Social welfare		
-Contributions (millions of euro)*	**34.9**	43.5
-Microcredit (no.)	**731**	869
Corporate sustainability		
-Loans for environmental purposesi (millions of euro)	**1,044**	1,350
-Vendor sustainability rating (scale 1-10)	**4.95**	4.64

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

Financial inclusion

The offer is continuously updated in order to provide the more vulnerable sections of society with social benefits in addition to standard products and services.

Key measures implemented in the course of the year included:

- an array of solutions to support SMEs, ranging from operations under the agreement "New measures for credit to SMEs" signed by the Italian Banking Association, the Ministry of Economy and Finance, the Ministry of Economic Development and leading trade associations to the credit line designed to facilitate the granting of advances on receivables owed to companies by the Public Administration;
- suspension of mortgages and loans and other benefits for families and businesses experiencing temporary financial hardship or as a result of the economic crisis or damaged by natural disasters. In particular, specific products were released in support of populations affected by the earthquake in Emilia Romagna and other areas which were hit by floods during the year. In addition, the suspension of mortgage and personal loan repayments for customers facing greater financial difficulties has been extended as were local initiatives of advancing redundancy benefits (in the fourth quarter this measure was also extended to employees benefitting from solidarity contracts);
- basic current accounts and banking services at low or zero cost for pensioners and people of low economic/financial means. In particular, four new current accounts were marketed with over 1,500 new accounts opened during the year;
- loans at favourable conditions for young people and temporary workers for the purchase of a first home or for study purposes (around EUR 3 million in loans over the year);
- Conto Italiano Senza Frontiere (Italian account without Frontiers) - identifies a true service model for immigrants (accounting for approx. 6% of total customers) including, among other things, zero-cost remittances and very favourable conditions on personal loans. 16,500 new current accounts were opened during the year;
- a training programme for all customer relationship managers working with non-profit organisations in order to further enhance internal expertise, thus making it possible to more effectively monitor and meet the financial needs of these organisations.

Moreover, essential financial means are provided to individuals and families experiencing temporary financial hardship through the disbursement of microloans. The number of operations over the year continued to be high with the disbursement of 731 loans (869 in 2011) for a total of approximately EUR 3.7 mln (EUR 4 mln in 2011).

Financial education

Key initiatives in the area included projects carried out during the year in collaboration with consumer associations as part of ConsumerLab (the workshop organised by the Group to address the more relevant issues of the bank-customer relationship):

- BancAscuola - 10 meetings/events in high schools;
- ConsumerLab at home - 13 meetings/debates held at various Group locations with a view to promoting exchanges between employees, consumer associations and customers on the more heartfelt banking and financial issues, also by opening ad-hoc information desks to the public;
- update of the information guides on some of the key banking services and products.

Moreover, the bank's YouTube channel ran the video series "The economy for everyone", designed to help the public approach and better understand the terms and instruments used in the banking and financial world.

Social welfare

The Group contributes to the activities of public institutions and non-profit organisations for the protection of basic economic and social rights.

Despite the administrative cost containment effort in general, the Group continued to provide a direct contribution to the community with:

- the sponsoring of non-profit initiatives and organisations that are active in the fields of culture, solidarity, voluntary service and environmental protection (137 initiatives overall for approx. Eur 1 million in total);
- Donations towards research, medical and hospital services, social welfare, humanitarian programmes (approx. EUR 2.5 mln);
- contributions towards social projects promoted by local government bodies with whom the Bank has a business relationship (approx. EUR 4.5 mln; +11% year-on-year).

Other contributions included:

- Funds raised through donations made by customers and other voluntary contributors through various channels (specifically set-up current accounts, branches, ATMs, etc.). During the year, these funds were allocated to various projects of solidarity in both Italy and abroad, among which: 1) the construction of wells in Senegal in collaboration with the international humanitarian organisation, ACRA (*Associazione di Cooperazione Rurale in Africa ed America Latina*); 2) the prevention and treatment of serious illnesses in collaboration with the Association "Trenta Ore per la Vita" (Thirty hours for life); 3) initiatives for children as part of the project, "La Fabbrica del Sorriso" launched by Mediafriends; 4) solidarity projects in local communities through the traditional Christmas fundraising initiative; 5) support to the populations affected by the earthquake in Emilia Romagna and by floods in Tuscany and Umbria.
- the cost of personnel involved in such activities.
- the economic value of advertising expenses, facilities and services made available to non-profit organisations as part of their partnership with the bank.
- shareholding in the capital of Microcredito di Solidarietà spa (40%) to whom the Bank provides operational support through the payment of administrative expenses, the provision of loans and the collection of repayments.

Corporate sustainability

Within its relationship with customers, lending & distribution activities and provision of goods and services, social and environmental aspects are taken into account with a view to contributing to the promotion of corporate culture and more sustainable prodution processes.

Initiatives implemented over the year included the:

- funding of approximately 1,500 environmental investments (especially regarding energy efficiency and renewable energy) in the amount of more than EUR 1 billion;
- testing of specific socio-environmental parameters, to be used for the credit-rating of small and medium businesses. The activity was carried out as part of a specific agreement between the Italian Banking Association and Confindustria (the Italian Employers' Federation);
- monitoring of the Group vendors' sustainability profiles also in correlation with cost management objectives. In particular, the ratings of major vendors were reviewed and the number of "green" products and services was increased.

Governance & Control systems

This chapter provides a summary of the Group's approach to governance, compliance, risk management and compensation of managers, which are important factors in ensuring conditions of sound and prudent banking and are at the basis of processes through which it is possible to generate value both within and outside the company.

Corporate Governance

Corporate governance & control systems

The Group's approach to corporate governance is based on the principles of transparency, integrity and prudence. This is in coherence with the:

- Code of Ethics and the system of Corporate values;
- the long-term vision underlying corporate strategies and behaviours;
- the legitimate expectations of stakeholders.

The model of Corporate Governance and Control chosen by the Parent Company is traditional since it was deemed better suited to ensuring application of the prescribed Corporate Governance approach as well as operational effectiveness (controls, dialogue between Corporate Bodies and Bank management, etc.).

In particular, the model involves:

- segregation between the tasks of strategic supervision and management of the company, which are the responsibility of the BoD, and control activities, assigned to the Board of Statutory Auditors;
- exclusive competence of the Shareholders' Meeting for: appointment and revocation of directors, appointment of members of the Board of Statutory Auditors and determination of their compensation; appointment of independent auditors; approval of financial statements; distribution of profits; management remuneration policies.

Board of Directors	Current	Previous
Directors	**12**	12
Average age	**53**	61
Female directors	**2**	0
Executives	**1**	0
Independent directors	**5**	3
Directors representing minority shareholder interests	**6**	6
Chief Executive Officer	**yes**	no
BoD internal committees		
-Executive	**yes**	no
-Strategy and Sostenibilità	**yes**	no
-Appointments and	**yes**	yes
-Control and Risk**	**yes**	yes
-Independent directors	**yes**	yes

**Previously, the Comittee had exclusive competence regarding the compensation of directors holding particular offices and the remuneration of Top Management. Previously there was no Appointments Committee.*
***Previously referred to as the Internal Controls Committee.*

For further information on this subject, please see the "Report on Corporate Governance and Ownership Structure", prepared in compliance with the guidelines set forth in the Corporate Governance code for listed companies issued by the Italian Stock Exchange and published under the section Investors & Research at www.mps.it.

Significant changes during the year

April - entry into office of new Board of Directors. The current directors will remain in office until date of approval of the 2014 financial statements.

October - decision by the Shareholders' Meeting to amend articles 12, 13, 14, 16, 17 and 27 of the Articles of Association. The amendments concern provisions relating to shareholders' approval of corporate actions, update of matters delegated exclusively to the Board of Directors and, among these, identification of matters that may be delegated to other corporate bodies.

Main activities of the new Board of Directors during the year

- Appointment of Chief Executive Officer, Fabrizio Viola (previously non-existing position).
- Setup of the Executive Committee (non-existing in the two previous mandates) and its Internal Committees.
- Approval of the 2012-2015 Business Plan.
- Renewal of top management with the assignment of new roles of responsibility to a number of strategic executives including the Heads of Human Resources, Risk Management, the Distribution Network, Chief Operating Officer and Chief Financial Officer.
- Approval of "Internal policies on shareholdings and indirect equity investments" to be implemented in order to rationalise the investment portfolio with a view to reducing it and having a consistent risk-return profile. In particular, the Group will proceed to the gradual disposal of investments held in non-financial businesses.
- Reduction of 16 members from the administrative bodies of the subsidiary companies and their related compensation.
- Evaluations regarding the reorganisation of the Regional areas as communicated by the CEO, which involves the implementation of a distribution-focused model with a single sales network and optimised market coverage with respect to geographic needs.
- Resolution regarding proposed mergers of Banca Antonveneta and Mps Gestione Crediti Banca into the Parent company.
- Ratification of the agreement with trade unions regarding Business Plan.
- Adherence to the new Corporate Governance Code for listed companies in relation to which the BoD considered itself largely compliant having already appointed the CEO as director in charge of the internal control and risk management system.
- Initiation of liability actions and claims for damages in relation to certain structured transactions carried out in previous years (March 2013).

Moreover, in the course of the year the BoD carried out the first independent assessments of their adequacy and activities and was involved in a series of "Board Induction" meetings during which internal and external experts discussed the major issues of governance, control, banking, finance, risk, organisation and sales.

Preventing conflicts of interest

Under the Civil Code, industry law and the contract of employment, the directors and employees of the Bank must always behave in such a manner as to avoid any harm to the company arising from conflicts of interest.

During the year, the BoD approved the 'Deliberative procedures governing transactions with related parties" as laid down by Bank of Italy. At the same time, the BoD also revised procedures for related-party transactions, available under the sections Investors & Research at www.mps.it, which the Bank implements in compliance with the specific regulatory framework, as amended by Consob regulation no. 17221 of 12 March 2010.

Related-party transactions

In the course of the year, there were no single transactions having material impact on the Group's financial position or results, nor were any other major transactions concluded that are subject to disclosure under Annex 4) of Consob Regulation no. 17221/2010.

For a description of the more significant related-party transactions in 2012, *see* Part H of the Notes to the Financial Statements.

Compliance and business ethics

Policy

Compliance with the law, fairness and professional ethics are prerequisites in each of the Group's undertakings. These are the values that are integrated into the Group's activities and underly its culture of compliance and corporate reputation.

Regulatory areas having the greatest impact on the Group's activities include: anti-usury, transparency in banking transactions, protection of privacy (Law Decree 196/2003), administrative liability and the fight against corruption (Law Decree 231/2001), management of conflicts of interest and related-party transactions, market abuse, investment services and the application of European MiFID Directive, anti-money laundering and counter-terrorism (Law Decree 231/2007), consumer protection.

In order to manage these areas, specific procedures have been identified and their effective application is verified through risk assessments and internal controls.

In carrying out its activities, the Group also takes account of criteria of business ethics. These criteria are set out in the Code of Ethics and at times, more specifically, in internal policies and procedures.

Indicators	**31/12/2012**	31/12/2011
Compliance *(scale 1 to 5)*		
Anti-usury	**4.07**	4.12
Transparency in banking transactions	**3.47**	4.36
Privacy	**3.65**	4.26
Administrative liability	**3.49**	4.36
Related-party transactions	**3.80**	4.46
Market abuse	**4.52**	4.46
MiFID Directive	**3.63**	4.20
Anti-money laundering and counter-terrorism	**3.95**	4.08
Consumer protection	**3.98**	4.28

Compliance indices show a downward trend mainly due to a context characterised by the highly dynamic nature of legislative actions and the pervasiveness of new regulations introduced in the course of the year, in addition to the changing sensitivity on these issues by the Supervisory Authorities.

The compliance management system

The Compliance function of the Parent Company (the Compliance & Legal Division) is the central unit which oversees the process of compliance, both regulatory and supervisory. It also has the task of: 1) managing claims and Alternative Dispute Resolution with customers and assessing the quality of services provided; 2) overseeing the application of legal obligations in relation to anti-money laundering and counter-terrorism financing.

Compliance of business processes with laws and internal regulations is monitored through either direct surveys or using suitable remote measurement and control tools, in line with industry best practices and the recent guidelines issued by the relevant supervisory authorities.

The results of such monitoring are an important frame of reference in ensuring the necessary reporting flows to the BoD and identifying the improvement actions to be implemented.

The main improvement actions undertaken during the year included:

- updating internal rules on the management and control of non-compliance risk in order to further extend the scope of application to also include regulations having a lesser impact on banking activities;
- checking and revising the Group’s organisation, management and control model under Legislative Decree no. 231/2001 and the Code of Ethics. The newly established Supervisory Board fits within this context: it consists of an independent director and two external professionals in order to better ensure the impartiality of assessments;
- strengthening of tools and resources for the management of anti-money laundering processes;
- training on regulations having a greater impact on the group's activities, for a total of approximately 38 thousand hours and involving around 10 thousand employees;
- identifying possible mechanisms to be introduced in order to optimise synergies with the Internal Audit Function and further increase the effectiveness of compliance checks.

Non-compliance

Within the regulatory areas having the greatest impact on the Group's activities, three sanction measures were received for violations of anti-money laundering rules. Two of these have been appealed by the Bank and are pending. For details and information regarding other legal actions, *see* Part E of the Notes to the Financial Statements.

Furthermore, the Group's activities were, in some cases, found to be non-compliant with regulations regarding the sale of products and services, leading to a total cost of around EUR 6.7 mln (around 13 mln in 2011). In addition, 9,740 complaints were received during the year (10,069 in 2011) and over 10 thousand claims were settled for a total cost of around EUR 21.6 mln (EUR 13.5 mln in 2011) largely owing to a case settled for an amount of EUR 10.7 mln and a claim on OTC derivatives in the approximate amount of EUR 1.6 mln.

Legal proceedings

During its ordinary course of business, the Group is exposed to legal proceedings with causes of action including: compound interest, the placement of bonds issued by countries and companies later in default, the placement of financial plans and products. The Group believes that these proceedings do not have a signifcant impact on its business or on its economic and financial situation.

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

It should also be noted that:

- in accordance with notifications by the judicial authorities, investigations are currently being conducted by the magistrates into financial transactions and resources behind the acquisition of Banca Antonveneta and existing loans to the Monte dei Paschi di Siena Foundation. At the date of this Report, in view of the ongoing investigations and their complexity, the Parent Company has launched a series of preliminary actions for compensation of damages suffered, which are still in the process of being quantified. In any event, it is understood that any compensation is subject to a positive outcome in the civil lawsuits already brought before the court and any criminal lawsuits which the Parent Company may institute if required;
- on 28/01/2013 Codacons, an Italian consumer association, filed an appeal with the Lazio Regional Administrative Court (TAR) seeking annulment of the resolution with which the Executive Board of the Bank of Italy gave the go-ahead for the issue of “Monti bonds” in favour of the Bank. On 22/02/2013 the Court rejected Condacons' appeal. On 2/03/2013 Condacons lodged a new appeal with the same Regional Administrative Court, disputing the measure with which the Ministry of the Economy completed the issuance of “Monti bonds”;
- among the proceedings initiated in previous years, of particular importance is the one undertaken in 2009 by the Italian Antitrust Authority (Autorità Garante della Concorrenza e del Mercato - AGCM) to investigate a possible breach of Article 81 of the EC Treaty. By decision of 3/11/2010, AGCM imposed on the Bank an administrative fine of EUR 910 thousand with the order to abstain, in the future, "from applying the rules of the circuit to which the license agreements are referred, and of contractual clauses with merchants which restrict competitive freedom in the Acquiring market." The Bank appealed the decision which was suspended and, by the ruling of the Regional Administrative Court of 11/07/2011, the appeal was granted and the challenged decision was partially annulled. AGCM has lodged an appeal.

Compensation policies

In the objective of attracting and retaining staff that has professional skills appropriate to the complexity of its business, the Group's remuneration policies are inspired by the values of fairness and economic sustainability based on the following:

- motivation, professional growth support and development of loyalty of all resources, with a special focus on staff members holding roles of responsibility;
- consistency of remuneration with the value of professional services rendered, functionally determined according to nature and strategic "weight" of roles and priority for positions having a high impact on the business;
- differentiation of treatment also according to logics of internal consistency avoiding, however, excessive differences within job categories so as to preserve the values of cohesion and corporate unity, which lie at the basis of the employee's sense of belonging.

The policies do not favour an increase in corporate risk and are thus consistent with the national and international regulatory framework and in line with the objective of creating value over time.

In 2012 the implementation of remuneration policies, in line with market trends, was mainly based on the delivery of strategic objectives set out in the 2012-2015 Business Plan, with particular reference to those relating to the improvement of the Group's efficiency and productivity profile. It should also be noted that the Chairperson, the two Deputy Chairpersons of the BoD and the Chief Executive Officer have waived, in relation to these positions, any compension additional to the one determined for the directors by the Sharedholders' meeting.

For further information, please refer to the “Remuneration Report”, prepared under Article 123-ter of the Consolidated Law on Finance and available under the secion "Investors & Research" at www.mps.it.

Integrated risk and capital management

Risk governance and management models

Risk governance system

The risk governance system adopted by the Group is characterised in particular by a clear-cut distinction of roles and responsibilities of the different functions at first, second and third levels of control. During the year, the organisational structure was further improved with a view to ensuring greater autonomy and forcefulness to risk management actions and to the effectiveness of the entire risk management and control process.

- The Board of Directors of the Parent Company defines strategic guidelines and risk management policies and, at least once a year, sets the overall level of risk appetite for the Group also quantitatively in terms of Economic Capital.
- The Board of Statutory Auditors and the Internal Control Committee evaluate the level of efficiency and adequacy of the Internal Control Systems with particular regard to risk control.
- General Management is responsible for ensuring compliance with risk policies and procedures.
- The Risk Committee establishes Risk Management policies and ensures overall compliance with the limits defined for the various operating levels; proposes the allocation of capital to be submitted to the BoD for approval; evaluates the risk profile reached and therefore the capital consumption (Regulatory and Economic) at both Group level and for each individual company of the Group; analyses risk-return performance indicators.
- The Finance and Liquidity Committee formulates the principles and strategic guidelines relating to proprietary finance; it resolves upon and submits proposals regarding exposure to interest rate and liquidity risk in the banking book and defines capital management actions.
- The Internal Audit area performs an independent and objective "assurance" and advising activity, aimed both at monitoring the compliance of operations and risk trends (also through on-site inspections) and at assessing the efficiency of the overall internal control system with a view to improving the effectiveness and efficiency of the organisation.
- The Risk Management Division, established in 2012 and made to report directly to the Chief Executive Officer, has the task of ensuring the overall functioning of the risk management system; it supervises capital adequacy assessments and the definition of risk appetite; it defines strategic guidelines for loan portfolios; it ensures reporting flows to the Group's Top Management and Governance bodies.
- The Risk Management Area, under the Risk Management Division, defines the integrated methods of risk measurement/analysis and ensures they are constantly monitored. It develops the internal risk models and monitors compliance with the operational limits set by the BoD.
- The Business Control Units (BCUs) which are internal to the Group banks and main areas of business of the Parent Company, carry out conformity checks on transactions and are the first level of organisational supervision of operations within the more general system of Internal Controls. In 2012, the BCUs of the Group Finance area were allocated to the Risk Management Area.

Requirements of autonomy and independence of the Risk Management Division

Autonomy and independence are ensured by the following requirements:

- the appointment/revocation of the Head of Risk Management is the task of the BoD, having obtained the opinion of the Control and Risk Committee and the Board of Statutory Auditors, on the advice of the Director in charge of the Internal Control and Risk Management System.
- the definition of the remuneration structure for the Head of the Division is the task of the BoD which follows the same procedure as for appointments/revocations.

Activities relating to the international regulatory framework

- Pillar 1 - since 2008, the Group has used internal models validated by the Bank of Italy for the measurement and management of credit risk (AIRB - Advanced Internal Rating Based) and operational risk (AMA - Advanced Measurement Approach). Over time, these models have been further developed and their scope of application extended to Group entities not originally included in the initial scope of validation; furthermore, activities continued to be put in place to improve the internal models for market and counterparty risk management. During the year, authorisation was given to extend the use of the AIRB to to Group company, Mps Leasing&Factoring, for credit risk.
- Pillar 2 - a number of actions were undertaken during the year to further improve the Group's Internal Capital Adequacy Assessment Process (ICAAP) which was disclosed to the Bank of Italy as required.
- Pillar 3 - public disclosure is provided on a quarterly basis through the Group's internet site at www.mps.it/Investor+Relations and is continuously updated in accordance with regulatory developments.

Methodology and applications continued to be analysed during the year, as required by the new international Regulatory framework (“Basel 3”), with a particular focus on the management of liquidity, counterparty and market risk and the related adjustment of reporting databases.

An analysis of the Group's Economic Capital

The Overall Economic Capital (or Overall Absorbed Capital) is intended as 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.

Key risks for the Group

Credit risk (including concentration risk); counterparty risk; issuer risk; market risk (price, rate and foreign exchange) of the Trading Book; rate risk of the Banking Book (Asset & Liability Management - ALM); liquidity risk; equity investment risk; UCITS risk (alternativie funds); operational risk; business risk; real estate risk; reputational risk.

Risk inherent in investment products/services for the Group's customers are also monitored, with a view to protecting the customer and preventing any potential reputational repercussions.

In order to quantify the overall Economic Capital, all types of risk mentioned above come into play with the exception of liquidity and reputational risk which, instead, are mitigated through organisational policies and processes.

Risk assessment model

The Risk Management Area regularly quantifies the Group's Economic Capital for each type of risk and periodically reports these to the Risk Committee and the BoD as part of the reporting flows prepared by the Risk Management Division.

Internally-developed measurement models are mainly used. They are based on a Value-at-risk (VaR) approach and their features are summarised in the table below.

Risk measurement models - key features

Type of risks	Measure	Model	Risk factors	Correlation	Economic Capital Treatment
Performing loans	1Y VaR, 99.93%	Credit VaR Internal model	PD and LGD differentiated by type of counterparty, CCF differentiated by product	Correlation based on multivariate analysis between internal default macroeconomic variables	t-Student Copula
Equity investments	3MVaR, 99%	Montecarlo VaR	Volatility in stock prices and comparable indices	Correlations between Stock prices Correlation between proxy indices	1Y, 99.93%, t-Student Copula
Market (Banking Book)	1Y, shift 25bp sensitivity	Maturity Gap	Bucketing on parallel and twist shift nodes of Interest rates		1Y, 99.93%, t-Student Copula
Market (Trading Book)	1day VaR 99%	VaR hystorical simulation – full Revaluation	All market risk factors (IR, EQ, FX, CS,...)	Implicit in the full revaluation historical simulation	1Y, 99.93%, t-Student Copula
Operational	1Y VaR, 99.9%	LDA integrated with external data, in addition to qualitative self assessment	Frequency and *severity* by *event type*	Perfect correlation for conservative reasons	99.93%, t-Student Copula
Business	1Y EaR 99%	Parametric EaR	Volatility of costs and revenues	Correlation between costs and revenues	99.93%, t-Student Copula
Real Estate	1Y VaR, 99%	Parametric VaR	Volatility of real estate indices	Correlation between proxy indices	99.93%, t-Student Copula

Additional information on the measurement systems for each type of risk is reported in Part E of the Notes to the Financial Statements.

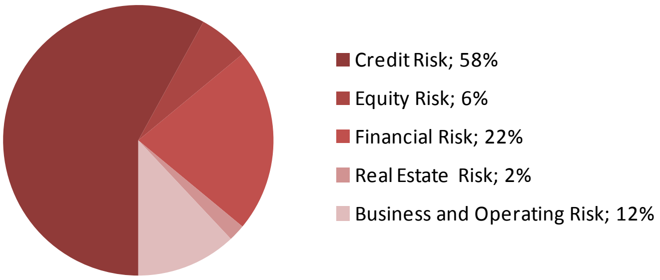
With regard to liquidity risk (which is not factored in when quantifying Overall Economic Capital):

- it is monitored through ad hoc procedures which have been gradually developed;
- operational limits and internal policies are defined for both business as usual and market stress situations for which there are specific contingency plans to be activated should the need arise.

Specific mitigation policies are in place in relation to other risks which cannot be measured (for example, reputational risk).

In the calculation of Overall Economic Capital, the measures relating to each type of risk are standardised both in terms of time horizons (yearly holding period) and selected confidence interval – in line with the target rating of the Group – and are subjected to intra-risk and inter-risk diversification processes.

Diversified Overall Economic Capital as at 31/12/2012



Financial Risk includes risks inherent in the trading portfolio and the ALM Banking Book.

Value Based Management

Economic Capital, in addition to Regulatory Capital, is one of the parameters used by the Group to analyse its performance and ability to create value. More precisely, it is included in the calculation of risk-adjusted profitability indicators at the basis of the wider system of Value Based Management characterising the of budgeting, planning & control and internal reporting processes.

Credit Structured products

Management Models

A portion of the Groups capital is allocated to equity investments which it undertakes with the following objectives:

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

Activities are supervised by an ad hoc organisational unit within the Finance, Treasury and Capital Management Area and is carried out under a broad and varied spectrum of possible financial market areas in order to benefit from risk diversification and a lower exposure to individual sectors: from investments in the markets of government securities, equities and foreign exchanges to those of corporate bonds and credit derivatives.

In particular, investments in Credit Structured Products are made in accordance with the principle of diversification and the support of a "specialist desk" within the subsiidary, Mps Capital Services. The investment process starts with the bottom up analyses carried out by traders and is part of the overall monitoring of risk at portfolio level. As with all equity market operations, these investments are subject to risk limits set by the BoD and monitored daily by the Bank's Business Control Units and Risk Management; Stop Loss, risk and nominal limits for maximum exposure for major issuer categories broken down by rating.

The data reported in this chapter refer to the entire scope of the Group and cover a broad category of Structured Credit Products: from investments in securities issued by special-purpose vehicles and not included in the information relating to consolidated “Special Purpose Entities” to structured credit derivatives (in order to facilitate understanding, a glossary of investment types can be found at the end of this chapter).

In particular:

- Positions in securities, mainly taken in the form of cash instruments, have a total book value of EUR 1,223.72 mln, accounting for approximately 0.56% of consolidated assets, broken down as follows: EUR 214.43 mln (18%) posted to Item 20 "Financial assets held for trading"; EUR 121.71 mln (10%) to Item 40 "Financial assets available for sale"; EUR 887.58 mln (72%) to Items 60 "Loans to banks" and 70 "Loans to customers". It should be noted that not all structured credit products embed credit derivatives which need to be separated from their host contract for IAS/IFRS purposes. For this reason, they differ from the "Structured securities" reported in the Notes to the Financial Statements;
- Derivative positions, held through credit derivatives on standardised indices, have a total book value of - EUR 7.83 mln.

Positions in securities

As at 31/12/2012, positions in securities on structured credit products amounted to a nominal value of EUR 1,490.44, for a total book value of EUR 1,223.72 mln.

The positions are mainly allocated to the Banking Book (book value of 1,081.34 mln; 88% of the total) with a prevalence for CLN structures (48%) followed by CDOs (approx. 30%), ABSs and Leveraged Finance (22%).

Investments in the Regulatory Trading Portfolio, for a book value of approx. EUR 142.38 mln (12% of the toal), consist of CDOs (59%) and ABSs (41%).

Structured Credit products: total exposure

Securities positions

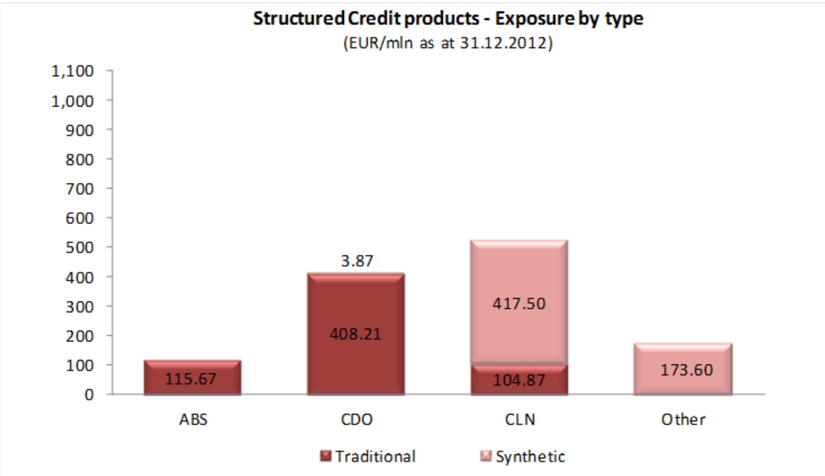
(EUR/mln as at 31.12.2012)

Classification	Instrument Category	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
Banking Book	ABS	63.60	57.44	0.84	0.14	0.70
	CDO	351.61	327.93	3.00	-0.44	0.07
	CLN	679.33	522.37	0.00	13.07	11.39
	Dynamic Managed Portfolio	0.00	0.00	8.12	0.00	0.00
	Leveraged Finance	200.00	173.60	0.00	8.68	0.00
	Banking Book Total	**1294.54**	**1081.34**	**11.96**	**21.45**	**12.16**
Trading Book	ABS	67.03	58.23	1.66	0.88	0.00
	CDO	128.87	84.15	3.75	-10.32	0.00
	Trading Book Total	**195.90**	**142.38**	**5.41**	**-9.44**	**0.00**
Structured Credit products total - 31.12.2012		**1490.44**	**1223.72**	**17.37**	**12.01**	**12.16**

The data is divided into macro-categories of structured credit products and includes realised and unrealised nominal amount, risk exposure and P&L impact for 2012. More specifically, for the risk exposure of positions in securities, the tables report the book value which reflects economic loss in the event of default with a very conservative estimated recovery of zero. "Realised expense and income" consist in losses and profits from trading for the period of reference. "Devaluations and revaluations with a P&L effect show the change in book value directly posted to P&L. In the case of instrument classified as Available For Sale (AFS), devaluations and revaluations show the change in book value posted under net equity reserve.

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

Key changes in the second half of the year include: in the category "CLN", securities classified as "CLN Basket" matured for a total nominal amount of EUR 400 mln; in the category "Dynamic Managed Portfolio", the only type of securies previously present was sold for a nominal amount of EUR 100 mln.



Traditional Structure: investments in funded structures which do not embed credit derivatives.
Synthetic Structure: funded and unfunded structures which embed credit derivatives.
Traditional structures account for 51% and synthetic for 49% of total risk exposure.

Structured Credit products - breakdown by rating
(EUR/mln as at 31.12.2012)

Rating	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
AAA	5.57	5.18	9.11	0.00	0.00
AA+	3.34	2.99	0.00	0.18	0.00
AA	1.34	1.10	0.47	0.00	-0.15
AA-	200.00	173.60	-0.23	8.68	0.00
A+	100.00	104.87	0.00	0.00	11.39
A	512.97	377.61	3.55	41.86	0.00
A-	2.35	2.21	0.05	0.00	0.00
BBB+	153.95	118.85	0.78	-27.92	0.56
BBB	37.20	24.13	0.12	-8.88	0.00
BBB-	258.30	255.22	-0.25	0.15	0.00
BB+	7.80	7.41	0.00	0.30	0.00
BB-	2.00	1.10	0.00	0.00	0.00
B	6.00	0.51	0.00	-0.54	0.00
B-	56.20	50.79	0.00	0.00	0.00
CCC	93.72	72.87	-0.28	-1.14	0.00
CCC-	22.51	1.58	4.03	-0.38	-0.20
CC	1.54	0.80	0.02	0.14	0.49
D	1.35	0.00	0.00	0.00	0.00
Not Rated	24.30	22.90	0.00	-0.44	0.07
Total	**1490.44**	**1223.72**	**17.37**	**12.01**	**12.16**

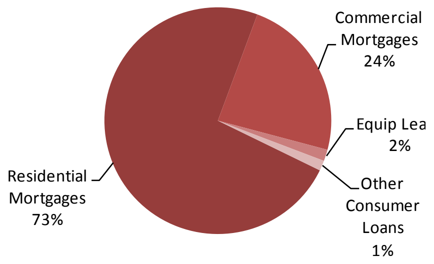
86% of nominal exposures is made up by Investment Grade Securities (with rating up to BBB-), with Subinvestment Grade or Non Rated securities making up the remaining 14%.

ABS Exposures

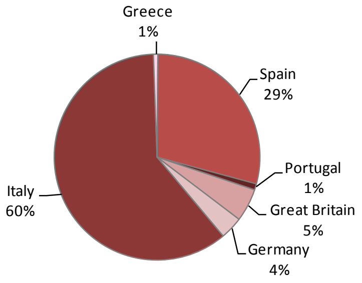
Breakdown by type
(figures in EUR/mln as at 31/12/2012)

Classification	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
RMBS	88.71	84.95	1.95	1.88	0.56
CMBS	36.14	27.15	0.44	-1.01	-0.35
Other ABS	5.78	3.57	0.11	0.15	0.49
Total	**130.63**	**115.67**	**2.50**	**1.02**	**0.70**

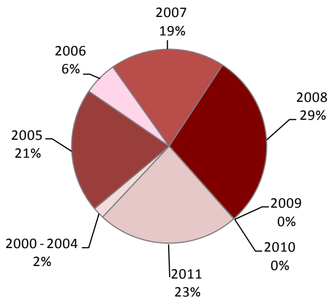
Breakdown of underlying assets by segment



Breakdown of underlying assets by geographic area



Breakdown of underlying assets by segment



97% of the book value refers to positions with underlying residential and commercial mortgages which make up 73% and 24% respectively.

In terms of book value, 60% of ABS exposures are allocated to Italian underlying assets, 29% to Spanish, 5% to British and 4% to German. A negligible residual percentage engages Portuguese and Greek underlying assets and those originated by US vehicles.

CDO Exposures

Breakdown by type of product and tranche seniority

(figures in EUR/mln as at 31/12/2012)

Classification	Seniority	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
CBO	JUNIOR	4.58	3.56	0.00	-0.44	0.00
CBO	SENIOR	101.52	80.28	-0.28	-0.84	0.00
CDO di ABS	SENIOR	327.31	305.03	-0.31	0.00	0.00
CDO3	JUNIOR	0.00	0.00	3.31	0.00	0.00
CLO	MEZZANINE	19.72	19.34	0.00	0.00	0.07
Managed CDO	MEZZANINE	1.35	0.00	0.00	0.00	0.00
Managed CDO	SENIOR	26.00	3.87	4.03	-9.48	0.00
Total		**480.48**	**412.08**	**6.75**	**-10.76**	**0.07**

The main category is represented by ABS CDOs (74%). Senior tranches make up approx. 94% of the entire portfolio. There are no positions with underlying assets originated by US vehicles. During the second half of the year, the Group's only exposure in CDO3 was closed.

CLN exposures and Leveraged Finance

The nominal value of CLN exposures as at 31/12/2012 was EUR 679.33 mln, entirely contained in the Banking Book.

CLN Exposure
(EUR/mln as at 31.12.2012)

Classification	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
SPE CLN	679.33	522.37	0.00	13.07	11.39
Total	**679.33**	**522.37**	**0.00**	**13.07**	**11.39**

As at 31/12/2012, there was only one security classified as a Leveraged Loan (LL) for a total nominal amount of EUR 200 mln.

Leveraged Finance
(EUR/mln as at 31.12.2012)

Classification	Nominal	Risk Exposure	Realized Profit/Loss	Unrealized Profit/Loss	Effect on Net Equity
LL	200.00	173.60	0.00	8.68	0.00
Totale	**200.00**	**173.60**	**0.00**	**8.68**	**0.00**

Credit Derivative Positions

Credit Index Positions
(EUR/mln as at 31.12.2012)

Index	Nominal	Risk Exposure	Profit/Loss
CDX NA IG	26.03	-5.33	4.00
iTraxx Europe	-80.08	-1.77	3.70
iTraxx Europe Crossover	0.00	0.00	-4.36
iTraxx Europe Senior Financials	85.00	0.32	-29.68
iTraxx Europe Sovereign	-159.16	-1.05	-3.38
iTraxx Europe Subordinated Financials	0.00	0.00	-10.39
iTraxx High Volatility Europe	0.00	0.00	-0.79
iTraxx Sovereign Emerging	0.00	0.00	-1.81
Total	**-128.21**	**-7.83**	**-42.71**

All exposures embed derivatives on standardised credit indices and are all posted to the Trading Book. More specifically, there are positions on indices such as iTraxx (European market) and CDX (US market and emerging markets). Positions with a negative nominal value mitigate the overall portfolio risk since they benefit from creditworthiness deterioration of underlying assets, as represented by the widening of credit spreads. Positions with a positive nominal value are added, in terms of risk exposure, to the securities portfolio. Overall, derivative exposures came to a notional amount of - EUR 128.21 mln for a book value of EUR -7.83 mln as at 31/12/2012. Operations in 2012 generated a negative P&L impact of EUR 42.71 mln.

§ * § * §

Glossary of terms

Term	Description	Definition
ABS	Asset Backed Security	Security which guarantees reimbursement and coupon flows based on income generated by a set of financial assets. Typically, they are broken down into RMBS and CMBS.
AFS	Available For Sale	IAS category used to classify assets available for sale
CBO	Collateralised Bond Obligation	CDO in which the portfolio of underlying positions primarily consists in bonds.
CDO	Collateralised Bond Obligation	Securities issued in differentiated risk classes with payment in order of seniority (tranches), subsequent to the securitisation of a portfolio of credit-risk embedding securities. Typically characterised by a certain degree of financial leverage.
CDO of ABS	CDO of ABS	CDO in which the portfolio of underlying positions primarily consists in ABSs.
CDO2	CDO Squared	CDO in which the portfolio of underlying positions primarily consists in other CDOs.
CDO3	CDO Cubed	CDO in which the portfolio of underlying positions primarily consists in CDO squared.
CLN	Credit Linked Note	Security embedding a credit derivative, typically a credit default swap (CDS).
CLN Basket	Basket Credit Linked Note	a CLN which references a basket of underlying entities (multiple single name CDSs, or one or multiple basket CDSs)
CLO	Collateralized Loan Obligation	CDO in which the portfolio of underlying positions primarily consists in loans.
CMBS	Commercial Mortage Backed Securities	ABS with underlying commercial mortgages.
CPPI	Constant Proportion Portfolio Insurance	Guaranteed capital security that incorporates a dynamic trading strategy in order to participate in the performance of a certain underlying asset
Dynamic Managed Portfolio	Dynamic Managed Portfolio	Products with dynamically managed underlying assets such as CPPI/SPI.
HFT	Held For Trading	IAS category used to classify assets and liabilities held for trading
L&R	Loans & Receivables	IAS category used to classify loans and receivables
LL	Leveraged Loan Exposure	Structured Credit Securities whose principal repayment and interest payout are conditional upon the occurrence of default events in the underlying portfolio of Leveraged Loans (loans granted to sub-investment grade businesses).
LSS	Leveraged Super Senior	CDO through which the investor becomes exposed to the entire super senior tranche through a derivative contract characterised by a leverage effect.
Managed CDO	Managed CDO	CDO in which the portfolio of underlying positions is managed.
Monoline insurer	Monoline insurer	Insurance companies specialised in guaranteeing payment of interests and notional of bonds in the event of issuer default. They are thus named because they generally apply to one industrial sector only.
Other ABS	Other Asset Backed Security	Security which guarantees the reimbursement and income flows based on income generated for a group of other assets: consumer and leasing loans that only include loans for consumers (for example, cars, credit cards), student loans, lease financing, etc.
RMBS	Residential Mortage Backed Securities	ABS with underlying residential mortgages.
SCDO	Synthetic CDO	CDO whose portfolio of underlying positions primarily consists in credit default swaps (CDS).
Seniority	Seniority	Level of subordination in the repayment of securities, generally broken down into Super Senior, Senior, Mezzanine and Junior.
SLCDO	Synthetic Loan CDO	CDO whose portfolio of underlying positions primarily consists in Synthetic Loan CDS.
SPE	Special Purpose Entity	corporate vehicle incorporated to attain specific objectives, primarily to isolate financial risks. Assets consist in a portfolio whose profits are used for the servicing of bond loans issued.
SPE CLN	SPE Crediti Linked Note	CLN issued by a SPE.
SPI	Synthetic Portfolio Insurance	Synthetic version of a CPPI, obtained through derivatives.
Vintage	Vintage	Commonly understood as the year of origination for the assets underlying a structured credit product.

BMPS share information

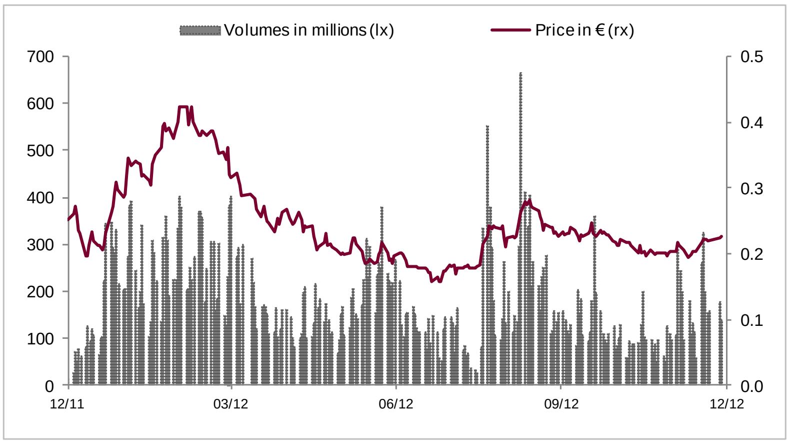
Share price

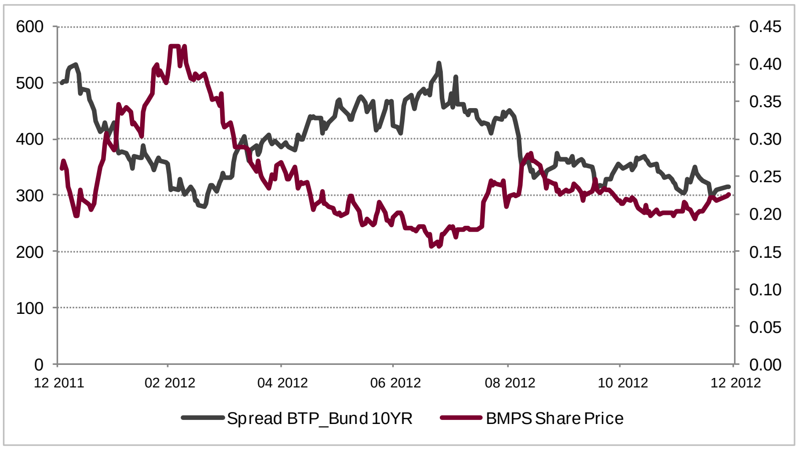
In 2012 the major stock markets were characterised by high volatility: a sharp contraction at the beginning of the year was followed by a general recovery as of the third quarter. In particular, BMPS shares closed 2012 at EUR 0.226, with a negative annual performance of -10.4% owing to the uncertain return on the Italian 10-year Btp and its spread with the German Bund.

Financial Market Evolution (from 12/31/2011 to 12/31/2012)

		Ibex 35	Ftse Mib	Cac 40	Dax 30	Ftse It Banks	DJ Euro Stoxx Banks
FY2012		**-4.7%**	**7.8%**	**15.2%**	**29.1%**	**0.0%**	**12.0%**
Q4	(from 09/30/2012 to 12/31/2012)	6.0%	7.8%	8.5%	5.5%	11.7%	10.6%
Q3	(from 06/30/2012 to 09/30/2012)	8.5%	5.8%	4.9%	12.5%	7.7%	12.8%
Q2	(from 03/31/2012 to 06/30/2012)	-11.3%	-10.7%	-6.6%	-7.6%	-19.9%	-16.6%
Q1	(from 12/31/2011 to 03/31/2012)	-6.5%	5.9%	8.4%	17.8%	3.8%	7.6%

BMPS SHARE PRICE (FROM 31/12/2011 TO 31/12/2012)





BMPS SHARE PRICE: STATISTICAL SUMMARY (from 31/12/2011 to 31/12/2012)

Average	0.25
Lowest	0.16
Highest	0.42

Since the start of the year, the number of BMPS shares traded on a daily basis averaged approx. 178.5 million with a peak of 665.2 million in September and a low of 24.9 million in January.

MONTHLY VOLUMES OF SHARES TRADED

2012 volumes summary (€/mln)	
January	3,523
February	5,322
March	5,846
April	3,405
May	2,995
June	4,584
July	2,727
August	3,510
September	4,792
October	3,183
November	2,070
December	2,946

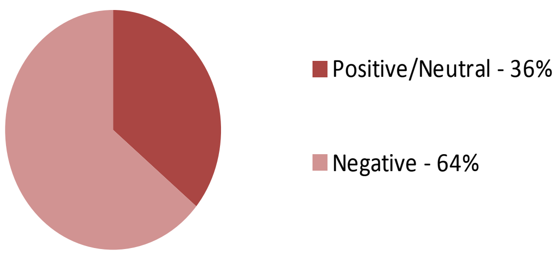
Ratings

BMPS ratings	31/12/2012		31/12/2011	
	Short term debt	Long term debt	Short term debt	Long term debt
Moody's Investors Service	NP	Ba2	P2	Baa1
Standard & Poor's	B	BB+	A2	BBB+
Fitch Ratings	F-3	BBB	F2	BBB+

Below are the latest BMPS ratings according to the major rating agencies:

- 18/10/2012 - Moody's lowered the long-term rating from "Baa3" to "Ba2" and the short-term one from "P-3" to "NP", affirming a negative outlook;
- 5/12/2012 - Standard&Poor's lowered the long-term rating from "BBB-" to "BB+" and the short-term one from "A-3" to "B", with a Credit Watch negative outlook;
- 21/10/2012 - Fitch Ratings left its long- and short-term ratings unchanged at "BBB" and "F-3" respectively, with a stable outlook. The assessment previously communicated on 6/02/2012 following Italy's downgrade was therefore confirmed.

Guidance on MPS shares



Investor relations

During the year, the investor relations team continued to focus on its interaction with retail and institutional investors, equity and fixed income analysts and rating agencies so as to ensure the constant flow of information to the market.
More specifically, 32 days of meetings were organised in 6 different countries between the Group's Top Management and institutional investors in order to present the new Business Plan and discuss the relevant priority issues (quantity and quality of capital, liquidity, recovery of profitability).

ANNEXES

Reconciliation between reclassified accounts and the financial statement forms

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 31 december 2012 and related accounting tables

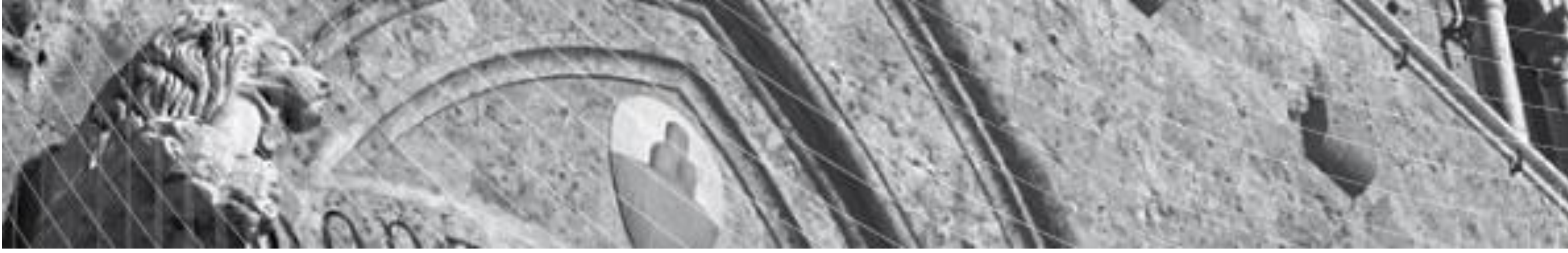
	Accounts in the Profit and Loss Statement - Montepaschi Group	31/12/2012 Accounting	Provisions for closure of branches	Impairment of goodwill, intangibles and writedown of investment in AM Holding	Reclassification of personnel expenses early retirement charges	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Reclassification of losses arising from disposal of loans (Consum.it)	Reclassification of L&R securities to Financial Assets	Costs relating to financial plans	Recovery of stamp duty and customers' expenses	Economic effects from allocation of BAV acquisition costs BMPS (PPA)	Economic effects from allocation of BAV acquisition costs (PPA)	31/12/2012 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10	Interest income and similar revenues	6,711.0										29.6	15.6		
20	Interest expense and similar charges	-3,926.6													
30	Net interest income	2,784.4										29.6	15.6	2,829.6	Net interest income
40	Fee and commission income	2,051.6													
50	Fee and commission expense	-418.8													
60	Net fee and commission income	1,632.8												1,632.8	Net fee and commission income
														4,462.4	Income from banking activities
70	Dividends and similar income	62.9				-59.4	71.7							75.1	Dividends, similar income and gains (losses) on investments
80	Net profit (loss) from trading	59.3				59.4									
100	Gains/losses on disposal/repurchase of:	200.4						17.9							
	a) loans	-33.7						17.9							
	b) financial assets available for sale	62.4													
	c) held to maturity investments														
	d) financial liabilities	171.6													
110	Net profit (loss) from financial assets and liabilities designated at fair value	117.3												454.2	Net profit (loss) from trading
90	Net profit (loss) from hedging	2.1												2.1	Net profit (loss) from hedging
120	Net interest and other banking income	4,860.4					71.7	17.9				29.6	15.6	4,996.9	Income from financial and insurance activities
130	Net impairment losses(reversals) on	-2,880.1						-17.9		3.8				-2,894.2	Net impairment losses (reversals) on:
	a) loans	-2,666.5						-17.9	9.1	3.8				-2,671.6	a) loans
	b) financial assets available for sale	-207.7							-9.1						
	c) held to maturity investments														
	d) other financial transactions	-5.8												-222.6	b) financial assets
140	Net income from banking activities	1,980.3					71.7			3.8		29.6	15.6		
150	Net premiums														
160	Other income/expenses (net) from insurance activities														
170	Net income from financial and insurance activities	1,980.3					71.7			3.8		29.6	15.6	2,100.7	Net income from financial and insurance activities
180	Administrative expenses:	-3,567.0			300.2						169.7			-3,097.1	Administrative expenses
	a) personnel expenses	-2,289.6			300.2									-1,989.4	a) Personnel expenses
	b) other administrative expenses	-1,277.4									169.7			-1,107.7	b) Other administrative expenses
200	Net losses/reversal on impairment on property, plant and equipment	-72.9													
210	Net adjustments to (recoveries on) intangible assets	-319.7		167.3								17.3	12.2	-195.8	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets
230	Operating expenses	-3,959.6		167.3						-3.8		17.3	12.2	-3,292.8	Operating expenses
														-1,192.1	Net operating income
190	Net provisions for risks and charges	-368.1	10.7												
220	Other operating expenses/income	221.6								-3.8	-169.7			-309.2	Net provisions for risks and charges and other operating expenses/income
240	Gains (losses) on investments	-0.8		14.3			-71.7							-58.1	Gains (losses) on investments
			-10.7		-300.2									-311.0	Restructuring charges
260	Impairment on goodwill	-1,528.0		1,528.0											Impairment on goodwill
270	Gains (losses) on disposal of investments	7.3												7.3	Gains (losses) from disposal of investments
280	Profit (loss) before tax from continuing operations	-3,647.3		1,709.6								46.7	27.8	-1,863.1	Profit (loss) before tax from continuing operations
290	Tax expense (recovery) on income from continuing operations	446.5		-53.2								-15.4	-8.9	369.0	Tax expense (recovery) on income from continuing operations
300	Profit (loss) after tax from continuing operations	-3,202.7		1,656.4								31.3	18.9	-1,496.1	Profit (loss) after tax from continuing operations
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10.9												10.9	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320	Profit (loss) for the period	-3,191.9		1,656.4								31.3	18.9	-1,485.3	Net profit (loss) for the period including non-controlling interests
330	Profit (loss) for the period attributable to non-controlling interests	21.6												21.6	Net profit (loss) attributable to non-controlling interests
340	Parent company's net profit (loss) for the period	-3,170.3		1,656.4								31.3	18.9	-1,463.7	Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown of investment in AM Holding
												-31.3	-18.9	-50.2	PPA (Purchase Price Allocation)
				-1,656.4										-1,656.4	Impairment on goodwill, intangibles and writedown of investment in AM Holding
														-3,170.3	Parent company's net profit (loss) for the period

Montepaschi Group - Reconciliation between Profit and Loss Statement reclassified as at 31 december 2011 and related accounting tables

Accounts in the Profit and Loss Statement - Montepaschi Group	31/12/2011 Accounting	Tax disputes	Impairment of goodwill, intangibles and writedown of investment in AM Holding	IFRS5 Biverbanca	Reclassification of personnel expenses: early retirement charges	Reclassification of dividends on treasury stock transactions	Portion of profit from equity investments	Reclassification for impairment of Greek Government bond classified as L&R	Reclassification of losses arising from disposal of loans (Consum.it)	IFRS5 Biverbanca impairment of goodwill and intangibles	Contributing to financial plans	Recovery of stamp duty and customers' expenses	Restatement effect	Economic effects from allocation of BAV acquisition costs BMPS (PPA)	Economic effects from allocation of BAV acquisition costs MPS IMMOBILIARE (PPA ex BAV Real Estate)	Economic effects from allocation of BAV acquisition costs (PPA)	31/12/2011 Reclassified	Accounts in Reclassified Profit and Loss Statement - Montepaschi Group
10 Interest income and similar revenues	7,353.1			-111.1									0.7	30.9		16.9		
20 Interest expense and similar charges	-3,936.7	29.7		39.5									30.9					
30 Net interest income	3,416.4	29.7		-71.6									31.6	30.9		16.9	3,453.9	Net interest income
40 Fee and commission income	2,116.6			-40.0														
50 Fee and commission expense	-315.7			1.6														
60 Net fee and commission income	1,801.0			-38.4													1,762.6	Net fee and commission income
																	5,216.6	Income from banking activities
70 Dividends and similar income	107.0			-1.3		-99.3	64.5										70.9	Dividends, similar income and gains (losses) on investments
80 Net profit (loss) from trading	-109.7			-0.6		99.3							-43.7					
100 Gains/losses on disposal/repurchase of:	169.2			-0.7					22.2									
a) loans	11.6			-0.3					22.2									
b) financial assets available for sale	71.6			-0.5														
c) held to maturity investments																		
d) financial liabilities	66.2			0.0														
110 Net profit (loss) from financial assets and liabilities designated at fair value	3.4			1.3														
																	73.1	Net profit (loss) from trading
90 Net profit (loss) from hedging	-23.0			-0.3													-23.3	Net profit (loss) from hedging
120 Net interest and other banking income	5,326.6	29.7		-111.4			64.5		22.2				-42.3	30.9		16.9	5,337.2	Income from financial and insurance activities
130 Net impairment losses(reversals) on	-1,455.9			13.4					-22.2		3.4						-1,460.8	Net impairment losses (reversals) on:
a) loans	-1,309.5			13.4				17.3	-22.2		3.4						-1,297.5	a) loans
b) financial assets available for sale	-131.7							-17.3										
c) held to maturity investments																		
d) other financial transactions	-14.7			0.3														
																	-163.4	b) financial assets
140 Net income from banking activities	3,891.2	29.7		-98.0			64.5				3.4		-42.3	30.9		16.9		
150 Net premiums																		
160 Other income/expenses (net) from insurance activities																		
170 Net income from financial and insurance activities	3,891.2	29.7		-98.0			64.5				3.4		-42.3	30.9		16.9	3,876.4	Net income from financial and insurance activities
180 Administrative expenses	-3,618.9			69.7	25.6							279.3	16.1				-3,228.0	Administrative expenses
a) personnel expenses	-2,320.7			46.9	25.6								16.1				-2,131.9	a) Personnel expenses
b) other administrative expenses	-1,298.2			22.8								279.3					-1,096.1	b) Other administrative expenses
200 Net losses/reversal on impairment on property, plant and equipment	-46.7			3.0											3.7			
210 Net adjustments to (recoveries on) intangible assets	-220.6		228.4	34.6						-36.5				41.2		28.3	-193.0	Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible
230 Operating expenses	-4,236.4	93.3	228.4	103.2						-36.5	-3.4		43.4	41.2	3.7	28.3	-3,630.9	Operating expenses
																	455.4	Net operating income
190 Net provisions for risks and charges	-267.4			0.7														
220 Other operating expenses/income	68.7	93.3		-5.8							-3.4	-279.3	27.3					
																	-366.1	Net provisions for risks and charges and other operating expenses/income
240 Gains (losses) on investments	5.2		25.0				-64.5										-34.3	Gains (losses) on investments
					-25.6												-25.6	Restructuring charges
260 Impairment on goodwill	-4,527.4		4,527.4	222.6						-222.6							0.0	Impairment on goodwill
270 Gains (losses) on disposal of investments	26.6			0.0													26.6	Gains (losses) from disposal of investments
280 Profit (loss) before tax from continuing operations	-4,729.8	123.0	4,780.8	226.7						-259.1			-18.8	72.1	3.7	45.2	93.9	Profit (loss) before tax from continuing operations
290 Tax expense (recovery) on income from continuing operations	23.4	-123.0	-106.4	2.9						8.6			9.7	-23.1	-1.2	-14.1	-222.3	Tax expense (recovery) on income from continuing operations
300 Profit (loss) after tax from continuing operations	-4,706.4		4,674.4	229.6						-250.5			-9.1	49.0	2.5	31.1	-129.6	Profit (loss) after tax from continuing operations
310 Profit (loss) after tax from groups of assets held for sale and discontinued operations	17.7			-229.6													-211.9	Profit (loss) after tax from groups of assets held for sale and discontinued operations
320 Profit (loss) for the period	-4,688.7		4,674.4	0.0						-250.5			-9.1	49.0	2.5	31.1	-341.3	Net profit (loss) for the period including non-controlling interests
330 Profit (loss) for the period attributable to non-controlling interests	3.4																3.5	Net profit (loss) attributable to non-controlling interests
340 Parent company's net profit (loss) for the period	-4,685.3		4,674.4	0.0						-250.5			-9.1	49.0	2.5	31.1	-337.8	Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown of investment in AM Holding
														-49.0	-2.5	-31.1	-82.6	PPA (Purchase Price Allocation)
			-4,674.4							250.5							-4,264.9	Impairment on goodwill, intangibles and writedown of investment in AM Holding
	-4,685.3																-4,685.3	Parent company's net profit (loss) for the period

Balance-sheet items - Assets	31/12/12	31/12/11	Reclassified balance-sheet items - Assets
	2,433	**878**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	2,433	878	
			Loans and receivables
	142,015	**146,608**	**a) Loans to customers**
Item 70 – Loans to customers	142,015	146,608	
	11,225	**20,695**	**b) Loans to banks**
Item 60 – Loans to banks	11,225	20,695	
	49,163	**55,482**	**Held to maturity investments**
Item 20 – Financial assets held for trading	23,514	32,539	
Item 30 – Financial assets designated at fair value	-	38	
Item 40 – Financial assets available for sale	25,649	22,905	
		0.0024	**Financial assets held to maturity**
Item 50 – Held to maturity investments		0.0024	
	1,040	**895**	**Investments**
Item 100 – Equity investments	1,040	895	
	-	-	**Reinsurers' technical reserves**
Item 110 – Reinsurers's technical reserves	-	-	
	2,526	**4,365**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	1,334	1,385	
Item 130 – Intangible assets	1,192	2,980	
	10,480	**11,779**	**Other assets**
Item 80 – Hedging Derivatives	551	363	
Item 90 – Change in value of macro-hedged financial assets (+/-)	119	76	
Item 140 – Tax assets	6,123	7,223	
Item 150 – Non-current assets held for sale and discontinued operations	12	2	
Item 160 – Other assets	3,675	4,114	
Total Assets	**218,882**	**240,702**	**Total Assets**

Balance-sheet items - Liabilities	31/12/12	31/12/11	Reclassified balance-sheet items - Liabilities
			Deposits
	135,670	**146,324**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	81,303	84,011	
Item 30 – Securities issued	39,940	39,815	
Item 50 – Financial liabilities designated at fair value	14,428	22,499	
	43,323	**46,793**	**b) Deposits from banks**
Item 10 – Deposits from banks	43,323	46,793	
	21,517	**26,329**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	21,517	26,329	
			Provisions for specific use
Item 110 – Provision for employee severance pay	242	266	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	40	193	
Item 120 - Provisions for risks and charges - b) other provisions	1,401	1,056	
	10,236	**8,760**	**Other liabilities**
Item 60 – Hedging Derivatives	5,575	4,359	
Item 70 – Change in value of macro-hedged financial liabilties (+/-)	-	-	
Item 80 – Tax liabilties	181	283	
Item 90 – Liabilities associated to disposal groups held for sale			
Item 100 – Other liabilities	4,480	4,117	
			Insurance reserves
Item 130 – Insurance Reserves			
	6,452	**10,765**	**Group portion of shareholders' equity**
Item 140 – Valuation reserves	-2,224	-3,854	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	3	1,903	c) Capital instruments
Item 170 – Reserves	4,128	6,577	d) Reserves
Item 180 – Share premium reserve	255	4,118	e) Share premium reserves
Item 190 – Share Capital	7,485	6,732	f) Share capital
Item 200 – Treasury shares (-)	-25	-26	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	-3,170	-4,685	h) Profit (loss) for the period
	3	**217**	**Non-controlling interests in shareholders' equity**
Item 210 – Non-controlling interests (+/-)	3	217	
Total liabilities and shareholders' equity	**218,882**	**240,702**	**Total liabilities and shareholders' equity**



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

(in units of EUR)

	Assets	31/12/2012	31/12/2011*
10	Cash and cash equivalents	2,432,879,857	877,783,821
20	Financial assets held for trading	23,514,203,879	32,539,183,984
30	Financial assets designated at fair value	-	38,230,929
40	Financial assets available for sale	25,648,740,633	22,904,656,193
50	Financial assets held to maturity	-	2,377
60	Loans to banks	11,224,988,612	20,695,446,791
70	Loans to customers	142,015,160,914	146,609,097,077
80	Hedging derivatives	551,093,100	363,351,009
90	Change in value of macro-hedged financial assets (+/-)	119,157,001	76,309,634
100	Equity investments	1,040,102,072	894,641,601
120	Property, plant and equipment	1,334,478,778	1,384,965,354
130	Intangible assets	1,191,502,071	2,980,416,086
	of which: goodwill	669,701,061	2,216,339,302
140	Tax assets	6,122,598,482	7,316,044,382
	a) current	*912,438,405*	550,693,719
	b) deferred	*5,210,160,077*	6,765,350,663
	under Law 214/2011	*2,796,914,621*	3,631,060,227
150	Non-current assets and groups of assets held for sale and discontinued operations	12,460,932	2,158,250
160	Other assets	3,674,803,451	4,111,588,637
	Total Assets	**218,882,169,782**	**240,793,876,125**

**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..*

follows: Consolidated balance sheet

(in units of EUR)

	Liabilities and Shareholders' Equity	31/12/2012	31/12/2011*
10	Deposits from banks	43,322,955,546	47,120,764,475
20	Deposits from customers	81,302,684,839	84,294,736,491
30	Debt securities issued	39,939,623,998	39,814,649,166
40	Financial liabilities held for trading	21,516,900,054	26,514,881,923
50	Financial liabilities designated at fair value	14,427,857,893	22,498,694,008
60	Hedging derivatives	5,574,797,946	4,359,399,684
80	Tax liabilities	180,505,646	319,108,710
	a) current	*131,347,969*	*218,244,375*
	b) deferred	*49,157,677*	*100,864,335*
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-
100	Other liabilities	4,480,349,708	4,216,612,800
110	Provision for employee severance pay	241,633,301	265,905,362
120	Provisions for risks and charges:	1,440,249,706	1,208,267,144
	a) post-employment benefits	*39,658,177*	*192,595,571*
	b) other provisions	*1,400,591,529*	*1,015,671,573*
140	Valuation reserves	(2,224,461,407)	(3,842,291,408)
160	Equity instruments carried at equity	3,002,406	1,903,002,406
170	Reserves	4,128,473,590	5,773,626,671
180	Share premium	255,099,524	4,117,870,216
190	Share capital	7,484,508,171	6,732,246,665
200	Treasury shares (-)	(24,532,421)	(26,460,508)
210	Non-controlling interests (+/-)	2,855,856	217,201,808
220	Profit (loss) for the period (+/-)	(3,170,334,574)	(4,694,339,488)
	Total Liabilities and Shareholders' Equity	**218,882,169,782**	**240,793,876,125**

**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)

		31/12/2012	31/12/2011*
10	Interest income and similar revenues	6,711,013,200	7,232,756,122
20	Interest expense and similar charges	(3,926,388,273)	(3,856,360,155)
30	**Net interest income**	**2,784,624,927**	**3,376,395,967**
40	Fee and commission income	2,051,568,375	2,076,599,007
50	Fee and commission expense	(418,750,474)	(314,126,004)
60	**Net fee and commission income**	**1,632,817,901**	**1,762,473,003**
70	Dividends and similar income	62,857,644	105,697,327
80	Net profit (loss) from trading	59,315,086	(202,940,393)
90	Net profit (loss) from hedging	3,053,786	(32,166,827)
100	Gains/losses on disposal/repurchase of:	200,356,974	148,808,425
	a) loans	*(33,660,575)*	*11,409,770*
	b) financial assets available for sale	*62,393,746*	*71,096,530*
	d) financial liabilities	*171,623,803*	*66,302,125*
110	Net profit (loss) from financial assets and liabilities designated at fair value	117,336,335	4,720,276
120	**Net interest and other banking income**	**4,860,362,653**	**5,162,987,778**
130	Net impairment losses(reversals) on	(2,880,068,795)	(1,431,986,916)
	a) loans	*(2,666,548,275)*	*(1,295,790,249)*
	b) financial assets available for sale	*(207,739,609)*	*(121,718,922)*
	d) other financial transactions	*(5,780,911)*	*(14,477,745)*
140	**Net income from banking activities**	**1,980,293,858**	**3,731,000,862**
180	Administrative expenses:	(3,667,058,133)	(3,533,098,262)
	a) personnel expenses	*(2,289,635,810)*	*(2,157,668,599)*
	b) other administrative expenses	*(1,377,422,323)*	*(1,375,429,663)*
190	Net provisions for risks and charges	(284,924,308)	(246,918,710)
200	Net adjustments to (recoveries on) property, plant and equipment	(75,916,260)	(81,729,616)
210	Net adjustments to (recoveries on) intangible assets	(319,698,164)	(486,293,664)
220	Other operating expenses/income	221,578,727	90,217,931
230	**Operating expenses**	**(4,126,018,138)**	**(4,257,822,321)**
240	Gains (losses) on investments	(798,912)	5,184,077
260	Impairment on goodwill	(1,528,000,000)	(4,034,832,325)
270	Gains (losses) on disposal of investments	7,264,859	34,633,342
280	**Profit (loss) before tax from continuing operations**	**(3,667,258,333)**	**(4,521,836,365)**
290	Tax expense (recovery) on income from continuing operations	464,532,779	35,927,477
300	**Profit (loss) after tax from continuing operations**	**(3,202,725,554)**	**(4,485,908,888)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	10,806,714	(211,895,229)
320	**Profit (loss) for the period**	**(3,191,918,840)**	**(4,697,804,117)**
330	Profit (loss) for the period attributable to non-controlling interests	(21,584,266)	(3,464,629)
340	**Parent company's net profit (loss) for the period**	**(3,170,334,574)**	**(4,694,339,488)**

		31/12/12	31 12 2011*
	Basic Earnings per Share (Basic EPS)	**(0.276)**	**(0.542)**
	of continuing operations	(0.279)	(0.528)
	of groups of assets held for sale and discontinued operations	0.003	(0.014)
	Diluted Earnings per Share (Diluted EPS)	**(0.276)**	**(0.542)**
	of continuing operations	(0.279)	(0.528)
	of groups of assets held for sale and discontinued operations	**0.003**	**(0.014)**

**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.*

Disposal of the 60.42% shareholding in Cassa di Risparmio di Biella e Vercelli (BiverBanca) to Cassa di Risparmio di Asti was completed on 28 December 2012. Therefore, Biverbanca's 2012 profit and loss and the effects from disposal were included in “Profit (loss) after tax from groups of assets held for sale and discontinued operations”; comparative data was also reclassified pursuant to IFRS 5.

Consolidated statement of comprehensive income

(in units of EUR)

	Items	31/12/2012	31/12/2011*
10	**Profit (loss) for the period**	**(3,191,918,840)**	**(4,697,804,117)**
	Other comprehensive income, net of tax		
20	Financial assets available for sale	1,527,250,198	(3,685,993,807)
60	Cash flow hedges	(41,956,175)	(33,612,177)
70	Foreign exchange differences	(1,006,823)	1,417,003
80	Non-current assets and groups of assets held for sale and discontinued operations	-	(201,495)
100	Share of valuation reserves connected with investments carried at equity	47,418,176	(30,482,826)
110	**Total other comprehensive income, net of tax**	**1,531,705,376**	**(3,748,873,302)**
120	**Total comprehensive income (Account 10 + 110)**	**(1,660,213,464)**	**(8,446,677,419)**
130	Consolidated comprehensive income attributable to non-controlling interests	(107,708,892)	(44,023,615)
140	**Consolidated comprehensive income attributable to Parent Company**	**(1,552,504,572)**	**(8,402,653,804)**

**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 Statement of Changes in Equity

(in units of EUR)

	Balance as at 31.12.2011*	Changes in opening balances	Balance as at 1/1/2012	Allocation of profit from prior year		Changes during the year									Total equity as at 31.12.2012	Group equity as at 31/12/2012	Non-controlling interests as at 31/12/2012
						Changes in reserves	Shareholder's equity transactions							Total comprehensive income for 31/12/2012			
				Reserves	Dividends and other payout		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Treasury shares derivatives	Stock options	Otehr changes				
Share capital:	6,782,520,700	-	6,782,520,700	-	-	-	752,261,506	-	-	-	-	-	(49,443,685)	-	7,485,338,511	7,484,508,171	830,340
a) ordinary shares	6,313,022,356	-	6,313,022,356	-	-	-	1,221,759,850	-	-	-	-	-	(49,443,685)	-	7,485,338,511	7,484,508,171	830,340
b) other shares	469,498,344	-	469,498,344	-	-	-	-469,498,344	-	-	-	-	-	-	-	-	-	-
Share premium	4,131,276,419	-	4,131,276,419	(3,110,509,186)	-	(13,195,142)	(752,261,506)	-	-	-	-	-	-	-	255,310,585	255,099,524	211,061
Reserves:	5,843,262,357	-	5,843,262,357	(1,593,042,956)	-	(99,572,978)	-	-	-	-	-	-	-	-	4,150,646,423	4,128,473,590	22,172,833
a) from profits	5,841,307,236	-	5,841,307,236	(1,593,042,956)	-	(99,572,978)	-	-	-	-	-	-	-	-	4,148,691,302	4,126,518,469	22,172,833
b) other	1,955,121	-	1,955,121	-	-	-	-	-	-	-	-	-	-	-	1,955,121	1,955,121	-
Valuation reserves	(3,754,340,835)	-	(3,754,340,835)	-	-	-	-	-	-	-	-	-	-	1,531,705,376	(2,223,235,519)	(2,224,461,407)	1,225,888
Equity instruments	1,903,002,406	-	1,903,002,406	-	-	-	-	-	-	(1,900,000,000)	-	-	-	-	3,002,406	3,002,406	-
Treasury shares	(26,460,508)	-	(26,460,508)	-	-	-	3,601,395	(1,673,308)	-	-	-	-	-	-	(24,532,421)	(24,532,421)	-
Net profit (loss) for the period	(4,697,804,117)	-	(4,697,804,117)	4,703,552,142	(5,748,025)	-	-	-	-	-	-	-	-	(3,191,918,840)	(3,191,918,840)	(3,170,334,574)	(21,584,266)
Total equity	10,180,856,362	-	10,180,856,362	-	(5,748,025)	(112,768,120)	3,601,395	(1,673,308)	-	(1,900,000,000)	-	-	(49,443,685)	(1,660,213,464)	6,454,611,145	6,451,755,289	2,855,856
Group equity	9,963,654,554	-	9,963,654,554	-	-	(61,322,780)	3,601,395	(1,673,308)	-	(1,900,000,000)	-	-	-	(1,552,504,572)	6,451,755,289	6,451,755,289	X
Non-controlling interests	217,201,808	-	217,201,808	-	(5,748,025)	(51,445,340)	-	-	-	-	-	-	(49,443,685)	(107,708,892)	2,855,856	X	2,855,856

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

As at 31 December 2012, the Group's net equity including non-controlling interests and profit for the year had decreased by EUR 3,726.3 mln, amounting to EUR 6,454.6 mln, as compared to EUR 10,180.9 mln as at 31 December 2011.

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

- a decrease attributable to the loss for the year 2012, amounting to EUR 3,191.9 mln, recognised in column "Total comprehensive income at 31.12.2012", line "Profit (loss) for the period";
- an increase by EUR 1,531.7 mln recognised in colum "Total comprehensive income at 31.12.2012", line "Valuation reserves", mainly due to revaluation of Italian government bonds classified in the "Available For Sale" portfolio;
- a decrease by EUR 1,900.0 mln, recognised in column"Changes in equity instruments", due to reclassification of "Tremonti Bonds" from item "160 – Equity instruments" to item "30 – Debt securities issued" on the Liabilities side of the balance sheet (for information on the reasons for the reclassification, see notes to Table "3.1 Debt securities issued: product breakdown" on page 230).

The events described below are posted in column "Issue of new shares" and did not have any impact on the amount of total equity:

- on 1 February 2012, the Parent Company's extraordinary shareholders' meeting resolved to proceed with:

1. allocation of part of the "Share Premium Reserve" to equity for a sum of EUR 752.3 mln, equal to the premium on 295,236,070 ordinary shares of Banca MPS underlying the F.R.E.S.H notes issued by The Bank of New York in April 2008;
2. conversion at par of all 18,864,340 savings shares into ordinary shares for an amount of EUR 12.7 mln;
3. sale by the Monte dei Paschi di Siena Foundation of its entire holding of preferred shares on 29 March 2012, which resulted in their automatic conversion into ordinary shares for an amount of EUR 456.9 mln, pursuant to art. 6, para. 4, of the Parent Company's Articles of Association.

The column "Dividends and other payout" includes EUR 5.7 mln in amounts paid to non-controlling shareholders by the subsidiary, Biver Banca.

(in units of EURO)

	Balance as at 31/12/2010	Changes in opening balances	Balance as at 1/1/2011	Allocation of profit from prior year		Changes during the year								Total equity as at 31 12 2011	Group equity 31/12/2011*	Non-controlling interests as at 31/12/2011*
						Changes in reserves	Shareholders' equity transactions						Total comprehensive income at 31/12/2011			
				Reserves	Dividends and other payout		Issue of new shares	Purchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Treasury shares derivatives	Stock options				
Share capital:	4,553,214,457	-	4,553,214,457	-	-	-	2,229,306,243	-	-	-	-	-	-	6,782,520,700	6,732,246,665	50,274,035
a) ordinary shares	3,782,216,113	-	3,782,216,113	-	-	-	2,530,806,243	-	-	-	-	-	-	6,313,022,356	6,262,748,321	50,274,035
b) other shares	770,998,344	-	770,998,344	-	-	-	(301,500,000)	-	-	-	-	-	-	469,498,344	469,498,344	-
Share premium	4,002,908,117	-	4,002,908,117	-	-	(51,172,500)	179,540,802	-	-	-	-	-	-	4,131,276,419	4,117,870,216	13,406,203
Reserves:	5,976,447,289	(803,524,391)	5,172,922,898	809,275,630	-	(138,936,171)	-	-	-	-	-	-	-	5,843,262,357	5,773,626,671	69,635,686
a) from profits	5,976,447,289	(803,524,391)	5,172,922,898	809,275,630	-	(140,891,292)	-	-	-	-	-	-	-	5,841,307,236	5,771,671,550	69,635,686
b) other	-	-	-	-	-	1,955,121	-	-	-	-	-	-	-	1,955,121	1,955,121	-
Valuation reserves	(18,255,253)	12,188,249	(6,067,004)	-	-	(589)	-	-	-	-	-	-	(3,748,873,302)	(3,754,940,895)	(3,842,291,408)	87,350,513
Equity instruments	1,949,365,486	-	1,949,365,486	-	-	-	-	-	-	(46,363,080)	-	-	-	1,903,002,406	1,903,002,406	-
Treasury shares	(24,612,663)	-	(24,612,663)	-	-	-	23,375,664	(25,223,509)	-	-	-	-	-	(26,460,508)	(26,460,508)	-
Net profit (loss) for the period	986,982,790	-	986,982,790	(809,275,630)	(177,707,160)	-	-	-	-	-	-	-	(4,697,804,117)	(4,697,804,117)	(4,694,339,488)	(3,464,629)
Group equity	17,426,050,223	(791,336,142)	16,634,714,081	-	(177,707,160)	(190,109,260)	2,432,222,709	(25,223,509)	-	(46,363,080)	-	-	(8,446,677,419)	10,180,856,362	9,963,654,554	217,201,808
Group equity	17,156,421,972	(791,336,142)	16,365,085,830	-	(169,834,806)	(190,109,051)	2,432,752,974	(25,223,509)	-	(46,363,080)	-	-	(8,402,653,804)	9,963,654,554	9,963,654,554	X
Non-controlling interests	269,628,250	-	269,628,250	-	(7,872,354)	(209)	(530,265)	-	-	-	-	-	(44,023,615)	217,201,808	X	217,201,808

** The column "Changes in opening balances" is reflective of changes as at 31.12.2010 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. Line "reserves from profit" includes changes arising from Profit (loss) for the year 2010.*

** The column "Total comprehensive income for the year as at 31.12.2011" is reflective of changes for 2011 described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors), which is referenced to for further details.*

As at 31 December 2011, the Group's equity including profit for the year came to EUR 9,963.7 mln, as compared to EUR 16,365.1 mln at the end of 2010.

Here follows a list of the most siginificant events which had an impact on equity, besides profit for the year:

1. a EUR 2,151.9 mln capital increase was completed in July 2011, entailing a EUR 2,151.9 mln increase in the amount of "Share capital" and a EUR 31.4 mln decrease in "Share premium" due to the costs incurred for the transaction;
2. the public tender offer for purchase of the F.R.E.S.H. convertible preferred securities closed in July, for a nominal amount of EUR 152.2 mln, entailing a EUR 16.0 mln reduction in "Equity instruments";
3. again in July 2011, coupons on "Tremonti bonds" were paid for an amount of EUR 161.5 mln, with a consequent same-amount reduction in "Reserves – a) from profits" (column "Changes in reserves");

4. in 2011, the item "Share premium" (column "Changes in reserves") was allocated EUR 51.2 mln in fees paid to JP Morgan against dividend entitlement acquisition on ordinary shares by the Bank in 2008;
5. Convertible Preferred Securities (F.R.E.S.H.) were converted for a nominal amount of EUR 289.8 mln in December 2011, against the issuance of 136,698,112 ordinary shares. The conversion had the following main effects:
    a. EUR 78.0 mln increase in item "Share capital";
    b. a EUR 211.8 mln increase in item "Share premium";
    c. EUR 30.4 mln reclassified from item "Equity instruments" to item "Reserves – a) from profits".
6. in the second half of the year, widening spreads on Italian government debt, combined with a reduction in the benchmark rates for the Eurozone market, led to a EUR 3,748.4 mln increase in the negative balance of "Valuation reserves".
7. in June 2011, 450,000,000 preferred shares were converted into the same number of ordinary shares for a nominal amount of EUR 301.5 mln, with no impact on the overall share capital value.

Consolidated cash flow statement: indirect method

(in units of EUR)

A. OPERATING ACTIVITIES	31/12/2012	31/12/2011*
1. Cash flow from operations	**955,615,370**	**1,673,261,267**
profit (loss) for the period (+/-)	(3,191,918,840)	(4,697,804,116)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(520,851,893)	(281,208,548)
Net profit (loss) from hedging	(3,254,620)	32,004,148
net impairment losses/reversals	4,515,091,219	5,824,727,405
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	395,614,425	605,527,786
net provisions for risks and charges and other costs/revenues (+/-)	317,403,420	284,013,516
tax espense (recovery) on income from continuing operations	(464,532,779)	(33,073,832)
net losses/reversal on impairment on proups of assets held for sale and discontinued operations, after tax (+/-)	37,017,188	1,645,547
other adjustments	(128,952,750)	(62,570,639)
2. Cash flow from (used in) financial assets	**15,623,271,400**	**(4,944,063,343)**
financial assets held for trading	9,647,583,609	1,626,964,469
financial assets designated at fair value	38,230,929	1,269,315
financial assets available for sale	(2,524,714,266)	(4,286,334,889)
sales/repayment of financial assets held to maturity	-	768
loans to banks: on demand	9,316,217,325	(10,984,532,024)
loans to customers	(1,131,269,140)	8,200,148,891
hedging derivatives	(3,044,113)	-
other assets	280,267,056	498,420,127
3. Cash flow from (used in) financial liabilities	**(15,077,126,661)**	**245,038,987**
deposits from banks: on demand	(3,313,889,641)	18,437,973,059
depostits from customers	(725,136,281)	(13,479,438,447)
debt securities issued	2,628,634,172	4,567,931,803
financial liabilities held for trading	(5,039,790,754)	(3,857,637,250)
financial liabilities designated at fair value	(7,347,293,060)	(3,034,316,980)
hedging derivatives	7,389,679	-
other liabilities	(1,287,040,776)	(2,389,473,198)
of which technical reserves	-	-
Net cash flow from (used in) operating activities	**1,501,760,109**	**(3,025,763,089)**

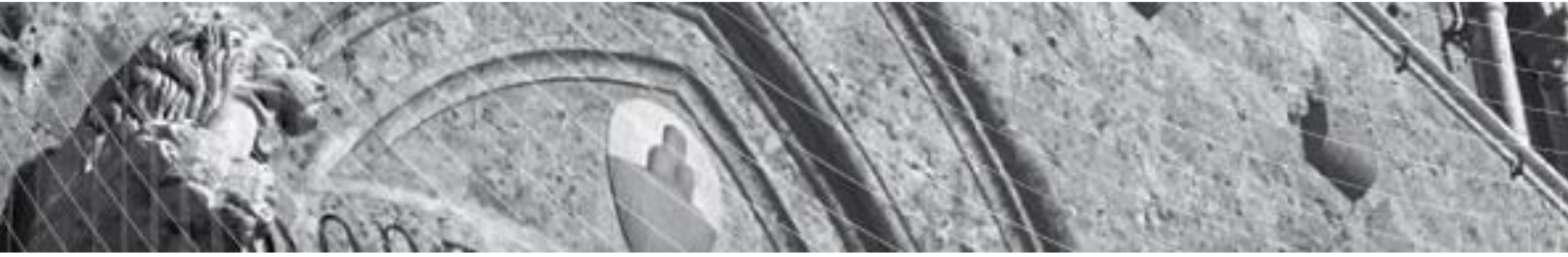
B. INVESTMENT ACTIVITIES		
1. Cash flow from:	**269,058,025**	**44,486,908**
dividends collected on equity investments	50,176,050	19,116,000
sales of property, plant and equipment	9,660,513	6,159,496
sales of intangible assets	258,688	(318,588)
sales of subsidiaries and undertakings	208,962,774	19,530,000
2. Cash flow used in	**(120,714,370)**	**(278,179,080)**
purchase of property, plant and equipment	(83,768,570)	(70,779,635)
purchase of intangible assets	(36,945,800)	(207,399,445)
Net cash flow from (used in) investment activities	**148,343,655**	**(233,692,172)**
C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	1,855,687	(11,653,410)
dividend distribution and other	(62,604,499)	(421,790,715)
issue of new shares	-	2,151,872,590
Net cash flow from (used in) funding activities	**(60,748,812)**	**1,718,428,465**
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE PERIOD	**1,589,354,952**	**(1,541,026,796)**

Reconciliation

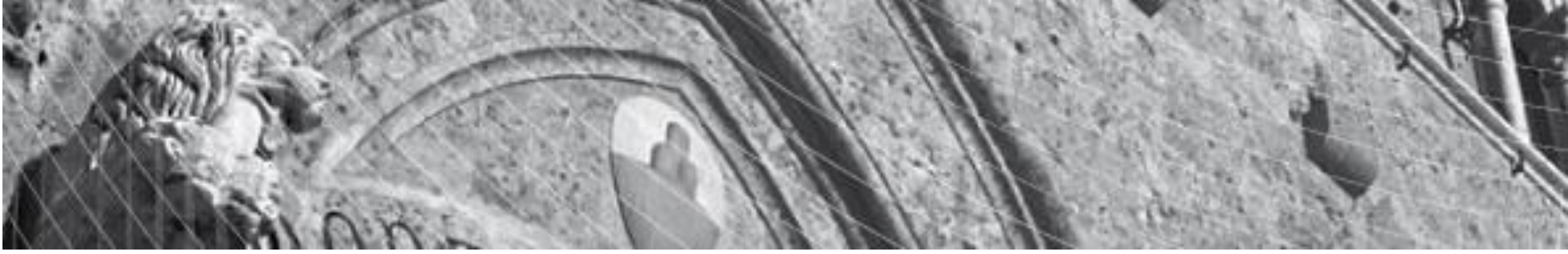
(in units of EUR)

Accounts	31/12/2012	31 12 2011
Cash and cash equivalents at beginning of period	843,524,905	2,418,810,617
Net increase (decrease) in cash and cash equivalents	1,589,354,952	(1,541,026,796)
Cash and cash equivalents at end of period	2,432,879,857	877,783,821

**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.*



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

Foreword

Following thorough analysis, the Parent Company has ascertained the presence of errors in the accounting treatment of the structured transactions named "Alexandria", "Santorini", "Nota Italia", and of personnel costs.

The errors identified were deemed material and measurable. For this reason, as required by IAS 8, a restrospective restament was carried out, as shown in the following tables.

Alexandria

On 15 December 2005, the Parent Company purchased "Alexandria Capital PLC Liquidity Linked Notes" due on 20 December 2012, for a consideration equal to their nominal value of EUR 400 mln. The Alexandria Notes were issued by Alexandria Capital PLC, a vehicle under Irish law,

These notes were classified in the Available for Sale portfolio and reclassified as Loans & Receivables in 2008 under the amendment to IAS 39 on the reclassification of financial instruments. In September 2009, although the Alexandria notes market price was far below nominal value, Nomura replaced the original underlying with higher-quality assets at par. Therefore, the asset swap was carried out with no profit and loss effects on the Parent Company's financial statements.

In the same period, the Parent Company entered into a number of transactions with Nomura; in particular:

- purchase of long-term government bonds (BTPs) with maturity in 2034, for a nominal amount of EUR 3,050 mln. The purchase of BTPs was effected by way of an asset swap consisting in: a term purchase of BTPs and an interest rate swap, whereby Banca Monte dei Paschi di Siena undertook to pay the fixed rate coupon received on the BTPs in exchange for an interest rate set at 3m Euribor + spread, calculated on EUR 3,050 mln;
- spot sale of BTPs of a nominal value of EUR 3,050 mln, against a sale price of EUR 3,102 mln, i.e. a consideration inclusive of interest accrued on the BTPs until the settlement date (long term repo with maturity in 2034 like the BTP Asset Swap) and commitment to repurchase the BTPs due in 2034 from Nomura for the same nominal amount; for the entire duration of the agreement, Banca Monte Paschi Siena pays Nomura an interest rate set at 3m Euribor + spread, calculated on the consideration received, while Nomura pays Banca Monte Paschi Siena the coupon received on the BTPs due in 2034;
- granting of a repo facility to Nomura with maturity on 1 september 2040, whereby Nomura can use the credit line granted by delivering BTPs or similar securities to Banca Monte Paschi Siena for a total maximum amount of EUR 3,050 mln. The Parent Company receives interest at 3-month Euribor from Nomura on the consideration paid to Nomura against delivery of said securities, in addition to fees calculated on the amount of the credit line granted (EUR 3,050 mln).

The agreements provide that, in the event of default of the Italian Republic, the issuer may deliver securities from the same issuer but different from those in the repo agreement (a.k.a 'cheapest to deliver' option).

With reference to the long-term repo (LTR) entered into with Nomura, as of the financial statements for the year ending 31 December 2009, the Parent Company has:

1. classified the BTPs sold to Nomura in the AFS portfolio;
2. classified the interest rate swap as hedging derivatives (fair value hedge) of the BTPs;
3. booked the long term repo as a liability at amortised cost;
4. booked the repo facility as a receivable at the time when the line is used.

By way of this accounting approach, the liability for the long-term repo was recognised on the basis of the consideration received.

Therefore, until 2011, the swap involving the Alexandria notes and the long-term repo entered into with Nomura, were measured separately.

On 10 October 2012, a "Mandate Agreement" was found that had been signed by Banca Monte Paschi Siena and Nomura on 31 July 2009, which lays down the commitment to undertake the above-described transactions; in particular, the document sets out that:

1. Banca Monte Paschi Siena would have mandated Nomura to act as the arranger for the swap of the Alexandria notes' underlying securities;
2. Banca Monte Paschi Siena would, at the same time, have entered into asset swaps and repurchase transactions with Nomura;
3. Nomura and Banca Monte Paschi Siena would have determined the amount of the "consideration" involved for Nomura to accept the mandate under item 1; the financial value of the two repurchase transactions with Nomura would not be lower than such amount;
4. Banca Monte Paschi Siena would have irrevocably confirmed the amount of the afore-mentioned consideration to Nomura.

The discovery of the "Mandate Agreement" thus made it apparent that the long-term repo entered into with Nomura was in exchange for replacement of the Alexandria notes' underlying assets; the two transactions, originating as *linked transactions*, should therefore have been considered jointly for the purpose of correct accounting.

Evidence of a link between the transactions confirms that the LTR occurred under off-market conditions; therefore, the liability should have been booked at a higher value than the consideration received, with a negative impact on the profit and loss account.

This higher value was appraised during preparation of the Parent Company's separate financial statements for 2012 and represents an underestimate of the initial recognition value of the financial liability in the 2009 accounts by EUR 308.5 mln, gross of tax effects.

Considering the re-determination of the amortised cost of the liability associated with the long-term repo, gross adjustments to the Parent Company's accounts totalled as follows:

- Net Equity as at 1/1/2011: EUR -294.4 mln;
- 2011 Income Statement: EUR 10.3 mln positive effect on Net Interest Income;
- Net Equity as at 31/12/2011: EUR -284.1 mln.

Santorini

In 2002 the Parent Company sold its holding of 70,109,247 shares in Sanpaolo IMI to Deutsche Bank for an amount of EUR 785 mln.

On the initiative of the Parent Company and Deutsche Bank, the special-purpose vehicle, Santorini Investment Ltd, was established under Scottish law in 2002, with 49% and 51% shareholdings respectively and capital amounting to EUR 671 mln.

Concomitantly with vehicle creation, a Collared Equity Swap on 143,080,096 Sanpaolo IMI shares was entered into between Deutsche Bank and the vehicle.

By reason of this agreement, the maximum loss at maturity, in principal, that Santorini would have incurred was set at EUR 504 mln, whereas in day-to-day operations, the vehicle assumed the risk that the stream of revenues (primarily dividends from Deutsche Bank and interest income on invested principal) could be lower than the flow of interest payable to Deutsche Bank.

In December 2008, Santorini and Deutsche Bank entered into three separate total return swaps (TRSs) on long-term government bonds (BTPs), for an aggregate amount of EUR 2,046 mln (total nominal value of EUR 2,000 mln), which contained the following mutual obligations:

1. on the transactions' *effective date*, Santorini would have sold BTPs to Deutsche Bank for a consideration equal to market value as at that date;
2. on each BTP coupon payment date, Santorini would have paid Deutsche Bank a floating rate based on a fixed rate to be established, in exchange for receiving from Deutsche Bank a BTP coupon amount equivalent to the amount actually received from the Italian Government -the issuer- on the individual maturity dates; the spread would be determined on the basis of index trends in certain observation periods;
3. At deal maturity, Deutsche Bank would have paid Santorini an amount equivalent to the sum actually received from BTP repayment and Santorini would, in turn, have paid an amount equal to the BTPs'

nominal value (regardless of the amount that would have been repaid to Deutsche Bank by the Italian Government – the issuer – at bond maturity).

Based on scenarios materialising at the end of the respective periods of observation, the index performance made it so that the lowest among alternative interest rates was determined for all three agreements.

The interest rate arising for the individual transactions as a consequence of the events was in fact lower than the rate presumably to be expected for the purpose of adequately reflecting the risk inherent in assessing the vehicle's creditworthiness, under normal market conditions and in ordinary market funding transactions with the same characteristics in terms of duration, frequency and guarantees.

The agreements were early-terminated, with a capital gain of EUR 364 mln, in the same month of December 2008.

Similarly, in December 2008, the Parent Company and Deutsche Bank entered into three separate total return swaps (TRSs) on long-term government bonds (BTPs), for an aggregate amount of EUR 2,045 mln (total nominal value of EUR 2,000 mln), which contained the following mutual obligations:

1. on the transactions' *effective date*, Banca Monte Paschi Siena would have sold yBTPs to Deutsche Bank for a consideration equal to market value as at that date;
2. on each BTP coupon payment date, Banca Monte Paschi Siena would have paid Deutsche Bank a floating rate equal to the 6-month EONIA/Euribor rate plus spread, in exchange for receiving from Deutsche Bank a BTP coupon amount equivalent to the amount actually received from the Italian Government -the issuer- on the individual maturity dates; the spread would have been determined on the basis of index trends in certain observation periods;

At deal maturity, Deutsche Bank would have paid Banca Monte Paschi Siena an amount equivalent to the sum actually received from BTP repayment and Banca Monte Paschi Siena would, in turn, have paid an amount equal to the BTPs' nominal value (regardless of the amount that would have been repaid to Deutsche Bank by the Italian Government at bond maturity).

In substance, the terms and conditions of the three TRSs entered into by and between the Parent Company and Deutsche Bank coincided with those of the three TRSs entered into by and between Santorini and Deutsche Bank, with the only exception being the methods used to determine the cost of the LTRs.

Furthermore, the agreements provide that, in the event of default of the Italian Republic, the counterparty may deliver securities from the same issuer but different from those in the repo agreement (a.k.a 'cheapest to deliver' option).

From an accounting perspective, in analogy with the Alexandria transaction, the Parent Company did not derecognise the BTPs from its assets and, conversely, it recognised the financial liabilities (LTRs) at the value of the consideration initially received, given that the risks and rewards on the BTPs were substantially retained. The liability was then measured at amortised cost.

In contrast to Santorini, the Parent Company's LTRs therefore resulted in losses (fair value of debt higher than loan received); therefore, the spread arising on the individual transactions as a consequence of the events turned out to be higher than the spread presumably to be expected for the purpose of adequately reflecting the risk inherent in assessing the Parent Company's creditworthiness, under normal market conditions and in ordinary funding transactions with the same characteristics in terms of duration, frequency and guarantees.

The positive effects on the income statement from early termination of the LTRs were reflected in the vehicle's financial statements as at 31 December 2008 and, indirectly, in the Group's consolidated accounts, which posted a lower loss than the one which would have been incurred in the absence of the transactions. By contrast, not recognising the liability at fair value, the Parent Company did not recognise the corresponding negative effect.

As a consequence, with reference to the financial year ending 31 December 2008, an error was identified in the initial recognition of liabilities associated with the LTRs in the Parent Company's accounts. The error consisted in failure to initially measure liabilities at fair value and was quantified to amount to EUR 429 mln.

Considering the re-determination of the amortised cost of the liability associated with the long-term repo, gross adjustments to the Parent Company's accounts totalled as follows:

- Net Equity as at 1/1/2011: EUR -348.3 mln;
- 2011 Income Statement: EUR 20.5 mln positive effect on Net Interest Income;
- Net Equity as at 31/12/2011: EUR -327.8 mln.

Nota Italia

On 14 July 2006, the Parent Company purchased "Floating Rate Notes with Collateral Substitution Right due 2037", for an aggregate nominal value of USD 639 mln and with maturity on 1st February 2037. Specifically, the Nota Italia notes were issued at par by the special-purpose vehicle CORSAIR Finance (Ireland) no. 6 Limited. The Nota Italia notes are backed by three securities (Collateral).

The Nota Italia notes' contractual structure contains a clause whereby, in the event of default of the Italian Republic, JP Morgan is entitled to collateral being substituted with any securities issued by th Italian Republic. In other terms, the right to substitution of Collateral provides that, should the Republic of Italy default, Collateral may be replaced with securities issued by the Republic of Italy for an amount equal to the nominal value of Collateral, respectively increased or reduced by the amount of profit or loss of Collateral value, compared to par value, as at that date.

The contractual arrangement also contains an early termination clause for the notes in the event of default of one of the issuers of the securities pledged as Collateral: in this case, the Nota Italia notes are redeemed based on the *market value* of non-defaulted securities pledged as Collateral and the recoverable value of defaulted securities, plus or minus mark-to-market of sale of credit protection on Italy's soveregn risk.

In substance, by purchasing the Nota Italia notes, the Bank synthetically sells credit protection on Italy's risk of default to JP Morgan, for a nominal value equal to that of the notes underwritten by the Bank.

Based on the above, in addition to being exposed to the credit risk of securities pledged as Collateral, the notes are also exposed to the Republic of Italy's risk of default. The overall risk shall be considered as *limited recourse*, meaning that the maximum loss for the investor consists in the investment nominal value.

At initial recognition in the Parent Company's financial statements, the Nota Italia notes were considered as a hybrid instrument under IAS 39, made up of a non-derivative financial instrument (bond component) embedding a derivative contract. The bond component was classified in the Available for Sale portfolio, while the derivative component consisting in the sale of protection on the Republic of Italy's risk of default was classified in the Held for Trading portfolio. The fair value of the embedded derivative was determined at initial recognition; the residual value between fair value of the consideration given and fair value of the embedded derivative represented the recognition value of the host contract, i.e. the bond component.

Subsequently, the derivative was measured at fair value whereas the bond component, originally classified in the AFS portfolio, was reclassified among Loans & Receivables in 2008 under the *amendment* to IAS 39.

As for the initial and subsequent measurement of the embedded derivative, until 30 September 2012, the Parent Company believed that the right to Collateral substitution with securities issued by the Republic of Italy would have been exercisable by JP Morgan prior to the early termination clause and, therefore, would have caused a loss limited to the difference, if any, between the recovery value of securities issued by the Republic of Italy and the market value of Collateral. The separated derivative, i.e. the sale of credit protection on Italy's sovereign risk (as a marginal component compared to other risk factors), was therefore measured by considering the Republic of Italy's risk of default as subordinate to non-default of the issuers of the securities pledged as Collateral and posting a loss cleared of potential Collateral depreciation.

Following a more in-depth analysis of contractual documents, the Parent Company reassessed the functioning of the financial structure reflected in the Nota Italia notes, pointing out that the two risks inherent in the notes (credit risk on Collateral and Italy's risk of default) should be considered on a cumulative basis. In particular, it was noted that, in the event of default of one of the issuers of Collateral, the Parent Company would in any case be held liable for the change in value of the Credit Default Swap entered into between the issuing vehicle and JP Morgan and that, in the event of default of the Italian Republic, Collateral would have been substituted in a nominal amount of securities issued by the Italian Republic not equal to the nominal value of Collateral, but rather to the nominal value of Collateral minus the loss on Collateral from its initial value.

Consequently, for the purpose of the 2012 financial statements, the Parent Company has modified its valuation model for the embedded derivative in order to take account of risks that had not previously been considered. The derivative has accordingly been measured as a CDS sale of protection on the Republic of Italy, save for the limited recourse clause, with nominal value equal to the nominal value of the Nota Italia notes due in February 2037.

The different valuation model used resulted in the following gross adjustments being made to the Parent Company's financial statements:

- Net Equity as at 1/1/2011: -EUR 90.6 mln, of which -EUR 109.5 mln in reserves from profit and +EUR 18.9 mln in AFS reserves;
- 2011 Income Statement: -EUR 93 mln of which +EUR 0.7 mln in Net Interest income and -EUR 93.7 mln in Net profit (loss) from trading.
- Net Equity as at 31/12/2011: -EUR 184.3 mln, of which -EUR 202.5 mln in reserves from profit and +EUR 18.2 mln in AFS reserves;

In January 2013, the Parent Company restructured the notes by removing the component linked to Italy's soverign risk. The restructuring involved the estinguishment of the derivative.

Personnel expenses

In the course of 2012, extensive audits were conducted within the Parent Company on accounting mismatches between operating and administrative-accounting results relating to the administrative management of personnel. The auditing process revealed that errors of various nature had been made, including: underestimation of liabilities (solidarity fund, holidays accrued and not taken, etc.), incorrect allocation of costs on an accrual basis (performance bonus, incentive scheme, etc.) and improper recognition of assets (tax bonuses for personnel training). Total adjustments are partly offset by the use of pre-existing provisions for risks and charges for an amount of EUR 40 mln.

Net of tax effects, the adjustments totalled:

- Net Equity as at 1/1/2011: -EUR 105.1 mln
- 2011 Income Statement: +EUR 43.4 mln.
- Net equity as at 31/12/2011: -EUR 61.7 mln

Effects from correction of errors

Correction of the afore-mentioned errors resulted in the following P&L and balance-sheet impacts on the Parent Company's tax items:

- Net Equity as at 1/1/2011: +EUR +47.1 mln;
- 2011 Income Statement: +EUR +9.7 mln;
- Net equity as at 31/12/2011: +EUR +57.1 mln.

The adjustments' tax treatment applied during preparation of the financial statements reflects the best possible interpretation of tax regulations in force, in light of the analysis carried out with support from appointed external consultants.

The amount of corrections made to comparative data is reported in the following financial statements and tables.

BALANCE SHEET

(in units of EUR)

	Assets	1/1/2011	Restatement adjustments	Total (restated) 1/1/2011
10	Cash and cash equivalents	2,411,031	-	2,411,031
20	Financial assets held for trading	30,615,440	-	30,615,440
30	Financial assets designated at fair value	247,143	-	247,143
40	Financial assets available for sale	21,801,514	-	21,801,514
50	Financial assets held to maturity	3	-	3
60	Loans to banks	8,809,712	-	8,809,712
70	Loans to customers	155,329,325	1,248	155,330,573
80	Hedging derivatives	313,412	-	313,412
90	Change in value of macro-hedged financial assets (+/-)	17,655	-	17,655
100	Equity investments	907,529	-	907,529
120	Property, plant and equipment	1,407,077	-	1,407,077
130	Intangible assets	7,551,613	-	7,551,613
	of which: goodwill	6,473,779	-	6,473,779
140	Tax assets	4,783,788	76,017	4,859,805
	a) current	669,909	-	669,909
	b) deferred	4,113,879	76,017	4,189,896
	under Law 214/2011	-	-	-
150	Non-current assets and groups of assets held for sale and discontinued operations	161,772	-	161,772
160	Other assets	4,804,736	-	4,804,736
	Total Assets	**239,161,750**	**77,265**	**239,239,015**

(in units of EUR)

	Assets	31 12 2011	Restatement adjustments	Total (restated) 31 12 2011
10	Cash and cash equivalents	877,784	-	877,784
20	Financial assets held for trading	32,539,184	-	32,539,184
30	Financial assets designated at fair value	38,231	-	38,231
40	Financial assets available for sale	22,904,656	-	22,904,656
50	Financial assets held to maturity	2	-	2
60	Loans to banks	20,695,447	-	20,695,447
70	Loans to customers	146,607,896	1,201	146,609,097
80	Hedging derivatives	363,351	-	363,351
90	Change in value of macro-hedged financial assets (+/-)	76,310	-	76,310
100	Equity investments	894,642	-	894,642
120	Property, plant and equipment	1,384,965	-	1,384,965
130	Intangible assets	2,980,416	-	2,980,416
	of which: goodwill	*2,216,339*	-	*2,216,339*
140	Tax assets	7,223,340	92,704	7,316,044
	a) current	*550,693*	-	*550,693*
	b) deferred	*6,672,647*	*92,704*	*6,765,351*
	under Law 214/2011	*3,631,060*	-	*3,631,060*
150	Non-current assets and groups of assets held for sale and discontinued operations	2,158	-	2,158
160	Other assets	4,113,589	(2,000)	4,111,589
	Total Assets	**240,701,971**	**91,905**	**240,793,876**

(in units of EUR)

	Liabilities and Shareholders' Equity	1/1/2011	Restatement adjustments	Total (restated) 1/1/2011
10	Deposits from banks	27,419,008	348,355	27,767,363
20	Deposits from customers	96,876,569	294,410	97,170,979
30	Debt securities issued	35,246,717	-	35,246,717
40	Financial liabilities held for trading	27,074,740	91,800	27,166,540
50	Financial liabilities designated at fair value	25,469,490	-	25,469,490
60	Hedging derivatives	1,736,530	-	1,736,530
80	Tax liabilities	233,879	28,916	262,795
	a) current	128,725	28,916	157,641
	b) deferred	105,154	-	105,154
90	Liabilities associated with non-current assets held for sale and discontinued operations	213,400	-	213,400
100	Other liabilities	5,859,531	145,120	6,004,651
110	Provision for employee severance pay	287,476	-	287,476
120	Provisions for risks and charges:	1,318,362	(40,000)	1,278,362
	a) post-employment benefits	435,919	-	435,919
	b) other provisions	882,443	(40,000)	842,443
140	Valuation reserves	(146,165)	12,188	(133,977)
160	Equity instruments carried at equity	1,949,365	-	1,949,365
170	Reserves	5,900,424	(803,524)	5,096,900
180	Share premium	3,989,502	-	3,989,502
190	Share capital	4,502,410	-	4,502,410
200	Treasury shares (-)	(24,613)	-	(24,613)
210	Non-controlling interests (+/-)	269,628	-	269,628
220	Profit (loss) for the period (+/-)	985,497	-	985,497
	Total Liabilities and Shareholders' Equity	**239,161,750**	**77,265**	**239,239,015**

(in units of EUR)

	Liabilities and Shareholders' Equity	31 12 2011	Restatement adjustments	Total (restated) 31 12 2011
10	Deposits from banks	46,792,932	327,832	47,120,764
20	Deposits from customers	84,010,671	284,065	84,294,736
30	Debt securities issued	39,814,649	-	39,814,649
40	Financial liabilities held for trading	26,329,376	185,506	26,514,882
50	Financial liabilities designated at fair value	22,498,694	-	22,498,694
60	Hedging derivatives	4,359,400	-	4,359,400
80	Tax liabilities	283,460	35,648	319,108
	a) current	182,596	35,648	218,244
	b) deferred	100,864	-	100,864
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-
100	Other liabilities	4,116,879	99,734	4,216,613
110	Provision for employee severance pay	265,905	-	265,905
120	Provisions for risks and charges:	1,248,268	(40,000)	1,208,268
	a) post-employment benefits	192,596	-	192,596
	b) other provisions	1,055,672	(40,000)	1,015,672
140	Valuation reserves	(3,854,001)	11,709	(3,842,292)
160	Equity instruments carried at equity	1,903,002	-	1,903,002
170	Reserves	6,577,151	(803,524)	5,773,627
180	Share premium	4,117,870	-	4,117,870
190	Share capital	6,732,247	-	6,732,247
200	Treasury shares (-)	(26,460)	-	(26,460)
210	Non-controlling interests (+/-)	217,202	-	217,202
220	Profit (loss) for the period (+/-)	(4,685,274)	(9,065)	(4,694,339)
	Total Liabilities and Shareholders' Equity	**240,701,971**	**91,905**	**240,793,876**

INCOME STATEMENT

(in units of EUR)

	Voci	31/12/2011	Restatement adjustments	Total (restated) 31/12/2011
10	Interest income and similar revenues	7,232,090	666	7,232,756
20	Interest expense and similar charges	(3,887,227)	30,868	(3,856,359)
30	**Net interest income**	**3,344,863**	**31,534**	**3,376,397**
40	Fee and commission income	2,076,599	-	2,076,599
50	Fee and commission expense	(314,126)	-	(314,126)
60	**Net fee and commission income**	**1,762,473**	**-**	**1,762,473**
70	Dividends and similar income	105,697	-	105,697
80	Net profit (loss) from trading	(109,234)	(93,706)	(202,940)
90	Net profit (loss) from hedging	(32,167)	-	(32,167)
100	Gains/losses on disposal/repurchase of:	148,808	-	148,808
	a) loans	*11,410*	-	*11,410*
	b) financial assets available for sale	*71,096*	-	*71,096*
	d) financial liabilities	*66,302*	-	*66,302*
110	Net profit (loss) from financial assets and liabilities designated at fair value	4,720	-	4,720
120	**Net interest and other banking income**	**5,225,160**	**(62,172)**	**5,162,988**
130	Net impairment losses(reversals) on	(1,431,987)	-	(1,431,987)
	a) loans	*(1,295,790)*	-	*(1,295,790)*
	b) financial assets available for sale	*(121,719)*	-	*(121,719)*
	d) other financial transactions	*(14,478)*	-	*(14,478)*
140	**Net income from banking activities**	**3,793,173**	**(62,172)**	**3,731,001**
180	Administrative expenses:	(3,549,183)	16,086	(3,533,097)
	a) personnel expenses	*(2,173,754)*	*16,086*	*(2,157,668)*
	b) other administrative expenses	*(1,375,429)*	-	*(1,375,429)*
190	Net provisions for risks and charges	(246,919)	-	(246,919)
200	Net adjustments to (recoveries on) property, plant and equipment	(81,730)	-	(81,730)
210	Net adjustments to (recoveries on) intangible assets	(486,294)	-	(486,294)
220	Other operating expenses/income	62,918	27,300	90,218
230	**Operating expenses**	**(4,301,208)**	**43,386**	**(4,257,822)**
240	Gains (losses) on investments	5,184	-	5,184
260	Impairment on goodwill	(4,034,832)	-	(4,034,832)
270	Gains (losses) on disposal of investments	34,633	-	34,633
280	**Profit (loss) before tax from continuing operations**	**(4,503,050)**	**(18,786)**	**(4,521,836)**
290	Tax expense (recovery) on income from continuing operations	26,206	9,721	35,927
300	**Profit (loss) after tax from continuing operations**	**(4,476,844)**	**(9,065)**	**(4,485,909)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	(211,895)	-	(211,895)
320	**Profit (loss) for the period**	**(4,688,739)**	**(9,065)**	**(4,697,804)**
330	Profit (loss) for the period attributable to non-controlling interests	(3,465)	-	(3,465)
340	**Parent company's net profit (loss) for the period**	**(4,685,274)**	**(9,065)**	**(4,694,339)**

		31 12 2011	Restatement adjustments	Total (restated) 31 12 2011
	Basic Earnings per Share (Basic EPS)	**(0.541)**	**(0.001)**	**(0.542)**
	of continuing operations	(0.527)	(0.001)	(0.528)
	of groups of assets held for sale and discontinued operations	(0.014)	-	(0.014)
	Diluted Earnings per Share (Diluted EPS)	**(0.541)**	**(0.001)**	**(0.542)**
	of continuing operations	(0.527)	(0.001)	(0.528)
	of groups of assets held for sale and discontinued operations	(0.014)	-	(0.014)

The 2011 income statement prior to restatement takes account of the reclassification of Biverbanca's results under "Profit (loss) after tax from groups of assets held for sale and discontinued operations" pursuant to IFRS 5.

STATEMENT OF COMPREHENSIVE INCOME

(in units of EUR)

	Items	31/12/2012	Restatement adjustments	Total (restated) 31/12/2011
10	**Profit (loss) for the period**	**(4,688,739)**	**(9,065)**	**(4,697,804)**
	Other comprehensive income, net of tax			
20	Financial assets available for sale	(3,685,515)	(479)	(3,685,994)
60	Cash flow hedges	(33,612)	-	(33,612)
70	Foreign exchange differences	1,417	-	1,417
80	Non-current assets and groups of assets held for sale and discontinued operations	(201)	-	(201)
100	Share of valuation reserves connected with investments carried at equity	(30,483)	-	(30,483)
110	**Total other comprehensive income, net of tax**	**(3,748,394)**	**(479)**	**(3,748,873)**
120	**Total comprehensive income (Account 10 + 110)**	**(8,437,133)**	**(9,544)**	**(8,446,677)**
130	Consolidated comprehensive income attributable to non-controlling interests	(44,024)	-	(44,024)
140	**Consolidated comprehensive income attributable to Parent Company**	**(8,393,109)**	**(9,544)**	**(8,402,653)**

NOTES TO THE 2011 FINANCIAL STATEMENTS - REVISED TABLES

Interest income and similar revenues: breakdown

Item/Type	31 12 2012	Restatement adjustments			31 12 2011
	Total	Debt securities	Loans	Other transactions	Total (restated)
1. Financial assets held for trading	575,405				575,405
2. Financial assets designate at fair value	-				-
3. Financial assets available for sale	766,913				766,913
4. Financial assets held to maturity	-				-
5. Loans to banks	191,842	666			192,508
6. Loans to customers	5,679,526	-	-	-	5,679,526
7. Hedging derivatives	-	x	x	-	-
8. Other assets	18,404	x	x		18,404
Total	**7,232,090**	**666**	**-**	**-**	**7,232,756**

Reported adjustments refer to interest on the Nota Italia notes.

Interest expense and similar charges: breakdown

Item/Type	31 12 2011	Restatement adjustments			31 12 2011
	Total	Deposits	Securities	Other transactions	Total (restated)
1. Deposits from central banks	(153,127)		x		(153,127)
2. Deposits from banks	(289,112)	20,523			(268,589)
3. Deposits from customers	(967,671)	10,344	x		(957,327)
4. Debt securities issued	(1,421,409)	x			(1,421,409)
5. Financial liabilities held for trading	(151,930)				(151,930)
6. Financial liabilities designated at fair value	(595,492)				(595,492)
7. Other liabilities	(37,212)	x	x		(37,212)
8. Hedging derivatives	(271,274)	x	x		(271,274)
Total	**(3,887,227)**	**30,867**	**-**	**-**	**(3,856,360)**

Reported adjustments refer to lower interest payable on long-term repos with Nomura (Deposits from customers) and Deutsche Bank (Deposits from banks).

Net profit (loss) from trading: breakdown

Transactions / P&L items	31 12 2011	restatement adjustments				31 12 2011 Total (restated)
	Net Profit (Loss) (A+B)-(C+D)	Capital Gains (A)	Trading Profit (B)	Capital Losses (C)	Trading Losses (D)	Net Profit (Loss) (A + B)- (C + D)
1. Financial assets held for trading	**(426,872)**					**(426,872)**
1.1 Debt securities	(219,401)					(219,401)
1.2 Equity instruments	(178,311)					(178,311)
1.3 Units of UCITS	(24,611)					(24,611)
1.4 Loans	(4,716)					(4,716)
1.5 Other	167					167
2. Financial liabilities held for trading	**167,288**					**167,288**
2.1 Debt securities	164,759					164,759
2.2 Deposits	-					-
2.3 Other	2,529					2,529
3. Other financial assets and liabilities: exchange differences	**27,863**	**x**	**x**	**x**	**x**	**27,863**
4. Derivatives	**122,487**			**(93,706)**		**28,781**
4.1 Financial derivatives:	15,548					15,548
- on debt securities and interest rates	(94,247)					(94,247)
- on equity instruments and stock indices	136,120					136,120
- on currency and gold	(46,269)			x		(46,269)
- other	19,944					19,944
4.2 Credit derivatives	106,939			(93,706)		13,233
Total	**(109,234)**	**-**	**-**	**(93,706)**	**-**	**(202,940)**

Adjustments refer to changes in the fair value of the credit derivative separated from the Nota Italia notes.

Personnel expenses: breakdown

Type of Expense / Area	31 12 2011	Restatement adjustments	Total (restated) 31 12 2011
1. Employees	(2,156,930)	16,086	(2,140,844)
a) wages and salaries	(1,475,883)	(3,201)	(1,479,084)
b) social-welfare charges	(436,724)	1,950	(434,774)
c) severance pay	(102,450)		(102,450)
d) social security expenses	(1)		(1)
e) provision for staff severance pay	(7,789)		(7,789)
f) pension fund and similar obligations:	(2,706)		(2,706)
- defined contribution	(822)		(822)
- defined benefit	(1,884)		(1,884)
g) contributions to external pension funds:	(43,726)		(43,726)
- defined contribution	(37,537)		(37,537)
- defined benefit	(6,189)		(6,189)
h) costs related to share-based payments	-		-
i) other employee benefits	(87,651)	17,337	(70,314)
2. Other staff	(2,159)		(2,159)
3. Directors and Statutory Auditors	(7,430)		(7,430)
4. Retired personnel	(7,235)		(7,235)
Total	**(2,173,754)**	**16,086**	**(2,157,668)**

Adjustments to the item "Wages and salaries" primarily refer to the correct allocation on an accrual basis of performance bonuses and adjustments made to costs of holidays accrued and not taken. Adjustments to the item "Other employee benefits" refer to liabilities in connection with the Solidarity Fund.

Other operating expenses: breakdown

Items/Amounts	Total 31/12/12	Restatement adjustments	Total (restated) 31 12 2011
Costs of robberies	(7,094)		(7,094)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(28,833)		(28,833)
Other expenses on real estate (real estate inventory)	(43)		(43)
Cost of financial lease transactions	(13,637)		(13,637)
Other	(238,992)	27,300	(211,692)
Total	**(288,599)**	**27,300**	**(261,299)**

Adjustments refer to write-off of 2010 incentive scheme impact from 2011 accounts.

Tax expense (recovery) on income from continuing operations: breakdown

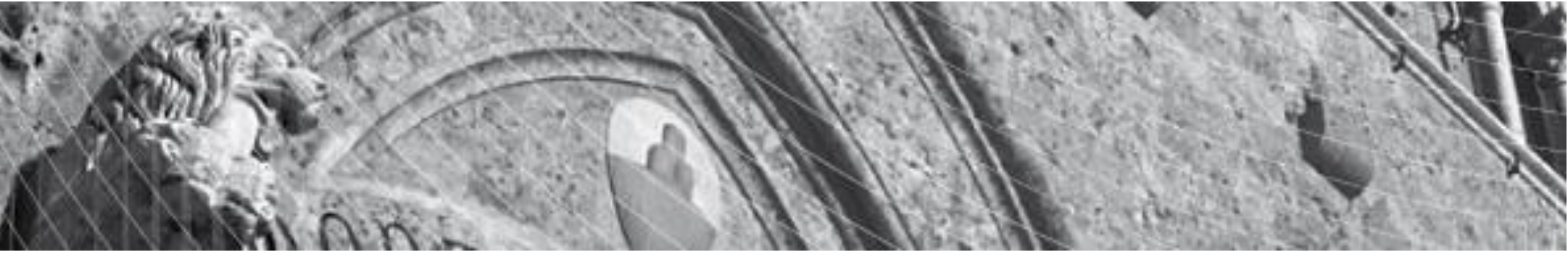
P&L items/Sectors	Total		
	31 12 2011	Restatement adjustments	Total (restated) 31 12 2011
1. Current tax (-)	(598,224)	(6,732)	(604,956)
2. Adjustments to current tax of prior years (+/-)	(167,123)		(167,123)
3. Reduction of current tax for the year (+)	-		-
3.bis "Reduction in current tax for the period due to tax credits under Law 214/2011	-		-
4. Changes in prepaid taxes (+/-)	775,367	16,453	791,820
5. Changes in deferred taxes (+/-)	16,187		16,187
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**26,207**	**9,721**	**35,928**

REGULATORY CAPITAL - B. Quantitative information

	31/12/11	Restatement adjustments	31 12 2011 Total (restated)
A. Tier I before prudential filters	**10,447,091**	**(812,589)**	**9,634,502**
B. Tier I prudential filters	1,873,937		1,873,937
B1 - Positive IAS/IFRS prudential filters	1,900,000		1,900,000
B2 - Negative IAS/IFRS prudential filters	(26,063)		(26,063)
C. Tier I capital gross of items to be deducted (A+B)	**12,321,028**	**(812,589)**	**11,508,439**
D. Items to be deducted from Tier I	672,292		672,292
E. Total TIER 1 (C - D)	**11,648,736**	**(812,589)**	**10,836,147**
F. Tier II before prudential filters	**6,045,390**	**11,709**	**6,057,099**
G. Tier II prudential filters	(15,998)	(5,855)	(21,853)
G1. - Positive IAS/IFRS prudential filters	-		-
G1. - Negative IAS/IFRS prudential filters	(15,998)	(5,855)	(21,853)
H. Tier 2 gross of items to be deducted (F + G)	**6,029,392**	**5,854**	**6,035,246**
I. Items to be deducted from Tier II	672,292		672,292
L. Total TIER 2 (H - I)	**5,357,100**	**5,854**	**5,362,954**
M. Items to be deducted from Tier I and Tier II	502,416		502,416
N. Capital for regulatory purposes (E+L - M)	**16,503,420**	**(806,735)**	**15,696,685**
O. Tier III capital (TIER 3)	-		-
P. Regulatory capital inclusive of TIER III (N+O)	**16,503,420**	**(806,735)**	**15,696,685**

CAPITAL ADEQUACY - B. Quantitative information

Categories/Amounts	Non-Weighted amounts			Weighted amounts/requirements		
	31 12 2011	Restatement adjustments	31 12 2011 Total (restated)	31 12 2011	Restatement adjustments	31 12 2011 Total (restated)
A. RISK ASSETS						
A.1 Credit and counterparty risk (*)	**231,521,997**	24,693	**231,546,690**	**89,232,387**	4,939	**89,237,326**
1. Standardized Approach	107,295,079	24,693	107,319,772	41,524,995	4,939	41,529,934
2. 2 Internal rating-based (IRB) approacl	122,974,177	-	122,974,177	46,799,540	-	46,799,540
2.1.Foundation	-		-	-		-
2.2 Advanced	122,974,177		122,974,177	46,799,540		46,799,540
3. Securitisations	1,252,741		1,252,741	907,852		907,852
B. REGULATORY CAPITAL REQUIREMENTS						
B.1 Credit and counterparty risk				**7,138,591**	395	**7,138,986**
B.2 Market risk				**547,243**	-	**547,243**
1. Standardized Approach				547,243		547,243
2. Internal models				-		-
3. Concentration risk				-		-
B.3 Operational Risk				**695,791**	-	**695,791**
1. Foundation				46,081		46,081
2. Standardized Approach				-		-
3. Advanced				649,710		649,710
B.4 Other prudential requirements				**-**		**-**
B.5 Other calculation elements				**33,497**	-	**33,497**
of which impaired				33,497		33,497
of which intra-group adjustments				-		-
B.6 Total prudential requirements (3)				**8,415,122**	395	**8,415,517**
C. RISK ASSETS AND CAPITAL RATIOS						
C.1 Risk-weighted assets				105,189,030	4,939	105,193,969
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)				11.074%	(0.773%)	10.301%
C.3 Capital for regulatory purposes including Tier III / risk-weighted assets (Total capital ratio)				15.689%	(0.768%)	14.922%



Part A – Accounting Policies

A.1 – General

Section 1 - Statement of compliance with international accounting principles

Pursuant to Legislative Decree no. 38 of 28 February 2005, the MPS Group consolidated accounts were prepared in accordance with the international accounting principles issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission, pursuant to EC Regulation no. 1606 of 19 July 2002 which was effective as at 31 December 2012.

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

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

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

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

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

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

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

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

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

Section 2 - Preparation Criteria

The Consolidated Financial Statements have been prepared in accordance with the IAS/IFRS International accounting standards issued by the International Accounting Standards Board (IASB) including the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union and mandatorily applied in the 2012 financial year. The provisions contained in Circular Letter No. 262 issued by the Bank of Italy concerning the layout and rules for preparing separate and consolidated financial statements for the banks and the Group were also applied, as amended by the first addendum of 18 November 2009 and Annex 1 to the Bank of Italy's letter of 15 January 2013.

The consolidated financial statements consist of the:

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

The Consolidated Financial Statements are integrated with the Directors' Report on Group Operations.

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

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

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

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

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

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

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

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

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

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

Section 3 – Scope and methods of consolidation

Scope of consolidation

The consolidated financial statements include the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of 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 company.

Companies are assumed to be subsidiaries when the Parent Company, directly or indirectly, holds more than half of their voting rights, unless clearly proved otherwise. However, control may also exist in those cases where the Parent Company, though holding half or less than half of the voting rights, has the power to appoint the majority of directors of the investee or determine the financial or operating policies of an entity for the purpose of obtaining benefits from its activity.

In assessing whether a company has the power to govern the financial or operating policies of another company, account is also taken of "potential" rights when they are currently exercisable or convertible in actual voting rights. In accordance with SIC 12, the consolidation of special purpose entities has the same effect as full consolidation. Equity interests held by third parties in a special purpose entity consolidated in accordance with SIC 12 are recognised under non-controlling interests.

Companies are considered as joint ventures, i.e subject to joint control when the voting rights and the control of the economic activities of the investee are equally shared by the Parent Company, directly or indirectly, and by an external entity. Furthermore, an investment is considered as subject to joint control even when voting rights are not equally shared if control over the economic activities and the strategies of the investee is shared, based on contractual agreements, with other entities.

Companies are considered associates, that is subject to significant influence, when the Parent Company, directly or indirectly, holds at least 20 per cent of their voting rights (including "potential" voting rights as described above) and has the power to participate in determining their financial and operating policies. Similarly, companies are considered associates also when the Parent Company – despite a lower percentage of voting rights– has the power of participating in the determination of the financial and operating policies of the investee on account of specific legal agreements such as the participation in shareholders' agreements.

Minor entities are not included in the scope if their consolidation proves immaterial for the purpose of the consolidated financial statements.

Methods of consolidation

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

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

Intragroup assets, liabilities, income and expenses are eliminated.

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

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

- derecognises the assets (including any goodwill) and liabilities of (and non-controlling interests in) the former subsidiary at their carrying amounts;
- recognises the fair value of the consideration received and of any investment retained in the former subsidiary;

- reclassifies to consolidated profit or loss any amounts previously recognised in the subsidiary's statement of comprehensive income as if the assets or liabilities had been transferred;
- recognises any resulting difference in consolidated profit or loss .

Interests in jointly controlled companies are recognised using the proportionate consolidation method.

Those companies over which the Group exercises significant influence (associates), or over which it has the right to participate in the determination of financial and operating decisions without having control or joint control, are valued using the equity method.

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

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

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

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

The financial statements processed for line-by-line and proportionate consolidation include the financial statements as at 31 December 2012, as approved by the Boards of Directors of the respective companies. The companies subject to the Group's significant influence are valued by applying the equity method on the basis of the latest financial statements or reports available.

In the course of fiscal year 2012, the following changes were made to the scope of consolidation:

- Banca Popolare di Spoleto S.p.a. changed from being a jointly controlled entity to an associate;
- the companies, Covered Bond 2 Srl and Mantegna Finance Srl, were included in the MPS Group's scope of consolidation;
- Agrisviluppo S.p.a. was merged by and into the Parent Company;
- Ulisse 2 was merged by and into the Parent Company;
- the companies, Giotto Finance 2 S.p.a. and Siena Mortgages 03-4 S.r.l. were discontinued and removed from the Companies' Registry;
- Monte Paschi Assurances France S.A. was merged into Monte Paschi Banque S.A.;
- the company, Biverbanca Cassa di Risparmio di Biella e Vercelli S.p.a., was sold to Cassa di Risparmio di Asti S.p.a.

Reported below is the table "Investments in associates and joint ventures (proportionate consolidation").

Investments in associates and joint ventures (proportionate consolidation)

		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.	Siena				
		A.1 Fully consolidated companies					
A.1		MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	1	A.0	99.921	99.921
A.2		MPS GESTIONE CREDITI BANCA S.p.a.	Siena	1	A.0	100.000	
	2.1	AIACE REOCO S.r.l.	Siena	1	A.2	100.000	
	2.2	ENEA REOCO S.r.l.	Siena	1	A.2	100.000	
A.3		MPS LEASING E FACTORING BANCA PER I SERVIZI	Siena	1	A.0	100.000	
A.4		BANCA ANTONVENETA S.p.a.	Padua	1	A.0	100.000	
A.5		MONTE PASCHI IRELAND LTD	Dublin	1	A.0	100.000	
A.6		MONTE PASCHI FIDUCIARIA S.p.a.	Siena	1	A.0	100.000	
A.7		CONSUM.IT S.p.a.	Florence	1	A.0	100.000	
A.8		MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI	Siena	1	A.0	100.000	
A.9		MPS IMMOBILIARE S.p.a.	Siena	1	A.0	100.000	
A.10		G.IMM ASTOR S.r.l.	Lecce	1	A.0	52.000	
A.11		CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	1	A.0	99.730	99.910
					A.1	0.060	
					A.2	0.030	
					A.3	0.030	
					A.4	0.030	
					A.7	0.030	
A.12		MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	1	A.0	100.000	
A.13		BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	1	A.0	99.900	100.00
					A.4	0.100	
A.14		MPS PREFERRED CAPITAL I LLC	Delaware	1	A.0	100.000	
A.15		MPS PREFERRED CAPITAL II LLC	Delaware	1	A.0	100.000	
A.16		MONTE PASCHI BANQUE S.A.	Paris	1	A.0	100.000	
	16.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR	Paris		A.16	100.000	
	16.2	MONTE PASCHI INVEST FRANCE SOCIETE PAR	Paris		A.16	100.000	
	16.3	IMMOBILIERE VICTOR HUGO S.C.I.	Paris		A.16	100.000	
A.17		MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	1	A.0	99.200	100.00
					A.16	0.800	
A.18		MPS COVERED BOND S.r.l.	Conegliano	1	A.0	90.000	
A.19		MPS COVERED BOND 2 S.r.l.	Conegliano	1	A.0	90.000	

Name			Registered Office	Type of relationship (*)	Ownership Relationship		Available votes % (**)
					Held by	Shareholding %	
A.20		CIRENE FINANCE S.r.l.	Conegliano	1	A.0	60.00	
A.21		ANTONVENETA CAPITAL L.L.C. I	Delaware	1	A.0	100.000	
A.22		ANTONVENETA CAPITAL L.L.C. II	Delaware	1	A.0	100.000	
A.23		ANTONVENETA CAPITAL TRUST I	Delaware	1	A.0	100.000	
A.24		ANTONVENETA CAPITAL TRUST II	Delaware	1	A.0	100.000	
A.25		MANTEGNA FINANCE S.r.l. (in liquidazione)	Mantua	1	A.0	100.000	
		A.2. Proportionately consolidated companies					
A.26		INTEGRA S.p.a. Book value: 50% of nominal value	Florence	7	A.7	50.000	

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

Any changes to the Group set-up arising from business combinations are reported in part G "Business combinations" of the Notes to the Consolidated Financial Statements.

Section 4 – Events after the Reporting Period

On 28 February 2013, the Parent Company issued “New Financial Instruments” (NFIs) qualifying as regulatory caoital (Core Tier 1) and aimed at complying with the EBA Recommendation of 8 December 2011. The instruments were underwritten by the Ministry of Economy and Finance under Law Decree no. 95 of 6 July 2012, converted into Law no. 135 of 7 August 2012.

In particular, EUR 3,900 mln worth of NFIs were issued, against surrender and consequent cancellation of prior “Tremonti Bonds” for an amount of Eur 1,900 mln and cash payment by the Ministry of Economy and Finance for an amount of EUR 2,000 mln.

On the same date, an additional amount of EUR 171 mln in NFIs were issued by the Parent Company against settlement of the debt posted to the Parent Company's 2012 financial statements due to interest payable to the Ministry of Economy and Finance on Tremonti bonds for 2012.

In this connection, it is noted that the NFI prospectus, published by way of a specific Ministerial Decree issued by the Ministry of Economy and Finance on 21 December 2012 (and therefore on a date prior to the 2012 balance sheet date), introduced the obligation for the Parent Company to pay interest accrued on Tremonti Bonds for the period from 1 January 2012 even in the event of losses posted for the year by the Parent Company. This modification led to the reclassification of Tremonti bonds in the 2012 accounts from item 150 “Equity instruments” to item 30 “Debt securities issued” on the Liabilities side of the balance sheet, with consequent allocation of interest accrued to item 20 “Interest expense and similar charges” of the Income Statement.

The Ministry of Economy and Finance, by decree of 8 February 2013, has, upon proposal by the Bank of Italy, determined the dissolution of Banca Popolare di Spoleto's governing and control bodies.

The proposal was made following the negative outcome of inspections carried out by the Supervisory Authority

Section 5 – Other Matters

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

With regard to the indications contained in Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated annual report based on the assumption of business continuity since the uncertain climate arising from the current economic scenario affords no doubt as to the company's ability to continue operating as a going concern.

In particular, the Group's current and prospective capital adequacy has accurately been reviewed by the Supervisory Authorities and safeguarded by an action plan which was agreed upon with the *regulators* and put in place after the follow-up assessment on the EBA capital exercise; such actions have led to a capital strengthening effort by the Group which ensures adequate coverage also of the lower appraisal value of positions in sovereign securities. The capital strengthening plan has been put in place including by making recourse to "State Aid", i.e. financial instruments qualifying as regulatory capital subscribed to by the Ministry of Economy and Finance, the amount of which was determined by considering, among other things, the capital requirement associated with the negative impacts on capital that emerged after the ascertainment of errors in the accounting treatment of some transactions and personnel expenses.

Issuance of the New Financial Instruments was completed on 28 February 2013; granting of State Aid requires approval of a Restructuring Plan by the European Commission; the process with the relevant bodies of the European Commission has already been started by the Group

With regard to prospective trends, the Group expects the new business plan will lay solid foundations for long-term development through its threefold strategy of capital strengthening, structural rebalancing of liquidity and return to sustainable profitability.

Capital strengthening, partially achieved, is based on improved quality and quantity of capital and a rigorous policy for protection of asset quality. Fitting within this framework are the *asset disposals* planned, including the sale of Biverbanca which was completed at the end of 2012, and the *liability management* actions aimed at the buyback of subordinated and innovative securities, some of which were completed in 2012 while some will be put in place shortly.

The improvement in profitability will be obtained through:

- a significant reduction in operating costs, with a view to aligning operational efficiency levels to *best practices*, by way of savings on administrative expenses, HR actions and personnel cost containment, layout rationalisation of both branch network and regional headquarters;
- merger of Banca Antonveneta;
- reduction of the cost of credit;
- greater diversification of revenues to increase share of income from fees and commissions and *bancassurance services;*
- a more powerful sales and distribution approach with thw launch of a sales force boosting plan; more effective marketing campaigns; launch of new products and new *internet banking* platform.

List of key IAS/IFRS international accounting principles and related SIC/IFRIC interpretations for mandatory application as of the 2012 financial statements

Reported below are the key amendments to the accounting standards and intepretations which are mandatorily effective as of financial year 2012. It is noted that these amendments did not have any significant impact on the preparation of the present financial statements.

- **IFRS 7 – Financial instruments: additional disclosures** The amendment issued by IASB on 7 October 2010 strengthens disclosure requirements for transactions involving transfers of financial assets. The amendments increase the existing disclosure requirements of IFRS 7 where an asset is transferred but not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale. The amendment will allow users to better understand the potential risks from transferred financial assets that remain on the transferor's balance sheet. The former IAS 39 implementation guidance on derecognition of financial assets remains unaltered. The amendment was endorsed by the European Commission on 22 November 2011 under Regulation no. 1205/2011 and is effective for annual periods beginning on or after 30 June 2011. This revision only impacts disclosure and has no effect on the net assets, results or financial position. The Bank of Italy has adopted the new disclosure requirements by amending Circular letter no. 262 "Banks' financial statements: layouts and preparation" with its letter of 15 January 2013.

IAS/IFRS international accounting standards and related SIC/IFRIC interpretations endorsed by the European Commission, the application of which is mandatory as of 31 December 2012.

Pursuant to IAS 8 paragraphs 30 and 31, please note that up to 3 March 2013, the European Commission approved some principles and interpretations issued by the IASB, the application of which is required as of 31 December 2012. In these instances the Group did not opt, in any of these cases, for early application. These principles and interpretations are shown below.

in December 2010, the International Accounting Standard Board (IASB) published an **amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"**. Under IAS 12, the measurement of deferred tax assets and liabilities should be based on the expected manner of recovery of the carrying amount of the underlying asset through use or sale. The manner in which an entity recovers the carrying amount of an asset or liability (for example through use or sale) may affect either or both of the tax rate applicable when the entity recovers the amount and the tax base of the asset (liability). An entity measures deferred tax liabilities and deferred tax assets using the tax rate and the tax base that are consistent with the expected manner of recovery or settlement. In order to reduce the elements of subjectivity involved in determining the expected manner of recovering the carrying amount of the underlying asset, the amendment has introduced a 'rebuttable presumption' that assets measured using the fair value model in IAS 40 will be recovered entirely by sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume the investment property's economic benefits over time. The amendment also incorporates into IAS 12 guidance previously contained in SIC 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets". The amendment was endorsed by the European Commission on 11 December 2012 with Regulation no. 1255/2012 and is effective for annual periods beginning on or after 11 December 2012 (and therefore as of financial statements for 2013).

The new accounting principles **IFRS 10 "Consolidated Financial Statements"**, **IFRS 11 "Joint Arrangements"** and **IFRS 12 "Disclosure of interests in other entities"** were published by the IASB in May 2011. 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 conjuction with withdrawal of IAS 31, were endorsed by the European Commission with Regulation no. 1254/2012 on 11 December 2012 and are mandatorily to be applied for annual periods beginning on or after 1 January 2014.

In May 2011, the IASB also published **IFRS 13 "Fair Value Measurement"**. IFRS 13 establishes a single source of guidance for all fair value measurements so far required by the IFRSs, eliminating existing inconsistencies. 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 (exit price). The notion introduced by IFRS 13 is that fair value is a market based rather than an entity specific measurement.
The principle was endorsed by the European Commission with Regulation no. 1255/2012 on 11 December 2012 and is mandatorily to be applied for annual periods beginning on or after 1 January 2013.

In December 2011, the IASB issued **amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"**, introducing 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. An **amendment to IFRS 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities"** was also published by the IASB in December 2011. The amendment introduces new disclosure requirements for financial assets and liabilities which are offset under paragraph 42 of IAS 32. The principle was endorsed by the European Commission with Regulation no. 1256/2012 on 13 December 2012 and is mandatorily to be applied for annual periods beginning on or after 1 January 2013.

In June 2011, the International Accounting Standard Board (IASB) published the **amendment to IAS 1 "Presentation of Items of Other Comprehensive Income"**. The major amendment to IAS 1 introduces the requirement to present separately in OCI items that could be reclassified (or 'recycled') to profit or loss under certain circumstances (sale, impairment) from items which will never be reclassified. The principle was endorsed by the European Commission with Regulation no. 475/2012 on 5 June 2012 and is mandatorily to be applied for annual periods beginning on or after 1 July 2013.

Revisions to IAS 19 "Employee Benefits" were published by the IASB in June 2011. The revised standard is the result of a project aimed at increasing comparability and quality of disclosure of post-employment benefits. Among the amendments are:

- methods for recognition of changes in defined benefit related assets and liabilities;
- treatment of plan amendments, curtailments and settlements;
- disclosure for defined benefit plans;
- other minor issues.

In particular, the main impact derives from elimination of the "corridor" method for recognition of actuarial gains and losses. Accordingly, as of 1 January 2013, actuarial gains and losses will be fully recognised at equity.

The principle was endorsed by the European Commission with Regulation no. 475/2012 on 5 June 2012 and is mandatorily to be applied for annual periods beginning on or after 1 January 2013.

Two amendments to **IFRS 1 "First-time adoption of International Financial Reporting Standards"** were published by the IASB in December 2010. The first replaced fixed date references (1 January 2004) with 'the date of transition to IFRSs', thus exempting first time adopters of IFRSs from having to reconstruct transactions that occurred prior to their date of transition to IFRSs. The second amendment includes guidance on how an entity should resume presenting (or present for the first time) financial statements in accordance with IFRSs after a period where the entity's functional currency was subject to severe hyperinflation. Both amendments were endorsed by the European Commission with Regulation no. 1255/2012 on 11 December 2012 and are mandatorily to be applied for annual periods beginning on or after 1 January 2013.

Accounting standards, amendments and interpretations issued by the IASB and still awaiting approval from the European Commission.

These standards and interpretations are applied as of the start date envisaged for mandatory application by the IASB which is, in any event, after 31 December 2012. It should be noted that, for companies resident in EU member states, the start date for mandatory application shall be the date indicated in the endorsement regulations.

IFRS 9 – Financial instruments – Replacement Project. In response to requests to simplify accounting standards applicable to financial instruments from both political organisations and international institutions, the IASB has launched a project to replace the current IAS 39. The project in question has been broken down into three separate phases: 1) classification and measurement of financial assets, 2) amortised cost and impairment, 3) hedge accounting. For phases 2) and 3) the IASB has not published any principles yet, but only a set of *Exposure Drafts*.

With regard to the first phase, on 12 November 2009, the IASB issued the accounting standard **"IFRS 9 – Financial instruments"**. The new accounting standard relates to the classification and measurement of financial assets. Portfolio categories were reduced to three (amortised cost, fair value with changes to profit and loss, and fair value with changes through other comprehensive income). HTM and AFS categories were removed. Rules for classifying the three categories in question were changed, including those relating to the Fair Value Option (FVO). IFRS 9 uses a unique method to determine whether a financial asset should be measured at amortised cost or at fair value. The method is based on the entity's business model and on the contractual features of the cash flow of the financial assets.

On 28 October 2010, the International Accounting Standards Board (IASB) completed IFRS 9 with a section on classification and measurement of financial liabilities. The IASB substantially decided to maintain the existing framework of IAS 39. It therefore maintained the existing requirement for separate accounting of derivatives embedded in a financial host. For instruments other than derivatives, measurement of all fair value changes through profit or loss only applies to financial liabilities held for trading. For financial liabilities designated under the fair value option, the amount of change in the fair value that is attributable to changes in the credit risk of the liability, shall be presented directly in other comprehensive income, unless it creates/increases an accounting mismatch, in which case the entire change in fair value shall be presented within profit and loss. The amount that is recognised in other comprehensive income is not transferred from OCI to P&L ("recycled") when the liability is settled or extinguished.

For completeness of information, it is noted that in November 2012 the IASB published the Exposure Draft 2012/4 **"Classification and Measurement: limited amendments to IFRS 9 – Proposed amendments to IFRS 9 (2010)"** which proposes the introduction of a "*Fair value through other comprehensive income (FVOCI)*" measurement category for debt instruments on the basis of an entity's business model.

On 13 March 2012, IASB issued an amendment to **IFRS 1** regarding **"Government loans**". The amendment adds an exception to the retrospective application of IFRSs for *first time adopter*s who are now requires to apply the requirements in IFRS 9 "Financial instruments" and IAS 20 "Accounting for government grants and disclosure" prospectively to existing government loans at the date of transition to IFRSs. Retrospective application is only permitted if the information needed for retrospective implementation was obtained at the time of initially accounting for that loan. The amendment is mandatorily to be applied for annual periods beginning on or after 1 January 2013.

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 (mandatorily effective - see above 132 - as of financial statements for 2014). Described below are the most significant clarifications set out in the Transition Guidance:

a) the amended standard 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 fist 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 :
   - they would have been consolidated under both IFRS 10 and under IAS 27/SIC 12;
   - 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 noncontrolling 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 for which application of the above requirements is practicable (which may even be the initial-application period).

“Improvements to the international accounting standards” (2009-2011). Within the scope of this project, the IASB issued a set of amendments to the IFRSs on 17 May 2012. The amendments indicated by the IASB as involving a change in the presentation, recognition and measurement of balance sheet items are listed below, leaving aside, however, those that will only result in terminological or publication changes with minimal effects in terms of accounting.

a) **IFRS 1 "First-time Adoption of International Financial Reporting Standards": repeated application.** The amendment clarifies the applicability of IFRS 1 to an entity that has applied IFRS 1 in a previous reporting period and then stopped applying IFRSs, if its most recent previous annual financial statements did not contain an explicit and unreserved statement of compliance with IFRSs. A repeated adopter that elects not to apply IFRS 1 has to apply IFRSs retrospectively, as if it had never stopped applying IFRSs. The entity is required to disclose the reasons why:
   1. it stopped applying IFRSs;
   2. it resumed the application of IFRSs;
   3. it has elected not to apply IFRS 1, if applicable.
b) **IFRS 1 "First-time Adoption of International Financial Reporting Standards": borrowing costs.** Borrowing costs that were capitalised before the date of initial IFRS application may be carried forward without restating the amount capitalised as at the date of transition.
c) **IAS 1 “Presentation of financial statements”: Clarification of the requirements for comparative information**. It is clarified that, for the purpose of comparative information, an entity's financial statements shall include at least two statements of financial position, two statements of comprehensive income, two separate income statements, two statements of cash flows and two statements of changes in equity. No additional comparative disclosure is required in excess of the above. If additional information is provided it should be prepared in accordance with IFRSs An entity is instead required to present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative information required, if a retrospective change in accounting policy or a retrospective restatement has a material effect on the information in the statement of financial position at the beginning of the preceding period.

d) **IAS 16 "Property, Plant and Equipment": classification of servicing equipment**. Spare parts and servicing equipment are to be classified as items of property, plant and equipment when they meet the definition set out in IAS 16; conversely, they should be classified as inventory.

e) **IAS 32 "Financial instruments: presentation": tax effect of distributions to holders of equity instruments**. Income tax relating to distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for under IAS 12 "Income taxes".

f) **IAS 34 "Interim financial reporting": interim financial reporting and segment information**. Total assets for a reportable segment need to be disclosed in interim reports only when the amounts are regularly provided to the chief operating decision makers and there has been a material change in the total assets for a segment from that previously disclosed in the last annual financial statements.

In October 2012 , the IASB 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 mandatorily effective for annual periods beginning on or after 1 January 2014.

A.2 – The main items of the accounts

Accounting standards

This chapter contains the accounting standards in relation to the main assets and liabilities in the balance sheet, which were adopted for the preparation of the consolidated financial statements as at 31 December 2012.

1 Financial assets held for trading

a) recognition criteria

Initial recognition of financial assets occurs at settlement date, for debt securities and equities and at trade date for derivative contracts.

Upon initial recognition, financial assets held for trading are recognised at fair value, which usually corresponds to the amount paid, without considering transaction costs or revenues directly attributable to the instrument, which are directly posted to the profit and loss statement.

Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of a derivative are recorded separately from the host contract at fair value.

The applicable accounting criteria are administered to the primary contract.

b) classification criteria

This category includes debt securities and equities purchased mainly for the purpose of obtaining short-term profits arising from price changes and the positive value of derivative contracts, including expired and impaired derivatives not comprised in a master netting agreement, except for those designated as hedging instruments. Derivative contracts include those embedded in combined financial instruments which were subject to separate accounting.

c) measurement criteria

After initial recognition, financial assets held for trading are recorded at fair value, with value changes recognised in profit or loss.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.3.2 Fair Value Hierarchy" of this Part A.

Equity instruments and derivatives indexed to such equity instruments, for which it is not possible to determine a reliable fair value according to the guidelines listed above, keep being measured at cost less impairment. Such impairment losses are not reversed.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/benefits are transferred. Securities received within the scope of a transaction that contractually provides for subsequent sale are not recorded in the financial statements, and securities delivered within the scope of a transaction that contractually provides for subsequent buyback are not derecognised from the financial statements. Consequently, in the case of securities acquired with an agreement for resale, the amount paid is recorded in the financial statements as loans and advances to customers or banks, while in the case of securities transferred with an agreement for repurchase, the liability is recorded under deposits from banks or deposits from customers or under other liabilities.

e) revenue recognition criteria

Gains and losses arising from any changes in the fair value of a financial asset are recognised in profit and loss under item “80 Net trading income (expenses)”, except for gains and losses on receivable derivatives linked with the fair value option which are classified under item “110 Net profit (loss) from financial assets and liabilities designated at fair value”.

2 Financial assets available for sale

a) recognition criteria

Financial assets are initially recognised on the date of settlement, with reference to debt or equity instruments, and on the date of disbursement, with reference to loans and receivables.

On initial recognition, the assets are reported at their fair value which normally corresponds to the price paid, inclusive of transaction costs or income directly attributable to the instrument. If recognition occurs following the reclassification from assets held to maturity, the recognition value is the fair value as at the time of transfer. In the case of debt instruments, any difference between the initial value and the value of repayment is spread out over the life of the debt instrument in accordance with the method of amortised cost.

b) classification criteria

This category includes non-derivative financial assets which are not classified as loans, financial assets designated at fair value through profit and loss or financial assets held to maturity.

In particular, this category also comprises strategic equity investments which are not managed for trading purposes and cannot be defined as controlling interest, significant influence and joint control, and bonds which are not subject to trading. Such investments may be transferred for any reason, such as liquidity requirements or variations in interest rates, exchange rates, or stock price.

c) measurement criteria

After initial recognition, financial assets available for sale are measured at fair value, with interest being recognised in the income statement as resulting from the application of the amortised cost and with appropriation to a specific equity reserve of the gains or losses arising from changes in fair value net of the related tax effect, except losses due to impairment. Foreign exchange fluctuations in relation to equity instruments are posted to the specific equity reserve, whereas changes in loans/receivables and debt instruments are allocated to profit and loss. Equity instruments, for which it is not possible to determine a reliable fair value, are maintained at cost, adjusted for any impairment losses.

Financial assets available for sale are reviewed for objective evidence of impairment at each balance sheet and interim reporting date. Indicators of a likely impairment include but are not limited to: significant financial difficulty of the issuer, non-fulfilment or defaults in payments of interest or principal, possibility that the borrower is declared bankrupt or submitted to other forms of insolvency proceedings, disappearance of an active market for the assets. In particular, as far as equity instruments that have a quoted market price in an active market are concerned, a market price as at the date of the financial statements lower than the original purchasing cost of at least 30% or a market value lower than the cost lasting more than 12 months are considered an objective evidence of value reduction. If further reductions take place in subsequent financial years, these are charged directly to the profit and loss statement.

With regard to debt securities, regardless of whether or not these are listed on active markets, any impairment loss is recognised in the profit and loss statement strictly in relation to the issuer's ability to fulfil its obligations and therefore make the necessary payments and repay capital at maturity. Therefore, it needs to be established whether there are indications of a loss event which could have a negative impact on estimated future cash flows. Where there are no actual losses, no loss is recognised on the stock, and any capital loss is recognised in the negative net equity reserve.

The amount of any value adjustment shown following the impairment test is recorded in the profit and loss statement as an expense for the year. Should the reasons for impairment cease to exist, following an event which occurred after recognition of impairment, reversals are recognised in equity in the case of equity instruments, and through profit and loss in the case of debt securities.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/rewards are transferred.

Securities received within the scope of a transaction that contractually provides for subsequent sale are not recognised in the financial statements, and securities delivered within the scope of a transaction that contractually provides for subsequent repurchase are not derecognised from the financial statements. Consequently, in the case of securities acquired with an agreement for resale, the amount paid is recognised in the financial statements as loans and advances to customers or banks, while in the case of securities transferred with an agreement for repurchase, the liability is shown under deposits from customers or deposits from banks or under other liabilities.

e) revenue recognition criteria

Upon disposal, exchange with other financial instruments or measurement of a loss of value following impairment testing, the fair value results accrued to the reserve for assets available for sale are reversed to profit and loss under:

- item “100 – Gains/Losses on disposal/repurchase of: b) financial assets available for sale", in the case of disposal;
- item "130 - Net impairment losses/reversals on: b) financial assets available for sale", in the case of recognition of impairment.

If the reasons for impairment cease to exist, following an event which occurred after the impairment was recognised, the impairment loss is reversed: through profit and loss in the case of loans or debt securities, and through equity in the case of equity instruments.

3 Financial assets held to maturity

a) recognition criteria

Initial recognition of the financial asset occurs on the settlement date. On initial recognition, the assets are measured at their fair value which normally corresponds to the price paid, inclusive of transaction costs or income directly attributable to the instrument.

If inclusion in this category occurs following reclassification from financial assets available for sale, the fair value of the asset as at the date of reclassification is used as the new amortised cost of the asset.

b) classification criteria

This category includes non-derivative financial assets with fixed or determinable payments and fixed maturity, which the Group has the positive intention and ability to hold to maturity. If it is no longer appropriate to keep an investment to maturity as a result of a change in the Group’s intention and ability to hold it as such, the investment is reclassified among assets available for sale and, for the two following years, it will not be possible to add to the category "Financial assets held to maturity".

Whenever the sales or reclassifications are qualitatively and quantitatively irrelevant, any investment held to residual maturity shall be reclassified as available for sale.

c) revenue recognition criteria

After initial recognition at its fair value, a financial asset held to maturity is measured at amortised cost using the effective interest method, adjusted so as to take account of the effects resulting from any impairment losses.

The result of the application of this method is posted through profit and loss under item “10 – Interest income and similar revenues”.

Gains or losses from the sale of these assets are recognised in profit or loss under item "100 - Gains (losses) on disposals or repurchases of: c) investments held to maturity".

Assets are checked for signs of impairment at annual and interim reporting dates.

If evidence of an impairment loss exists, the loss is measured as the difference between the carrying value of the asset and the current value of the estimated future cash flows, discounted at the original effective interest rate. The loss is recorded in the income statement under account “130 - Net impairment losses / reversals on: c) investments held to maturity".

If the reasons for impairment cease to exist following an event occurring after the impairment loss was recognised, reversals are posted to the income statement under the same item 130.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/rewards are transferred.

As at 31 December 2010, in compliance with the guidelines adopted with a specific Framework resolution, the Group holds a negligible quantity of financial instruments classified in this category.

4. Loans

a) recognition criteria

Recognition in the financial statements occurs:

- for a receivable:
  - on the date of disbursement;
  - when the creditor acquires the right to payment of the amounts contractually agreed upon;
- for a debt security:
  - on the date of settlement.

The initial value is determined on the basis of the fair value of the financial instrument (which is normally equal to the amount disbursed or price of underwriting), inclusive of the expenses/income directly related to the individual instruments and determinable as of the transaction date, even if such expenses/income are settled at a later date. This does not include costs which have these characteristics but are subject to repayment by the debtor or which can be encompassed in ordinary internal administrative expenses.

Swaps and repo contracts under agreement to re-sell are posted as lending transactions. In particular, the latter are reported as receivables in the sum of the spot amount paid.

b) classification criteria

Receivables include loans to customers and banks, whether disbursed directly or purchased from third parties, with fixed or determinable payments, which are not quoted in an active market and were not initially classified among financial assets available for sale and financial assets at fair value through profit or loss.

They also incorporate trade receivables, repurchase agreements, receivables arising from financial leasing transactions and securities purchased in a subscription or private placement, with fixed or determinable payments, not quoted in active markets. Also included among receivables are junior securities coming from own securitisations completed prior to first-time adoption.

c) revenue recognition criteria

After initial recognition, receivables are valued at amortised cost, which is the initial recognition amount decreased/increased by principal repayments, write-downs/write-backs and the amortisation – calculated using the effective interest rate method – of the difference between the amount disbursed and the amount repayable upon maturity, typically attributable to the costs/income directly charged to each receivable. The effective interest rate is the interest rate which makes the current value of future flows of the receivable, in principal and interest, estimated over the expected life of the receivable, equal to the amount disbursed, inclusive of any costs/income attributable to the receivable. Therefore, the economic effect of costs and income is spread over the expected residual life of the receivable.

The amortised cost method is not used for short-term receivables, for which the effect of applying a discounting logic is negligible. Similar valuation criteria are adopted for receivables with no specific maturity or subject to revocation.

Non-performing exposures (e.g. doubtful, substandard, restructured and past-due loans) are classified into different risk categories in accordance with the regulations issued by the Bank of Italy, supplemented with internal provisions which set automatic criteria and rules for the transfer of receivables between different risk categories.

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

- ✓ loan restructurings (as defined in Circular 272 of the Bank of Italy);
- ✓ loan renegotiations;
- ✓ debt settlement via borrower substitution or debt-for-equity swap.

In line with Bank of Italy's regulations, debt (loan) restructuring is understood as a transaction whereby the Bank, for economic reasons, makes a concession to the borrower in light of his financial difficulties, which it would not have made under other circumstances and which causes a loss to the lender. The Bank's concession consists in its waiver of certain contractually defined rights, which translates into an immediate or deferred advantage for the borrower, who benefits from the waiver, and a corresponding loss for the lending bank. The effects of the waiver are measured by the negative (positive) change in the economic value of credit (debt) as compared to the book value of credit (debt) prior to restructuring.

Loans under these circumstances are classified as non-performing.

The renegotiation of loans granted by the Bank to performing customers is substantially equated with the opening of a new position, if it is granted essentially for commercial reasons rather than for the borrower's economic-financial difficulties and provided that the interest rate applied is a market rate as at the date of renegotiation.

As an alternative to the previously described options (restructurings and re-negotiations), the Bank and the borrower may, agree on settlement of the original debt via:

- novation or assumption of the loan by another borrower (release from debt liability);
- substantial modification of loan terms involving a debt-equity swap;

Said events, involving a substantial modification of contractual terms, provide for cancellation of the pre-existing loan agreement from an accounting standpoint, and consequent booking of the new agreement at fair value, recognising through profit or loss a profit or loss corresponding to the difference between the book value of the old loan and the fair value of assets received .

Substandard loans include loans that have been past due for over 270 days.

Classification is carried out by the relevant units independently, except for loans more than 90 days past due and substandard loans more than 270 days past due, which are measured using automated procedures.

In order to determine adjustments to the carrying value of receivables, and taking into account the different impairment levels, analytical or collective valuation is used, as outlined hereunder.

Doubtful, substandard and restructured loans are subject to analytical valuation; loans more than 90 days past due, loans subject to country risk and performing loans are subject to collective valuation. In accordance with the Bank of Italy's recent amendment to Circular 262/2005, however, data for loans more than 90 days past due are subject to analytical valuation in the tables in the notes to the financial statements.

For loans subject to analytical assessment, the amount of value adjustment for each loan is equal to the difference between the loan book value at the time of measurement (amortised cost) and the current value of estimated future cash flows, as calculated by applying the original effective interest rate. In the case of restructured loans, estimation of future cash flows takes account of the effects from changes in the contractual terms and conditions following restructuring.

Expected cash flows take account of the expected repayment schedule, the expected recovery value of collaterals, if any, as well as the costs expected to be incurred for the recovery of the credit exposure.

The value adjustments are booked to the profit and loss statement to item "130 - Net impairment losses (reversals)". The adjustment component attributable to the discounting of cash flows is calculated on an accrual basis in accordance with the effective interest rate method and posted under reversals.

If the quality of the non-performing receivable has improved to such a point that there is reasonable certainty of timely recovery of the principal and interest, its initial value is recycled in the following years to the extent in which the reasons determining the adjustment disappear, provided that such valuation can be objectively linked with an event which occurred after the adjustment. The reversal is posted to the profit and loss statement and may not in any case exceed the amortised cost that the receivable would have had without prior adjustments.

Receivables with no objective evidence of loss are subject to a collective assessment of impairment. Such assessment, developed on the basis of a risk management model, is carried out by category, with receivables grouped together according to credit risk, and the relative loss percentages are estimated taking into account time-series based on elements observed on the date of assessment which allow the value of latent loss in each category to be estimated.

The model, for this type of valuation, involves the following steps:

- Segmentation of the loan portfolio by:
  - client segment (turnover);
  - economic sectors of activity;
  - geographical location;
- determination of the loss rate of individual portfolio segments, using the historical experience of the Group as reference.

Value adjustments determined collectively are posted to the profit and loss statement. Any additional write-downs or write-backs are recalculated on a differential basis, at year-end or on the dates of interim reports, with reference to the entire loan portfolio on the same date.

d) derecognition criteria

Any receivables sold are derecognised from the assets on the balance sheet only if their disposal implied the substantial transfer of all associated risks and rewards. However, if the risks and rewards associated with the receivables sold have been maintained, they continue to be posted among the assets on the balance sheet, even if legal ownership has been transferred.

If it is not possible to ascertain a substantial transfer of risks and rewards, the receivables are derecognised when control of the assets has been surrendered. If such control has been maintained, even partly, the receivables should continue to be recognised to the extent of residual involvement, as measured by the exposure to the changes in value of the receivables sold and to the changes in their cash flows.

Finally, receivables sold are derecognised if the contractual rights to receive the cash flows from the assets are maintained and a contractual obligation to pay only said flows to third parties is simultaneously undertaken.

5 Financial assets designated at fair value:

a) recognition criteria

Financial assets are initially recognised on the date of settlement, with reference to debt or equity instruments, and on the date of disbursement, with reference to loans and receivables.

Upon initial recognition, financial assets are measured at fair value, which usually equals the consideration paid, without adding directly attributable transaction costs or fees earned, which are posted to profit and loss.

The Fair Value Option (FVO) applies to all financial assets and liabilities which would have caused misrepresentation on the profit and loss statement and balance sheet had they been otherwise classified, and to all instruments which are managed and measured using a fair value approach.

b) classification criteria

This category includes the financial assets intended for measurement at fair value through profit or loss (except for equity instruments with no reliable fair value) when:

1. the designation at fair value eliminates or reduces significant accounting mismatches in the reporting of financial assets in the profit and loss statement and balance sheet; or
2. the management and/or measurement of a group of financial assets at fair value through profit or loss is consistent with an investment or risk management strategy documented as such by senior management; or
3. a host instrument embeds a derivative which significantly modifies the cash flows of the host and should otherwise be accounted for separately.

c) measurement criteria

Subsequent to initial recognition, the assets are measured at fair value.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.3.2 Fair Value Hierarchy" of this Part A.

d) derecognition criteria

Financial assets are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/rewards are transferred.

Securities received within the scope of a transaction that contractually provides for subsequent sale are not recognised in the financial statements, and securities delivered within the scope of a transaction that contractually provides for subsequent repurchase are not derecognised from the financial statements. Consequently, in the case of securities acquired with an agreement for resale, the amount paid is recognised in the financial statements as loans to customers or banks, while in the case of securities transferred with an agreement for repurchase, the liability is shown under deposits from customers or deposits from banks.

e) revenue recognition criteria

Gains and losses resulting from any changes in the fair value of the financial assets linked with the Fair Value Option are posted under item 110 "Net profit (loss) from financial assets and liabilities designated at fair value".

6. Hedging transactions

a) a) recognition criteria – purpose

Risk-hedging transactions are aimed at offsetting any potential losses on a certain element or group of elements that may arise from a specific risk, with the profits made on a different element or group of elements, should that particular risk occur.

b) classification criteria – types of hedging

IAS 39 provides for the following types of hedging:

- fair value hedges, which are intended to hedge the exposure to changes in fair value of a recognised asset or liability, that are attributable to a particular risk;
- cash flow hedges, which are intended to hedge the exposure to variability in future cash flows attributable to particular risks associated with a recognised asset or liability;
- hedges of a net investment in a foreign operation, which refers to hedging the risks of an investment in a foreign operation denominated in a foreign currency.

To conclude the chapter on the accounting principles, a specific section is added to provide further insight into the application issues and policies adopted by the Group with regard to hedging transactions. These issues are also addressed in section E of the notes to the financial statements relating to risk management, as well as in sections B and C relating to the balance sheet and profit and loss statement. The hedging policies adopted by the Group are explained, with a special focus on the applicability of the"natural hedges" provided for by the Fair Value Option as an alternative to hedge accounting in some major instances. In particular, Fair Value Option and cash flow hedging were adopted mainly to account for hedges of liabilities, while Fair Value Hedging was adopted mainly to account for hedges of assets, i.e both micro-hedges on fixed-rate debt securities/mortgages and macro-hedges on fixed-rate loans.

c) revenue recognition criteria

Hedging derivatives are measured at fair value. In particular:

- in the case of fair value hedging, the changes in the fair value of the hedged asset are offset by the changes in the fair value of the hedging instrument. Offsetting gains and losses are recognised in profit or loss under item 90 "Net profit (loss) from hedging " through recognition of value changes, with reference both to the hedged item (as regards changes produced by the underlying hedged risk factor) and the hedging instrument. Any difference, i.e. partial ineffectiveness of the hedging derivatives, reflects their net P&L impact;
- in the case of cash flow hedging, the changes in fair value of the derivative are posted to a specific shareholders' equity reserve with reference to the effective portion of the hedge, and are posted to the profit and loss statement under item 90 "Net profit (loss) from hedging " only when the changes in fair value of the hedging instrument do not offset the changes in the cash flows of the hedged item;
- hedges of foreign currency investments are accounted for similarly to cash flow hedges.

A hedging transaction should be reflective of a pre-determined risk management strategy and consistent with risk management policies in use. In addition, a derivative is designated as a hedging instrument if the relationship between the hedged item and the hedging instrument is formally documented, and provided that the hedging relationship is -and is expected to be- effective both at inception and, prospectively, throughout its life.

Hedge effectiveness depends on the extent to which changes in the fair value or expected cash flows of the hedged item are offset by corresponding changes in the hedging instrument. Therefore, effectiveness is measured by comparing said changes, while taking into account the company's intent at hedge inception.

With reference to the hedged risk, the hedging is effective (within the 80% to 125% window) when the changes in fair value (or in the cash flows) of the hedging instrument offset the changes in the hedged item almost entirely.

Effectiveness is assessed at year-end by using:

- prospective tests, which justify continuing hedge accounting since they show its expected effectiveness;
- retrospective tests, which show how effective the hedging relationship has been in the period under review.

Derivatives which are considered as hedging instruments from an economic viewpoint because they are operationally linked with financial liabilities measured at fair value (Fair Value Option) are classified among trading derivatives; the respective positive and negative differentials or margins accrued until the end of the reporting period are recognised, in accordance with their hedging purpose, as interest income and interest expense, while valuation gains and losses are posted under item 110 of the profit and loss statement, "Net profit (loss) from financial assets and liabilities measured at fair value".

d) derecognition criteria – ineffectiveness

If tests do not confirm hedge effectiveness, both retrospectively and prospectively, hedge accounting is discontinued and, unless it has expired or has been terminated, the hedging derivative contract is reclassified as a held-for-trading instrument, whereas the hedged item reverts to the accounting treatment based on its original classification.

If a fair value hedge relationship is discontinued, any positive or negative adjustments made to the carrying amount of the hedged item until the last date on which compliance with hedge effectiveness was demonstrated are recycled into profit and loss. In particular, if the hedged item has not been derecognised, transfer to profit or loss is made using the effective interest method over the remaining life of the hedged instrument; if discontinuation of the hedge relationship leads to derecognition of the hedged item (for example due to early redemption), any gain or loss shall be entirely classified to profit or loss when the hedged item is derecognised.

Any amounts accumulated in cash flow hedge reserves are recycled to profit or loss when the hedged item affects profit or loss. Conversely, if the hedged item is discharged, cancelled or expires the reserve is immediately recycled to profit or loss upon derecognition of the hedged item.

7 Equity investments

a) recognition criteria

The account includes equity investments held in associates; the investments are initially recognised at purchase cost.

b) classification criteria

Associates include (i) companies where a share of 20% or higher of voting rights is held, and (ii) companies which – owing to specific legal ties such as the participation in shareholders' pacts – have to be considered as subject to significant influence.

The classification of investments is made regardless of legal status and the computation of voting rights includes any potential voting rights currently exercisable.

c) revenue recognition criteria

In consideration of the above, this item broadly contains the valuation of equity investments using theequity method; this method provides for initial recognition of the investment at cost and its subsequent adjustment on the basis of the share of the investee's profits and losses made after the date of purchase. The pro-rata amount of the profit/loss for the period of the investee is posted to item 240 "Gains/losses on investments" in the consolidated profit and loss statement.

If evidence of impairment indicates that there may have been a loss in value of an equity investment, then the recoverable value of the investment (which is the higher of the fair value, less costs to sell, and the value in use) should be estimated. The value in use is the present value of the future cash flows expected to be derived from the investment, including those arising from its final disposal.

Should the recoverable value be less than its carrying value, the difference is recognised immediately in profit or loss under item "240 - Gains (losses) on investments".

Should the reasons for impairment no longer apply as a result of an event occurring after the impairment was recognised, reversals of impairment losses are credited to the same account in profit and loss.

The profit related to the equity investments is booked to profit and loss of the Parent Company regardless of whether it was generated by the investee before or after the date of purchase. In the consolidated financial statements, dividends received are deducted from the investee's book value; should, after dividend recognition, the investee's book value in the separate financial statements exceed the book value (in the consolidated financial statements) of the investee's net assets, including goodwill, or should dividend payout exceed the investee's total profit, then the Group will determine the recoverable value of the investment to verify whether there has been a loss in its value.

When a subsidiary becomes an associate because the Parent Company has lost control over it following changes in the percentage of interest, the residual investment will have to be posted to the item "Equity investments" at its fair value as at the loss of control date; this value then becomes the starting value for using the equity method.

d) derecognition criteria

Investments are derecognised upon maturity of the contractual rights on the cash flows resulting from the assets or when the financial assets are sold and all related risks/rewards are transferred.

If a company is committed to a plan to sell a subsidiary that involves loss of control over said subsidiary, all the subsidiary's assets and liabilities should be reclassified as assets held for sale, regardless of whether the company will retain a non-controlling interest after the sale.

8. Property, plant and equipment

a) recognition criteria

Property, plant and equipment are originally posted at cost, which includes the purchase price and any additional charges directly attributable to the purchase and installation of the assets.

Non-recurring expenditures for maintenance which involve an increase in future economic rewards are booked as an increase in the value of the assets, while expenses for ordinary maintenance are booked to the profit and loss statement. Financial expenses are recorded in accordance with IAS 23.

b) classification criteria

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

Operating properties are properties owned by the Group and used in production and in the supply of services or for administrative purposes, whereas investment properties are those owned by the Group for the purpose of collecting rents and/or held for appreciation of capital invested.

This item also includes any assets used in financial lease contracts, although their legal ownership rests with the leasing company, and any improvements and incremental expenses incurred in relation to third-party assets when they refer to identifiable and separable property, plant and equipment from which future economic rewards are expected. As regards real estate, components relating to land and buildings are separate assets for accounting purposes and are measured separately upon acquisition.

c) revenue recognition criteria

Property, plant and equipment, including non-operating real estate, are valued at cost less any accrued depreciation and impairment.

They are systematically depreciated over their useful life on a straight-line basis, except for land and works of art which have an indefinite useful life and cannot be depreciated. The useful life of the fixed assets subject to depreciation is periodically reviewed and, in the event of any adjustments to the initial estimate, a change is also made in the related depreciation rate. The depreciation rates and subsequent useful life expected for the main categories of assets are reported in the specific sections of the notes to the financial statements.

The presence of any signs of impairment, or indications that assets might have lost value, shall be tested at the end of each reporting period.

Should there be indications of impairment of value, a comparison is made between the book value of the asset and the asset's recoverable value, i.e. the higher of the fair value, less costs to sell, and the value in use, which is the present value of the future cash flows generated by the asset. Any adjustments are posted to the profit and loss statement under item 170 "Net impairment losses/reversals on property, plant and equipment". Periodic depreciation is reported in the same item.

Where the reasons for impairment cease to exist, a reversal is made, which shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior periods.

d) derecognition criteria

Property, plant and equipment are derecognised from the balance sheet upon their disposal or when the assets are permanently withdrawn from use and no future economic rewards are expected as a result of their disposal.

9 Intangible assets

a) recognition criteria

Intangible assets are identifiable, non-monetary assets without physical substance that are held for use over several years or indefinitely. They are posted at cost, adjusted by any additional charges only if it is probable that the future economic rewards that are attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably. The cost of intangible assets is otherwise posted to the profit and loss statement in the reporting period it was incurred.

Relevant intangible assets for the Group include:

1. Technology-related intangible assets including software licenses, internal capitalised costs, projects and licenses under development; in particular, internally incurred costs for software project development are intangibles recognised as assets if, and only if : a) the cost for development can be measured reliably, b) the entity intends and is financially and technically able to complete the intangible asset and either use it or sell it, c) the entity is able to demonstrate that the asset will generate future economic rewards. Capitalised costs for software development only include the expenses that are directly attributable to the development process.
2. Customer relationship intangible assets, represented by the value of assets under management/custody and core deposits in the event of business combinations;
3. marketing-related intangible assets consisting in the value of trademarks in business combinations.

Goodwill is posted among assets when it results from a business combination transaction in accordance with the principles of determination indicated by IFRS 3, as a residual surplus between the overall cost incurred for the transaction and the net fair value of the assets and liabilities purchased (i.e. companies or business units).

Should the cost incurred be less than the fair value of the assets and liabilities acquired, the difference (badwill) is directly recognised in profit or loss.

b) revenue recognition criteria

The cost of intangible fixed assets is amortised on a straight-line basis over their useful life. An intangible asset with an indefinite useful life should not be amortised but assessed for impairment periodically. Intangible assets arising from an internally developed software purchased from third parties are amortised on a straight-line basis starting from completion and roll-out of the applications based on their useful life. Intangible assets reflective of customer relationships or associated with trademarks, which are taken over during business combinations, are amortised on a straight-line basis

Where there is evidence of impairment, the recoverable amount of the assets is estimated at year-end. The amount of the loss recognised in profit and loss is equal to the difference between the carrying value and the recoverable amount of the assets.

The goodwill recognised is not subject to amortisation, but its book value is tested annually (or more frequently) when there are signs of impairment. To this end, the cash flow generating units to which goodwill is attributable are identified.

The amount of the impairment loss is determined by the difference between the book value of goodwill and its recoverable amount, if lower. Said recoverable amount is the higher of the cash-generating unit's fair value, less costs to sell, and its value in use. Value in use is the present value of future cash flows expected to arise from the years of operation of the cash-generating unit and its disposal at the end of its useful life. The resulting value adjustments are posted to the profit and loss statement under item 210 “Net adjustments to (recoveries on) on intangible assets”. Periodic depreciation is reported in the same item. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

c) derecognition criteria

Intangible assets are derecognised from the balance sheet upon disposal and when no future economic rewards are expected.

10. Non-current assets held for sale

a) recognition criteria

Non-current assets and groups of assets held for sale and discontinued operations are initially valued at the lower of the book value and the fair value less costs to sell.

b) classification criteria

This item includes non-current assets held for sale and discontinued operations when the book value is to be recovered mainly through a highly likely sale rather than continuous use.

c) revenue recognition criteria

Following initial recognition, non-current assets held for sale and discontinued operations are valued at the lower of the book value and the fair value net of selling costs. Related income and expenses, net of tax, are shown in the P&L statement under a separate item if they relate to discontinued operations.

In this specific case (discontinued operations), it is also necessary to disclose again the same economic information in a separate item for the previous periods presented in the financial statements, reclassifying the profit and loss statements as a result.

Amortisation is discontinued at the date the non-current asset is classified as a non-current asset held for sale.

d) derecognition criteria

Non-current assets and groups of assets held for sale and discontinued operations are derecognised from the balance sheet upon disposal.

11. Current and deferred tax

a) recognition criteria

The effects of current and deferred taxation calculated in compliance with Italian tax laws are posted on an accrual basis, in accordance with the measurement methods of the income and expenses which generated them, by administering the applicable tax rates.

Income taxes are posted to profit and loss, excluding those relating to items directly credited or charged to equity.

Income tax provisions are determined on the basis of a prudential forecast of current tax expens, deferred tax assets and liabilities.

Current tax includes the net balance of current tax liabilities for the year and current tax assets with the Financial Administration, comprising tax advances, tax credit arising from prior tax returns and other withholding tax receivables. In addition, current tax includes tax credit for which reimbursement has been requested from the relevant tax authorities. Tax receivables transferred as a guarantee of own debts shall also be recorded within this scope.

Deferred tax assets and liabilities are determined on the basis of the temporary differences – with no time limits – between the value assigned to the assets or liabilities in accordance with statutory principles and the corresponding values for tax purposes, applying the so-called balance sheet liability method.

Deferred tax assets are shown in the balance sheet for the extent to which they are likely to be recovered on the basis of the capacity of the company involved or all of the participating companies – as a result of exercising the option concerning “fiscal consolidation” – to generate a positive taxable profit on an ongoing basis. Recovery of deferred tax assets relating to goodwill, other intangibles and write-downs on loans is to be considered automatically probable because of existing regulations that provide for conversion into tax credits, if a statutory and/or tax loss is incurred

In particular:

- if the financial statements filed by the company show a statutory loss for the year, deferred tax assets relating to goodwill, other intangibile assets and loan write-downs will be subject to partial conversion into tax credits pursuant to the provisions set out in art. 2, par. 55 of Legislative Decree no. 225 of 29 December 2010, as amended by Law no. 10 of 26 February 2011. The conversion into tax credits becomes effective as of the date when the 'loss-incurring' separate financial staments are approved by the Shareholders' Meeting, as provided for by art. 2, par. 56 of aforementioned Legislative Decree no. 225/2010.

- if the financial statements filed by the company show a tax loss for the year, deferred tax assets relating to goodwill, other intangibile assets and loan write-downs will be subject to conversion into tax credits pursuant to the provisions set out in art. 2, par. 56-bis of said Legislative Decree no, 225/2010, introduced by art. 9 of Legislative Decree Legislative Decree no. 201 of 6 December 2011, as amended by Law no. 214 of 22 December 2011. Conversion will be effective as of the date of submission of the tax return for the year in which the loss is incurred.

Deferred tax liabilities are shown in the balance sheet, with the sole exception of reserves subject to tax deferral, since the volume of available reserves already subjected to taxation reasonably implies that no tax-inducing transactions will be carried out.

Deferred tax assets and liabilities are posted to the balance sheet by offsetting each tax against the defined basset or liability to which it relates.

b) classification and measurement criteria

Deferred tax assets and liabilities are systematically measured to take account of any changes in regulations or tax rates and of any different subjective situations of Group companies. In addition, the tax reserve is adjusted to cover the charges which might result from already notified tax assessments or litigation pending with the tax authorities.

With reference to fiscal consolidation of the parent company and participating subsidiaries, contracts have been stipulated to regulate offsetting flows in relation to the transfers of tax profits and losses. Such flows are determined by administering the applicable IRES tax rate to the taxable income of participating companies. The offsetting flow for companies with tax losses – calculated as above – is posted by the consolidating to the consolidated company insofar as the consolidated company, had it not been a participant of fiscal consolidation, might have used the losses to offset its taxable income . Offsetting flows so determined are posted as receivables and payables with companies participating in fiscal consolidation, classified under other assets and other liabilities, offsetting item 290 "Tax expense (recovery) on income from continuing operations".

c) revenue recognition criteria

Where deferred tax assets and liabilities refer to components which affected the profit and loss statement, they are offset by income tax. When deferred tax assets and liabilities refer to transactions which directly affected equity without impacting the profit and loss statement (e.g. valuations of available-for-sale financial instruments or cash flow hedging derivatives), they are posted as a contra entry to shareholders' equity, involving the special reserves if required.

12. Provisions for risks and charges

Provisions to the reserve for risks and charges are made only when:

- there is a current (legal or implicit) obligation resulting from a past event;
- an outflow of resources producing economic rewards is likely to be necessary in order to settle the obligation; and
- the amount of the obligation can be estimated reliably

Whenever timing is important, the provisions are discounted back.

Provisions to the reserve are posted to the profit and loss statement, in addition to interest expense accrued on the reserves which were subject to discounting.

No provision is shown for contingent and unlikely liabilities, but information is provided in the notes to the financial statements, except in cases where the probability of an outflow of resources to settle the amount is remote or the amount is not significant.

Sub-item 120 "Provisions for risks and charges: post-employment benefits" includes appropriations in compliance with IAS 19 "Employee benefits" for the purpose of settling the technical deficit of defined-benefit supplementary pension funds. Pension plans are either defined-benefit or defined-contribution schemes. The charges borne by the employer for defined-contribution plans are pre-determined; charges for defined-benefit schemes are estimated and shall take account of any shortfall in contributions or poor investment performance of defined-benefit plan assets.

For defined-benefit plans, the actuarial values required by the application of the above principle are determined by an external actuary in accordance with the Projected Unit Credit Method. In particular, the obligation is calculated as the sum of the following values:

- average current value of pension benefits (determined for employees in service only on the basis of completed years of service and taking account of possible future salary increases);
- less the current value of any assets servicing the scheme;
- less (or plus) any actuarial gains and losses not recognised in the balance sheet, on the basis of the so-called "corridor" method.

According to the corridor method, the actuarial gains and/or losses – defined as the difference between the book value of the liabilities and the present value of the Bank's commitments at the end of the period – shall be recognised in the balance sheet only when they exceed the higher value between 10% of the average present value of pension benefit obligations and 10% of the current value of the assets of the pension fund. Any surplus is posted to the profit and loss statement in line with the average residual working life of active employees, or during the year in the case of retired employees.

The provision for the year posted to the profit and loss statement equals the sum of annual interest accrued on the average present value of pension benefit obligations at the beginning of the year, the average current value of benefits accrued by active employees during the year, and actuarial gains and losses in compliance with the corridor method, net of the expected annual return on plan assets.

Sub-item 120 "Provisions for risks and charges: other provisions" includes any appropriations to cover expected losses for actions filed against the Bank, including clawback actions, estimated expenses in relation to customer claims for securities brokerage, and other estimated expenses in relation to legal or implicit obligations existing at the end of the period.

13. Liabilities and debt securities issued

a) recognition criteria

These financial liabilities are first recognised upon receipt of the sums collected or at the time of issuance of debt securities.

Liabilities are initially recognised at their fair value, which is generally equal to the amount received or the issue price, increased by any additional income/expense directly attributable to the funding or issuing transaction and not reimbursed by the creditors. Internal administrative costs are excluded. The fair value of financial liabilities (if any) issued at conditions other than market conditions is calculated by using a specific valuation technique, and the difference with respect to the consideration received is booked directly to profit and loss only when the conditions provided for by IAS 39 have been met., i.e. when the fair value of the instrument issued can be established by using either quoted market prices for similar instruments or a valuation technique that makes maximum use of market inputs.

b) classification criteria

Deposits from banks and customers and securities issued include different types of funding (both interbank and from customers) and funds raised through certificates of deposit and outstanding bonds, net of any repurchase. Debt securities issued include all securities that are not subject to "natural" hedging through derivatives and that are classified as liabilities measured at fair value.

The item also incorporates payables booked by the lessee in relation to any stipulated financial lease transactions.

c) revenue recognition criteria

Following initial recognition, financial liabilities are valued at amortised cost using the effective interest method.

Short-term liabilities for which time effect is immaterial are an exception, and are recognised at the amount collected.

Should the requirements provided for by IAS 39 be met in the case of structured instruments, the embedded derivative is separated from the host contract and reported at fair value as a trading asset or liability. In this case, the host contract is recognised at amortised cost.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to repurchase them is recorded in the profit and loss statement.

A new placement in the market of own securities after their repurchase is considered as a new issue and posted at the new price of placement, with no impact on the profit and loss statement.

In compliance with the provisions of IAS 32, any potential commitment to buy treasury shares as a result of the issuance of put options is shown in the balance sheet under financial liabilities, offset by the reduction of shareholders' equity in the amount of the current value of the contractual repayment sum. At the end of 2012, there were no put options sold on treasury shares of the Parent company.

14. Financial liabilities held for trading

a) recognition criteria

Financial liabilities held for trading are initially posted on the date of issue for debt securities, and on the date of subscription for derivatives.

Upon initial recognition, they are measured at fair value, which usually corresponds to the amount collected net of any transaction costs or income directly attributable to the instrument itself, which are directly posted to the profit and loss statement. Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of a derivative are recognised separately from the host contract at fair value. The applicable accounting criteria are administered to the primary contract.

b) classification criteria

This category includes debt securities issued mainly for the purpose of obtaining short-term profits and the negative value of derivative contracts excluding those designated as hedging instruments. Derivative contracts include those embedded in combined financial instruments which were subject to separate accounting.

The sub-items "Deposits from banks" and "Deposits from customers" also incorporate uncovered short positions on securities.

c) measurement criteria

Following initial recognition, financial liabilities held for trading are measured at fair value, with changes being posted as a contra entry in the profit and loss statement.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.3.2 Fair Value Hierarchy" of this Part A.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to repurchase them is booked in the profit and loss statement.

e) revenue recognition criteria

Profits and losses arising from any changes in the fair value of financial liabilities are recognised in profit and loss under account "80 Net profit/loss from trading", except for gains and losses on derivative payables linked with the fair value option which are classified under account "110 Net profit (loss) from financial assets and liabilities designated at fair value".

15 Financial liabilities designated at fair value

a) recognition criteria

Financial liabilities designated at fair value are initially posted on the date of issuance for debt securities. Upon initial recognition, they are measured at fair value, which usually corresponds to the amount collected net of any transaction costs or income directly attributable to the instrument itself, which are directly posted to the profit and loss statement.

The Fair Value Option (FVO) applies to all financial assets and liabilities which would have caused misrepresentation on the profit and loss statement and balance sheet had they been otherwise classified, and to all instruments which are managed and measured using a fair value approach. In particular, liabilities measured at fair value include fixed-rate and structured funding instruments whose market risk is subject to systematic hedging through derivative contracts. The fair value of financial liabilities issued at conditions other than market conditions, if any, is calculated by using a specific valuation technique, and the difference with respect to the consideration received is booked directly to profit and loss only when the conditions provided for by IAS 39 have been met, i.e. when the fair value of the instrument issued can be established by using either quoted market prices for similar instruments or a valuation technique that makes maximum use of market inputs. Should these conditions not be available, the fair value used for valuations after the issuance of instruments is cleared of the initial difference between the fair value upon issuance and the consideration received. This difference is recognised in profit and loss only if it ensues from changes in the factors (including time), which market traders would consider for price determination.

b) classification criteria

This category includes financial liabilities intended for measurement at fair value through profit or loss when:

1. the determination of fair value allows for the elimination or reduction of significant misrepresentations of the financial instruments in the profit and loss statement and balance sheet; or
2. the management and/or measurement of a group of financial instruments at fair value through profit or loss is consistent with an investment or risk management strategy documented as such by senior management; or
3. a host instrument embeds a derivative which significantly modifies the cash flows of the host and should otherwise be accounted for separately.

In particular, the Parent Company has recognised under this item the financial liabilities that are subject to "natural hedging" through derivative instruments. These financial liabilities include structured and fixed-rate certificates of deposit and bonds, whose market risk is subject to systematic hedging through derivative contracts, with the exception of securities issued at a floating rate subject to cash flow hedging, which are instead classified under debt securities issued. In order to further enhance reporting and transparency on how the fair value option is used, specific detailed tables are provided in the corresponding sections of the notes to the financial statements, both for the profit and loss statement and the balance sheet, which further illustrate the methods and strategies of use of the fair value option by the Parent Company. For item 17 "Other information", a specific section is also included to provide insight into the technical hedging methods, with a special focus on the use of the fair value option.

c) measurement criteria

Following initial recognition, financial liabilities are measured at fair value.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.3.2 Fair Value Hierarchy" of this Part A.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to purchase them is recorded in the profit and loss statement under item 110 "Net profit (loss) from financial assets and liabilities designated at fair value".

e) revenue recognition criteria

Gains and losses arising from any changes in the fair value of a financial asset are recognised in profit and loss under item "110 Net profit (loss) from financial assets and liabilities designated at fair value"; same treatment applies to derivatives payable linked with the fair value option which are classified under item "110 Net profit (loss) from financial assets and liabilities designated at fair value".

16 Foreign-currency transactions

a) recognition criteria

Upon initial recognition, foreign-currency transactions are recognised in the currency of account using the foreign-exchange rates on the date of the transaction.

b) revenue recognition and derecognition criteria

Financial statement entries denominated in foreign currencies are valued at the end of each reporting period as follows:

- monetary entries are converted using the exchange rate on the closing date;
- non-monetary entries valued at historical cost are converted using the exchange rate on the date of the transaction;
- non-monetary entries that are measured at fair value in a foreign currency are translated at the closing date rate.

Any exchange-rate differences resulting from the settlement of monetary elements, or from the conversion of monetary elements at rates other than those used for initial conversion or conversion in the previous financial statements, are posted to the profit and loss statement for the period in which they arise.

When a profit or a loss on a non-monetary element is shown under shareholders' equity, the exchange-rate difference in relation to said element is also posted to equity. However, when a profit or a loss is posted to the profit and loss statement, the relative exchange-rate difference is also posted there.

The accounting position of foreign branches with different operating currencies is converted into Euros by using the exchange rates at the end of the reporting period.

Any exchange-rate differences attributable to investments in such foreign branches, and those resulting from the conversion into Euros of their accounting position, are posted in equity reserves and transferred to the profit and loss statement only in the year when the investment is disposed of or reduced.

17 Other information

a) Other significant items

Other significant items from the Group's financial statements are described below.

Cash and cash equivalents

This item includes currencies that are legal tender, including foreign banknotes and coins and demand deposits with the central bank of the country or countries in which the Group operates with its own branches.

The item is posted at face value. For foreign currencies, the face value is converted into Euros at year-end exchange rate.

Value adjustment of macrohedged financial assets and liabilities

These items show, respectively, the balance, whether positive or negative, of the changes in value of the macrohedged assets and the balance, whether positive or negative, of the changes in value of liabilities macrohedged against interest-rate risk, pursuant to IAS 39, paragraph 89.

Other assets

This item shows assets not attributable to the other items on the asset side of the balance sheet. It may include, for example:

- gold, silver and precious metals;
- accrued income other than that which is capitalised to the related financial assets;
- any inventories according to the definition of IAS 2;
- improvements and incremental expenses incurred on third-party real estate other than those attributable to property, plant and equipment and therefore not independently identifiable and separable.

The costs in the latter bullet point are posted to other assets, since the user company exercises control of the assets for the purpose of the tenancy agreement and can obtain future economic benefits from them. Said costs are posted to Item 220 "Other operating expenses (income)" on the profit and loss statement according to the shorter of the period in which the improvements and expenses can be used and the remaining term of the contract.

Severance pay

Employee severance pay is a defined-benefit allowance subsequent to the employment relationship; therefore its actuarial value must be estimated for the purpose of the financial statements. This estimate is carried out using the "Projected Unit Credit" method, which predicts future disbursements on the basis of statistical historical analysis and the demographic curve, and the financial discounting of such flows according to market interest rates.

The costs accrued during the year for servicing the plan are posted to the profit and loss statement under Item 180 a) "Personnel expenses" as the net amount of contributions paid, non-posted contributions pertaining to previous years, financial charges and actuarial profits/losses. Actuarial profits and losses – the difference between the balance-sheet value of the liabilities and the present value of the obligation at the end of the year – are computed using the "corridor" method, which means the excess of accrued actuarial profits/losses at the end of the previous year compared with the higher of 10% of the present value of the benefits generated by the plan and 10% of the fair value of the assets servicing the plan. Such excess is also compared to the expected average working life of the participants in the plan. After the reform of supplementary pension funds as per Legislative Decree No. 252 of 5 December 2005, severance pay quotas accrued to 31 December 2006 remain with each company of the Group, while severance pay quotas accrued after 1 January 2007, at the discretion of the employee, are assigned to supplementary pension funds or maintained with the individual companies, which will provide for their transfer to the Treasury Fund managed by the Italian National Social Security Institute, INPS.

Other liabilities

This item shows liabilities not attributable to other items on the liability side of the balance sheet.

It includes, for example:

a) payment agreements that must be classified as debit entries according to IFRS 2;

b) debit entries connected with payment for provision of goods and services;

c) accrued liabilities other than those to be capitalised to the respective financial liabilities.

b) Other significant accounting practices

Details on significant accounting criteria for purposes of understanding the financial statements are shown below.

Treasury shares

Any shares held by Parent Bank Banca Monte dei Paschi di Siena S.p.A. are recorded in their own item and deducted directly from equity. No profits or losses are posted to the profit and loss statement upon the purchase, sale, issue or cancellation of the Parent Bank's equity instruments. Any amount paid or received is posted directly to equity.

Share-based payments

Contingent upon occurrence of certain circumstances, the existing stock-granting plan provides for the purchase and allocation to the employees of a certain number of shares of Gruppo Monte dei Paschi di Siena S.p.A. on an annual basis, for a value corresponding to the amount recognised as part of the company's bonus structure.

Such value is posted as personnel expenses on an accrual basis.

Dividends and income/cost recognition

Revenues are recognised upon attainment, or: in the case of selling goods or products, when it is likely that future benefits will be received and said benefits can be reliably quantified; in the case of services, when these are provided.

In particular:

- interest is booked pro rata temporis on the basis of contractual interest rate or the effective interest rate in the event of application of the amortised cost;
- interest on arrears is posted to the profit and loss statement only upon actual collection;
- dividends are shown in the profit and loss statement upon resolution of their payout, i.e. when their payment is due;
- commissions for service income are posted in the period when said services were rendered, on the basis of existing contractual agreements;
- revenues from trading or from issuance of financial instruments, as determined by the difference between the transaction price and the fair value of the instrument, are booked to the profit and loss statement upon reporting of the transaction if the fair value can be determined with reference to parameters or recent transactions observable on the same market in which the instrument is traded; otherwise, they are distributed over time, taking into account the duration and the nature of the instrument.
- portfolio management fees are recognised based on the duration of service;
- expenditures are booked to profit and loss during the periods in which the related revenues are booked. Expenditures that cannot be associated with income are booked immediately to the profit and loss statement.

Business combinations

A business combination is defined as the transfer of control of a company (or of a group of assets and integrated goods, conducted and managed as a unit). For this purpose, control is considered to have been transferred, either when more than half of the voting rights are acquired, or in the event that, even without acquiring more than half of the voting rights of another entity, control of the latter is obtained, since, as a result of the combination, power is held:

1. over more than half of the voting rights of the other entity by virtue of agreements with other investors;
2. to make the management and financial decisions of the entity by virtue of the articles of association or an agreement;
3. to appoint or remove the majority of board members;
4. to obtain the majority of voting rights at board meetings.

A business combination may give rise to an investment link between the acquiring parent company and the acquired subsidiary. In these cases, the acquirer applies IFRS 3 to the consolidated financial statements while posting the acquired interest to its separate financial statements as an equity interest in a subsidiary, consequently applying IAS 27 "Consolidated and separate financial statements".

A business combination may also provide for the acquisition of the net assets of another entity, including any goodwill, or the acquisition of the share capital of another entity (for example mergers, splits, acquisitions of business units). Such a business combination is not an investment link like the one between a parent company and subsidiary, and therefore in these cases IFRS 3 is also applied to the individual financial statements.

Based on the provisions of IFRS 3, an acquirer must be identified for all combination transactions. It is identified as the subject that obtains control over another entity or group of assets.

The acquisition must be posted to the accounts on the date when the acquirer effectively obtains control over the entity or assets acquired.

The cost of a business combination must be determined as the sum of:

1. the fair value, on the date of exchange, of: the assets sold; the liabilities incurred or assumed; and the equity instruments issued by the acquirer in exchange for control;
2. any ancillary expense directly attributable to the business combination.

In cash transactions (or when payment is provided for using cash-equivalent financial instruments), the price is the consideration agreed upon, possibly discounted in the event of a medium- or long-term instalment plan; in the event that payment occurs by means of instruments other than cash, thus by issuing equity instruments, the price is equal to the fair value of the means of payment net of costs directly attributable to the equity issuance.

Included in the price of the business combination are the acquisition-date fair value of contingent consideration arrangements.

Business combination transactions are recorded using the "acquisition method", which provides for posting to the financial statements:

- the assets, liabilities and contingent liabilities of the acquired entity at their respective fair values on the date of acquisition, including any identifiable intangible assets not already posted to the financial statements of the acquired entity;
- the goodwill determined as the difference between the cost of the business combination and the net fair value of the assets, liabilities and identifiable contingent liabilities; any positive surplus between the net fair value of the assets, liabilities and contingent liabilities acquired and the cost of the business combination is posted to the profit and loss statement.
- In addition, if a company does not acquire a 100% interest, non-controlling interests' shares of net equity may be valued at fair value (full goodwill).

The fair value of the assets, liabilities and contingent liabilities of the acquired entity may be determined provisionally by the end of the first reporting period in which the combination occurs and must be completed within twelve months of the date of acquisition.

Business combinations do not include transactions aimed at control of one or more entities that do not constitute a business activity, or aimed at temporary control, or finally, if the business combination is realised for restructuring purposes, thus among two or more entities or business activities already part of the MPS Group, and not involving changes to the control structures regardless of the percentage of rights of third parties before and after the transaction (so-called business combinations of entities under common control).

As of 2010, the obligation to value subsidiaries' individual assets and liabilities at fair value in any subsequent acquisition has been removed in the event of gradual acquisitions of subsidiaries. In addition, if a company does not acquire a 100% interest, non-controlling interests' shares of net equity may either be valued at fair value (full goodwill), or using the method currently provided for by IFRS 3. The revised version of the standard also provides for all business combination-related costs to be posted to the profit and loss account and liabilities for contingent payments to be recognised on the acquisition date.

Business combinations under common control

Business combinations between entities under common control do not fall under IFRS 3. In the absence of a standard of reference, as indicated in Section 1 "Declaration of conformity with international accounting standards", these transactions are posted to the accounts by making reference to preliminary guidance from the Italian Association of Auditors (Orientamenti Preliminari, OPI no. 1 "Accounting treatment of "business combinations of entities under common control" in separate and consolidated financial statements" and OPI no. 2 "Accounting treatment of mergers in financial statements"). These guidelines consider the economic significance of business combinations on the basis of cash flow impact on the Group. Transactions, which had no significant influence on future cash flows, were recognised using the pooling of interest method. Therefore, in the financial statements of the seller, the difference between the sale price and the book value is posted as an increase/decrease in equity. Exclusively in the event of acquisition or transfer of a controlling interest, the equity investment is posted at acquisition cost in the acquirer/transferee's financial statements for the year.

Amortised cost

The amortised cost of financial assets or liabilities is the value at which they were measured upon initial recognition, net of principal repayments, plus or minus overall amortisation calculated using the effective interest method, on the differences between the initial value and that at maturity and net of any permanent impairment.

The effective interest rate is the rate which makes the present value of future contractual payment or collection cash flows, until maturity or a subsequent price recalculation date, equal to the net book value of the financial assets or liabilities. To calculate the current value, the effective interest rate is applied to estimated future collection or payment flows over the entire useful life of the financial assets or liabilities – or for a shorter period if certain conditions are met (for example, a change to market rates).

The effective interest rate shall be redetermined where the financial assets or liabilities have been subject to fair value hedging that has ceased to exist.

In cases in which it is not possible to estimate the cash flows or expected life in a reliable manner, the Bank uses the cash flows contractually envisaged for the entire contractual term.

Following initial recognition, the amortised cost makes it possible to allocate income and costs reducing or increasing the instrument over its entire expected life by means of the amortisation process. The determination of the amortised cost is different depending on whether the financial assets/liabilities are subject to valuation at a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the known interest rate during the term of the financing. For floating-rate financial assets/liabilities, whose variability is not known beforehand (because, for example, it is tied to an index), cash flows are determined on the basis of the last known rate. At every rate review date, the amortisation schedule and the actual rate of return over the entire useful life of the instrument, i.e. until maturity, are recalculated. The adjustment is recognised as cost or income in the profit and loss statement.

Valuation at amortised cost is applied to receivables, financial assets held to maturity, financial assets available for sale, liabilities and debt securities issued; for debt securities classified under assets available for sale, amortised cost is calculated for the only purpose to post interest (based on the effective interest rate) to profit and loss; the difference between fair value and amortised cost is allocated to a specific equity reserve.

Financial assets and liabilities traded at market conditions are initially recognised at their fair value, which normally corresponds to the amount disbursed or paid inclusive -in the case of instruments valued at amortised cost- of transaction costs and commissions directly attributable to the assets and liabilities (such as fees and commissions paid to agents, consultants, intermediaries and dealers), as well as contributions withheld by regulatory bodies and securities exchanges, taxes, and transfer charges. These expenses, which must be directly attributable to the individual financial assets or liabilities, impact the original actual return and make the effective interest rate associated with the transaction different from the contractual interest rate. Calculation of the amortised cost does not include costs that the Group must incur regardless of the transaction (for example, administrative, stationery and advertising costs), which, even though they are specifically attributable to the transaction, occur in the normal practice of managing loans (for example, disbursement activities).

With particular reference to receivables, lump-sum reimbursements of expenses incurred by the Group for the provision of a service must not be attributed in a way that lowers the cost of disbursing the loan, but since they may be considered as other operating income, the related costs must be posted to a separate account in the profit and loss statement.

Guarantees issued

Adjustments due to any deterioration in the guarantees issued are posted to Item 100 "Other liabilities". Impairment losses are posted to Item 130 d) "Net impairment losses/reversals on other financial transactions" in the profit and loss statement.

c) Significant accounting choices made while preparing the financial statements (with particular reference to the provisions of IAS 1, paragraph 122, and document nos. 4 of 3 March 2010 and 2 of 6 February 2009, issued jointly by the Bank of Italy/Consob/Isvap).

Decisions by senior management having a significant effect on amounts in the financial statements, other than those relating to estimates, made when applying accounting principles, are shown below.

Securitisations

Securitised loans completed prior to the first-time adoption (FTA) of international accounting standards are not reported in the financial statements inasmuch as the Group has made use of the optional exemption provided for by IFRS 1, which permits not re-posting financial assets/liabilities sold or derecognised prior to 1 January 2004. The relative junior securities underwritten have been classified among receivables.

For transactions completed later than this date, where receivables were sold to vehicle companies and in which - even with formal transfer of legal ownership of the receivables - control over the cashflows deriving therefrom and most risks and rewards are maintained, the loans that are the object of the transaction are not eliminated from the transferor's balance sheet. In this case, a payable is posted with the vehicle company net of the securities issued by the company and repurchased by the seller. The profit and loss statement also reflects the same accounting criteria. The only exception among securitisations completed after FTA and outstanding as at 31.12.2012 is Casaforte S.r.l., whose underlying receivables were fully derecognised from the Parent Company’s balance sheet, since the associated risks and rewards were -both formally and substantially- transferred to the vehicle.

Accounting for hedge transactions – adoption of the Fair Value Option

In its financial risk management policy, relating to financial instruments included in the banking book, the Bank has preferred using the Fair Value Option accounting technique with respect to the alternative methods of hedging provided for by IAS 39, particularly fair value hedging and cash flow hedging. This decision is strictly linked to the actual methods with which the Group implements its own hedging policies, tending to do so by assets, managing the overall exposure to the market.

More specifically, the fair value option was adopted to represent operationalhedges realised by trading derivative financial instruments to hedge fixed-rate certificates of deposit and fixed-rate or structured bonds, both on an individual and consolidated basis (accounting mismatch). In fact, the operations of the Group provide for the issuing companies of the MPS Group to stipulate microhedging derivative contracts for funding instruments issued with subsidiary MPS Capital Services S.p.A., which in turn manages by assets the Group’s overall exposure to the market. This approach does not enable a direct relationship to be maintained between the derivative stipulated between Group companies and that traded to the market. This management can be faithfully represented in the financial statements by adopting the Fair Value Option introduced by the International Accounting Standards, designating a group of financial assets or financial liabilities managed at fair value through profit or loss.

The scope of application of the Fair Value Option, for the most part, concerns three types of financial debt instruments:

- plain vanilla issuances represented by bonds and fixed-rate certificates of deposit;
- structured issuances represented by bonds whose payoff is tied to an equity component;
- structured issuances represented by bonds whose payoff is determined by interest rate- or inflation-linked derivatives.

The use of the Fair Value Option, while best representing the hedge activities performed by the Group, has introduced certain elements of greater complexity compared with the other forms of hedging provided for by IAS 39, such as the need to manage the creditworthiness of the issuer and to define and specify methodologies for determining the fair value of the issued securities.

In accordance with IAS 39, adopting the Fair Value Option necessitates the liabilities being measured at fair value while also taking into account changes in own creditworthiness. This element is considered in the valuation process; to this end, the portfolio of financial instruments designated for the purpose of the fair value option has been determined using methods consistent with those adopted for all other financial instruments owned by the Group and measured at fair value, as described in detail in the following paragraph.

From the perspective of prudential supervision, the fair value option was subject to attention from supervisory bodies, oriented towards controlling the potentially distorting effects deriving from posting to the profit and loss statement changes in the issuer’s own creditworthiness and, consequently, in the quality of equity. These reflections led the Supervisory Authorities to identify and isolate the effects deriving from changes in own creditworthiness, which are expressly excluded from the calculation of regulatory capital. Consequently, the Group shall ensure that its own regulatory capital is cleansed of effects deriving from changes in own creditworthiness, in compliance with the instructions provided by the Bank of Italy regarding prudential filters.

IAS 39 provides for financial instruments to be irrevocably posted among assets or liabilities measured at fair value upon initial recognition. The fair value option cannot therefore be used for hedges on funding instruments issued prior to the decision that the hedge be undertaken; hedge accounting must be used in these cases.

There are, moreover, portfolios and asset classes for which using the Fair Value Option would make it harder to manage and measure the items, for example in relation to the hedging of assets. With reference to these cases, therefore, the Group considered it more appropriate and consistent to adopt formal *Hedge Accounting* relations than use the *Fair Value Option.* In particular , the Grouphas used the technique of Micro Fair Value Hedging to hedge quotas of commercial assets valued at amortised cost (loans, mortgages) and the (available for sale) securities portfolio, while using Macro Fair Value Hedging for certain hedges of commercial assets and *Cash Flow Hedging* to hedge a limited portion of variable-rate funding instruments.

In the Operating Guide no. 4 of the OIC on accounting management of reserves and profit distribution pursuant to Legislative Decree no. 38 of 28 February 2008, the supervisory authorities (Banca d'Italia/Consob/Isvap) identify as non-distributable capital gains those that are posted to the profit and loss statement using the Fair Value Option and not yet realised. The Group has followed this rule to the letter, considering only capital gains and not capital losses, underlining that all the Group's liability operations are exclusively for the purposes of hedging.

Accounting treatment of "long-term structured repos"

As previously discussed, asset swap trades in Italian government bonds (BTPs) funded by repo agreements for a duration equal to the securities' natural maturity were put in place by the Parent Company over the past years.

For further details on these transactions, see section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)".

With reference to guidance provided by Supervisory authorities in Document no. 6 of 8 March 2013 issued jointly by the Bank of Italy, Consob and IVASS – Accounting treatment of "long-term structured repos", a detailed analysis was carried out to verify whether, for the purpose of compliance with the principle of priority of substance over form, the indicators under IAS 39 Implementation Guidance para. 6 are in place for the substance of the transaction to essentially meet the definition of a derivative contract and, particularly, of a credit default swap.

The analysis conducted on the two transactions of relevance, i.e. those entered into with Nomura and Deutsche Bank, were focused on an assessment of the intents underlying the set of contractual agreements, cash flows and associated risks. The legal aspects and material reverberations of the deals were also taken into consideration.

The analysis has revealed elements of differentiation with respect to the characteristics identified in the afore-mentioned document. In particular, the identified elements of differentiation lie in the:

a) legally separate nature of the individual contractual components;
b) non-simultaneous structuring of the purchase of securities and repurchase agreements in at least one of the transactions;
c) incomplete matching of cash flows arising from individual instruments with those from a credit derivative; in the absence of a default of the Italian Republic, the transaction would be settled as a normal repo and, therefore, by delivery of the securities against payment of a cash consideration whereas, in the case of a CDS, there is never a securities swap involved; moreover, for one of the two transactions, in the absence of a default of the Italian Republic, return of securities and related settlement of liabilities due to the counterparty would take place at an amount different from the nominal value of securities received;
d) a different business purpose of transactions as a whole, which is not traceable to a mere sale of protection on Italian sovereign risk, but rather to the assumption of an exposure in sovereign bonds, funded by a repo agreement and hedged against interest rate risk, with a view to positively contributing to the net interest income.

In light of the above, the Board of Directors thoroughly considered the intents underlying the set of contractual agreements relating to these transactions and confirmed the 'open balances' accounting representation by way of an explicit reference made thereto in the resolution adopted by the Board to approve the Draft Annual Report for 2012. The transactions were therefore accounted for by considering the individual contractual components separately. More specifically:

- "Santorini" trade:
  - Italian BTP government bonds, included in item - Financial assets available for sale;
  - Deposits held as collateral, classified as Loans to banks;
  - Repurchase agreements (Repos) on the same BTPs, classified as Deposits from banks;
  - Interest rate swap (IRS), included under Liabilities in item - Hedging derivatives.
- "Alexandria" trade:
  - Italian BTP government bonds, included in item - Financial assets available for sale;
  - Repo facility, classified as Loans to customers;
  - Deposits held as collateral, classified as Loans to banks;

- Repurchase agreements (Repos) on the same BTPs, classified under item 20 - Deposits from customers;
- Interest rate swap (IRS), included under Liabilities in item - Hedging derivatives

Under the term structured repos in place, the most significant risk the Parent Company is exposed to is the credit risk of the Italian government. Since an asset swap was entered into to hedge against interest rate risk in both transactions, the interest rate risk sensitivity of this position is residual as compared to the sensitivity to Italian sovereign credit risk. A variation in the Italian credit spread thus generates a variation in the AFS Reserve, which is recognised in the statement of comprehensive income.

The Parent Company is also exposed to counterparty risk which is, however, mitigated by daily cash collateralisation of transactions.

The financial risk associated with Italian credit spread is reflected in a similar risk in liquidity: by reason of the daily collateralisation mechanism, if the transactions value deteriorates for the Parent Company, the latter is required to supplement any collateral pledged by integrating the transactions' cash margins.

Had the Parent Company classified the transactions as synthetic derivatives, the accounting representation would have been significantly different, as illustrated in the Annex "Pro-forma statements for the accounting representation of major long-term structured repos as synthetic derivatives".

Finally, other asset swaps on government bonds were in place as at 31 December 2012 which had been financed by repurchase agreements with duration equal to the securities' natural maturity, for a total amount of EUR 50 mln. In both cases, the Bank closed the repurchase agreements used to finance the transactions in early February 2013, continuing to hold the securities in the portfolio.

d) Use of estimates and assumptions when preparing financial statements. Main causes of uncertainty (with particular reference to the provisions of IAS 1, paragraph 125, and document nos. 4 of 3 March 2010 and 2 of 6 February 2009, issued jointly by the Bank of Italy/Consob/Isvap).

The financial crisis has had many consequences for businesses, notably on their financial planning (i.e. on the planning and scheduling of their credit lines). The strong volatility on the still-active financial markets, the reduction in transactions on inactive financial markets and the lack of prospects for the future create specific conditions that influence the preparation of financial statements, especially in relation to estimates required by accounting standards that can have a significant impact on the balance sheet and profit and loss account, as well as on disclosure of contingent assets and liabilities reported in the financial statements. 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 present values entered in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

The main cases in which subjective valuations are mostly opted for by Management include:

a) the use of valuation models to measure the fair value of financial instruments not listed in active markets;
b) the quantification of impairment losses on loans and, more generally, other financial assets;
c) the assessment of the fair value of equity investments, goodwill, other intangible assets and property, plant and equipment;
d) the estimation of liabilities arising from defined-benefit company pension funds:
e) the estimation of deferred tax assets recoverability.

For a description of item a), please see section "A.3.2 Fair Value Hierarchy"; in relation to items b) and c), the most important qualitative issues subject to elements of discretion are described below. The actual technical and conceptual solutions used by the Group are analysed in more detail in the individual sections of the notes to the balance sheet and the profit and loss statement, where the contents of each item in the financial statements are described. For a description of item d), please see section 12 of Liabilities in the Notes to the Financial Statements "Defined-benefit company pension funds"; for a description of item d), please see section 14 of Assets in the Notes to the Financial Statements "Tax Assets and Liabilities".

Methods for determining impairment losses on loans and, more generally, other financial assets

At the end of every reporting period, the financial assets not classified as held-for-trading financial assets or assets at fair value are evaluated to check whether there is objective evidence of impairment that might render the book value of these assets not entirely recoverable.

A financial asset has suffered a reduction in value and the impairment losses must be posted to the financial statements if, and only if, there is objective evidence of a reduction in future cash flows compared with those originally estimated as a result of one or more specific events that have occurred after initial recognition; the loss should be determined reliably and in relation with recent events.

The reduction in value may also be caused not by a single separate event but by the combined effect of several events. The objective evidence that a financial asset or group of financial assets has suffered a reduction in value includes measurable data that arise from the following events:

(a) significant financial difficulty of the issuer or debtor;

(b) breach of contract, for example non-fulfilment or failure to pay interest or principal;

(c) granting Beneficiary a credit facility that the Group has taken into consideration primarily for economic or legal reasons related to the beneficiary's financial difficulties and that would not have been granted otherwise;

(d) a reasonable probability that the beneficiary will file for bankruptcy or other financial restructuring procedures;

(e) disappearance of an active market for that financial asset due to financial difficulties. Nevertheless, the disappearance of an active market due to the fact that the financial instruments of the company are no longer publicly traded is not evidence of a reduction in value;

(f) measurable data which indicate the existence of a significant drop in the estimated future cash flows for a group of financial assets from the time of their initial recognition, even though the reduction cannot yet be matched to the individual financial assets of the Group, including:
    - unfavourable changes in the status of payments of the beneficiaries within the group; or
    - local or national economic conditions that are associated with non-fulfilment related to internal Group assets.

Objective evidence of reduction in value for an investment in an equity instrument includes information regarding important changes with an adverse effect that have occurred in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of the investment may not be recovered.

The impairment test is performed on an analytical basis with respect to financial assets that show objective evidence of impairment and on a collective basis with respect to financial assets for which such objective evidence does not exist or for which the individual analytical valuation did not give rise to a valuation adjustment. Collective valuation is based on identifying homogenous risk classes of financial assets with reference to the characteristics of the debtor/issuer, economic sector, geographic area, presence of any guarantees and other relevant factors.

Loans to customers and banks are individually analysed whenever they are classified as doubtful, substandard or restructured receivables as per the Bank of Italy definitions. The amount of the loss is equal to the difference between the book value of the receivable upon valuation (amortised cost) and the current value of expected future cash flows, calculated using the original effective interest rate; expected cash flows take into account expected recovery times, presumable salvage value of any guarantees as well as costs likely to be incurred for the recovery of credit exposure. The amount of the loss is indicated in the profit and loss statement under Item 130 a) "Net impairment losses/reversals on loans".

The individual valuation of the aforementioned non-perfroming loans requires defining repayment schedules for each position, in order to determine the cash flows deemed to be recoverable. In this respect, with the valuation process adopted by the Company, thresholds have been identified in terms of amounts of receivables, under which plans for recovering the exposures are defined on an automated basis. Such thresholds are set in accordance with bands characterised by limited exposure in relation to the total and by a large number of positions.

Receivables with no individually identified objective evidence of impairment loss are subject to collective valuation. This valuation occurs by credit-risk homogenous categories of receivables, indicative of the debtor's ability to repay sums contractually owed. The segmentation drivers used for this purpose consist of: Economic sector, geographic location and customer segments (turnover); on the basis of the latter indicator, the main segments of the portfolio are differentiated as follows:

- Retail;
- Small and Medium Enterprises - Retail;
- Small and Medium Enterprises - Corporate
- Corporate;
- Large Corporate;
- Banks;
- Other.

The rate of loss is determined for each portfolio segment by identifying the largest possible synergies (as allowed by various regulations) using the supervisory approach of the Basel II "New capital accord". In particular, the impairment for the year of each loan belonging to a particular category is given by the difference between the book value and the recoverable amount on the date of valuation, with the latter being determined by using the parameters of the calculation method provided for by the new supervisory provisions, represented by PD (probability of default) and LGD (loss given default).

If, in a subsequent year, the impairment loss decreases and the reduction can be objectively linked to an event that occurred after the impairment was recognised (such as an improvement in the financial solvency of the debtor), the previously recognised impairment loss will be reversed. The amount of the reversal is indicated in the profit and loss statement under Item 130 "Net impairment losses/reversals".

With reference to loans which have been restructured by partial or full conversion into equity stakes of beneficiary companies, in accordance with joint document no. 4 issued by Bank of Italy/Consob/Isvap on 3 March 2010, it is noted that the fair value of quotas received was factored into the valuation. In particular, in the case of non-perfroming exposure, such classification was maintained for converted financial instruments received and, in the case of classification in the available-for-sale (AFS) category, capital losses recognised after conversion were posted directly to the profit and loss statement.

Impairment of financial assets available for sale is posted to the profit and loss statement when a reduction in fair value has been directly recognised in equity and the aforementioned objective evidence exists. In such cases, the cumulative loss recognised directly in equity shall be reversed and posted to profit and loss, even if the financial asset has not been derecognised. The overall loss transferred from equity to profit and loss is the difference between the acquisition cost (net of any repayment of principal and amortisation) and the current fair value, less any impairment loss on the financial asset previously posted to profit and loss. Impaired losses posted to profit and loss for investment in an available-for-sale equity instrument do not have to be reversed with an impact on profit and loss.

If the fair value of an available-for-sale debt instrument subsequently increases, and the increase can be objectively linked to an event that took place after the impairment loss was posted to the profit and loss statement, the impairment loss must be derecognised and reversed to profit and loss.

However, the existence of a negative reserve is not in itself sufficient to determine a write-down in the profit and loss statement.

The nature and number of assumptions used to identify impairment factors and determine losses and reversals are elements of uncertainty in estimation. For equity instruments listed in active markets, objective evidence of impairment occurs when the market price at the end of the reporting period is at least 30% lower than the original acquisition cost or when market value is lower than the cost for a period of more than 12 months. If further reductions take place in subsequent financial years, these are charged directly to the profit and loss statement.

Methods for determining impairment losses on equity investments, goodwill and, more generally, other intangible assets

Equity investments

The impairment process entails computation of the recoverable amount, which is the greater of the fair value less costs to sell, and the value in use. The value in use is the present value of the cash flows arising from the impaired asset; it reflects the estimate of the cash flows expected from the asset, the estimate of possible changes in the amount and/or in the timing of the cash flows, the financial value over time, the price for remunerating the risk on the asset and other factors that can influence the pricing, on the part of market dealers, of the cash flows expected from the asset. Numerous assumptions are therefore required to estimate the fairness of the recognition value of equity investments: it follows that the result of this verification inevitably entails some degree of uncertainty

Goodwill

Goodwill posted following acquisitions is subjected to an impairment test at least once a year and whenever there are signs of impairment. For testing purposes, once goodwill has been allocated to cash-generating units (CGUs), the book value is compared with the recoverable value of said units pursuant to paragraph 9 "Intangible assets". The discounted cash flow (DCF) method is normally used to determine the recoverable value of the CGUs. To this end, senior management has estimated CGU cash flows; these are dependent on several factors, including cost and revenue growth rates, which in turn depend on changes in the real economy, customer behaviour, competition and other factors. Numerous assumptions are therefore required to estimate the fairness of the recognition value of goodwill; it follows that the result of this verification inevitably entails some degree of uncertainty. Disclosure in Section 12 of the "Assets" in the notes to the financial statements provides more details on this subject.

Other property, plant and equipment and intangible assets

The tangible and intangible assets with limited useful life are tested for impairment in the presence of any indication that the book value of the asset may not be recovered. The recoverable value is computed with reference to (i) the fair value of the tangible or intangible asset, net of the charges for disposal or (ii) the value in use if determinable and if it is above fair value.

The fair value of properties is predominantly determined on the basis of an appraisal. This expert valuation will be repeated periodically whenever a change in the trend of the real estate market is ascertained that causes previously determined estimates to appear invalid. The loss in value is reported only if the fair value less costs to sell, or the value-in-use, is less than the book value. The nature and number of assumptions are elements of uncertainty also for these values and for subsequent verifications. More information on the possible assumptions can be found in Sections 12 and 13 of the "Assets" in the notes to the financial statements.

e) Correction of errors

The correction of errors is governed by IAS 8 (Accounting policies, changes in accounting estimates and errors). According to this standard, errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements.

When errors are discovered in the period in which the error occurred, they are corrected before the financial statements are authorized for issue.

Errors that are discovered in a subsequent period with respect to the period in which they occurred, are corrected, when measurable, in the comparative information presented in the financial statements for that subsequent period Material prior period errors shall be corrected in the first set of financial statements authorized for issue after their discovery by retrospectively restating the comparative amounts for prior period(s) presented in which the error occurred or, if the error occurred before the prior periods presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

For further details on the 2012 Finanical Statements, see section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)".

A.3 Information on fair value

A.3.1 Portfolio transfers

A.3.1.1 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 12 2012 (4)	Fair value at 31 12 2012 (5)	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Value-relevance (6)	Other (7)	Value-relevance (8)	Other (9)
Debt Securities	Trading	Loans to banks	116,532	116,532	4,641	6,322	4,641	18,111
Debt Securities	Available for sale	Loans customers	36,292	27,467	3,455	7,274	(1)	3,787
Debt Securities	Available for sale	Loans to banks	462,702	378,399	46,034	25,891	(786)	14,606
Debt Securities	Trading	Available for sale	211,655	213,216	7,299	3,264	(6,319)	3,829
UCITS	Trading	Available for sale	1,038,488	695,795	38,398	8,804	(835)	(17,826)
Total			**1,865,669**	**1,431,409**	**99,827**	**51,555**	**(3,300)**	**22,507**

In the course of 2008, the Group applied the amendment “Reclassification of financial assets”, which was issued by the IASB to amend IAS 39 and IFRS 7 in October 2008 introducing the possibility of reclassifying portfolios in unusual circumstances such as the crisis that emerged in the markets in the second half of 2008.

On the basis of this amendment, some Group companies transferred the following securities portfolios in the second half of 2008, shown below at their historical transfer values:

1) units of UCITS in the amount of € 481.4 mln from the trading portfolio to the AFS portfolio;
2) debt securities in the amount of € 180.9 mln from the trading portfolio to loans and advances to banks;
3) debt securities in the amount of € 826.8 mln from the trading portfolio to loans and advances to customers;
4) debt securities in the amount of € 1,029.3 mln from the AFS portfolio to loans and advances to banks;
5) debt securities in the amount of € 1,392.7 mln from the AFS portfolio to loans and advances to customers;

In addition to illustrating the book values and fair values of financial instruments reclassified in 2008 as at 31.12.2012, the table also reports (columns 6 and 7) financial results in terms of “value relevance” and “other” (realised profit/loss and interest), which the same financial instruments would have produced for the Group in 2012 had they not been transferred in 2008. Columns 8 and 9, on the other hand, contain the profit and loss results in terms of “value relevance” and "other" (realised profit/loss and interest) which the Group actually posted for these instruments in the course of 2012.

The hypothetical net capital gains (column 6) of € 99.8 mln differ from those actually recorded for 2012 (see column 8) for an overall amount of € 8.7 mln in capital gains by an overall amount of EUR 91.1 mln in lower valuations (of which EUR 49 mln posted to profit and loss and EUR 42.1 mln to equity).

By way of completeness, on the back of the reclassification in 2008 of bonds originally classified as AFS financial instruments, the relative negative reserve, for an amount of EUR 228.4 mln, existing on the date of reclassification, was accounted for pursuant to the provisions set out in par. 50F of IAS 39.

In particular, the negative AFS reserve was gradually phased out over a timeframe reflecting the residual life of the underlying securities, measured as a direct reduction of interest income. This negative impact on net interest income was offset by the positive effect of the amortised cost mechanism on securities, which gradually brings the maturity value in line with the nominal value. The residual reserve at the end of 2012 was EUR 23.9 mln, before tax.

A.3.1.2 Reclassified financial assets: effects on comprehensive income prior to transfer

A.3.1.3 Transfer of financial assets held for trading

A.3.1.4 Effective interest rate and expected cash flows from reclassified financial assets

Tables A.3.1.2, A.3.1.3 and A.3.1.4 were left blank because no financial assets were reclassified during the year.

A.3.2 Fair Value Hierarchy

The fair value hierarchy, introduced by the IASB through IFRS 7 amendment "Additional disclosures" of March 2009, must be applied to all financial instruments measured at fair value in the balance sheet.

IAS 39 defines fair value as the amount for which an asset may be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

IAS 39 defines a financial instrument as quoted in an active market when:

a) the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, authorised body or regulatory agency;
b) 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 set out in IAS 39 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.

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:

- quoted prices on active markets for similar assets or liabilities;
- 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;
- observable market inputs (e.g.:interest rates or yield curves observable in different buckets, volatility, credit curves, etc.);
- 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 'Parent Bank-internal' assumptions on future cash flows and risk adjustment of the discount curve.

A.3.2.1 Accounting portfolios: breakdown by fair value levels

	31 12 2012				31 12 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	6,879,782	16,525,317	109,105	23,514,204	7,007,897	25,233,056	298,231	32,539,184
2. Financial assets designated at fair value	-	-	-	-	26,062	12,169	-	38,231
3. Financial assets available for sale	23,927,910	1,530,060	190,771	25,648,741	20,636,149	2,066,746	201,761	22,904,656
4. Hedging derivatives	-	551,093	-	551,093	-	363,351	-	363,351
Total	**30,807,692**	**18,606,470**	**299,876**	**49,714,038**	**27,670,108**	**27,675,322**	**499,992**	**55,845,422**
1. Financial liabilities held for trading	3,701,525	17,770,377	44,998	21,516,900	1,967,732	24,312,473	234,677	26,514,882
2. Financial liabilities designated at fair value	-	14,427,858	-	14,427,858	-	22,498,694	-	22,498,694
3. Hedging derivatives	-	5,574,798	-	5,574,798	-	4,359,400	-	4,359,400
Total	**3,701,525**	**37,773,033**	**44,998**	**41,519,556**	**1,967,732**	**51,170,567**	**234,677**	**53,372,976**

The financial instruments measured at fair value and classified in level 3 of the hierarchy consist of instruments not listed in active markets, valued using the mark-to-model approach, for which input data include, inter alia, non-observable market data significant for measurement purposes or observable market data that requires significant adjustment based on non-observable data, or that requires internal assumptions and estimations of future cash flows. In addition, the Group deemed it right and prudential to have Level 3 include -regardless of the observability of market data for necessary inputs- any instruments not listed in active markets which are complex by their financial structure or because of the unavailability of a 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.

Another category of financial instruments classified in level 3 comprises some types of exotic options, mainly multi-asset, path-dependent options on equity instruments. Subjectivity in measuring these instruments lies mainly in selecting an appropriate pricing model rather than in the availability of input parameters often inductively inferable from the quotations of comparable instruments. For example, these instruments depend significantly on estimates regarding the future development of certain market parameters, such as the volatility surface of underlying securities. Essentially, in consideration of the type of payoff, it is believed that the estimation of the fair value of these instruments should factor in not only the current market conditions (often observable) but also speculations on future market developments that are implicit in the model used.

Additional information on level 3 financial instruments can be found in the comments under the tables for the individual balance sheet items concerned.

A.3.2.2 Annual changes of financial assets designated at fair value (level 3)

31 12 2012

	FINANCIAL ASSETS			
	Held for trading	At fair value	Available for sale	Hedging derivatives
1. Opening balance	**298,231**	**-**	**201,761**	**-**
2. Increases	**18,676**	**-**	**66,411**	**-**
2.1 Purchases	-	-	-	-
2.2 Profits posted to:	4,705	-	65,582	-
2.2.1 Profit and Loss	4,705	-	235	-
- of which capital gains	663	-	-	-
2.2.2 Equity	X	X	65,347	-
2.3 Transfers from other levels	-	-	-	-
2.4. Other increases	13,971	-	829	-
3. Decreases	**207,802**	**-**	**77,401**	**-**
3.1 Sales	132,393	-	-	-
3.2 Redemptions	10,000	-	471	-
3.3 Losses posted to:	61,933	-	75,175	-
3.3.1 Profit and Loss	61,933	-	52,638	-
- of which capital losses	61,775	-	52,408	-
3.3.2 Equity	X	X	22,537	-
3.4 Transfers to other levels	-	-	-	-
3.5. Other decreases	3,476	-	1,755	-
IFRS 5 "Discontinuing operations"	-	-	-	-
4. Closing balance	**109,105**	**-**	**190,771**	**-**

The Table shows changes occurring during the period in financial assets classified in level 3 of the fair value hierarchy.

Amounts shown in the column “held for trading” under “2.2.1 Profit and Loss – of which capital gains” and “3.3.1 Profit and Loss – of which capital losses”, respectively EUR 0.7 mln and EUR 61.8 mln, refer to valuation of securities recognised in the financial statements as at 31 December 2012 and posted to item “80 – Net profit/loss from trading” in the profit and loss statement.

The amount shown in the column “Available for sale” under “3.3.2 Equity” totalling EUR 22.5 mln refers to valuation of securities recognised in the financial statements as at 31 December 2012 and posted to the AFS reserve.

A.3.2.3 Annual changes of financial liabilities designated at fair value (level 3)

31 12 2012

	FINANCIAL ASSETS		
	Held for trading	At fair value	Hedging derivatives
1. Opening balance	**234,677**	**-**	**-**
2. Increases	**32,599**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	5,654	-	-
2.2.1 Profit and Loss	5,654	-	-
- of which capital gains	5,203	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from other levels	-	-	-
2.4. Other increases	26,945	-	-
3. Decreases	**222,278**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits posted to:	23,256	-	-
3.3.1 Profit and Loss	23,256	-	-
- of which capital losses	23,256	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5. Other decreases	199,022	-	-
4. Closing balance	**44,998**	**-**	**-**

The Table shows changes during the period in financial liabilities classified in level 3 of the fair value hierarchy.

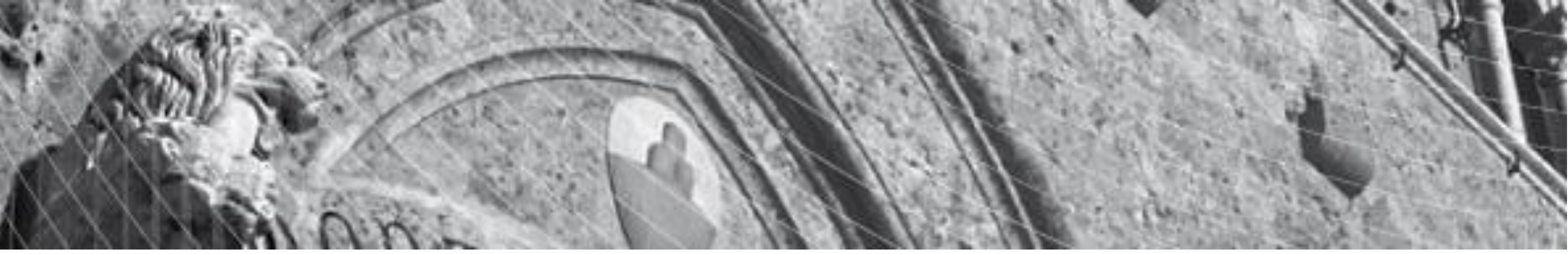
The EUR 26.9 mln amount posted to line "2.4 Other increases" includes the fair value of the derivative embedded in the backup liquidity provider contract for the Casaforte Class A securities.

The capital gain shown in column "Held for trading" under "3.3.1 Profit and Loss – of which capital gains", totalling EUR 23.3 mln, was posted to item "80 – Net profit (loss) from trading" in the profit and loss statement and includes two derivative contracts embedded in debt securities classified as loans to customers which were unbundled pursuant to IAS 39.

The amount of EUR 199.0 mln shown in line "3.5 Other decreases" is primarily accounted for by the fair value of the derivative underlying the Nota Italia notes of the Parent Company, which was transferred from level 3 to level 2.

A.3.3 Information on "day one profit/loss"

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



Part B – Information on the consolidated balance sheet

Assets

Liabilities

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31 12 2012	Total 31 12 2011
a) Cash	843,040	769,079
b) Demand deposits with central banks	1,589,840	108,705
Total	**2,432,880**	**877,784**

The line “demand deposits with central banks” does not include the compulsory reserve, which is shown under Assets in Item 60 “Loans to banks”.

The increase in "Demand deposits with central banks" is due to a temporary use of liquidity in the form of deposits with central banks at the end of 2012.

Section 2 - Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown

Items/Amounts	Total 31/12/2012				Total 31/12/2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A. Balance sheet assets								
1. Debt securities	6,558,706	982,311	80,137	7,621,154	6,408,374	1,046,364	244,848	7,699,586
1.1 Structured securities	345	47,961	72,707	121,013	8,864	152,571	117,893	279,328
1.2 Other debt securities	6,558,361	934,350	7,430	7,500,141	6,399,510	893,793	126,955	7,420,258
2. Equity instruments	111,504	1	27,667	139,172	349,756	3,483.00	41,328	394,567
3. Units in UCITS	14,202	221,774	-	235,976	107,972	444,619	-	552,591
4. Loans	-	3,180,442	-	3,180,442	-	7,466,693	-	7,466,693
4.1 Reverse repurchase agreements	-	2,852,522	-	2,852,522	-	7,024,426	-	7,024,426
4.2 Other	-	327,920	-	327,920	-	442,267	-	442,267
Total (A)	**6,684,412**	**4,384,528**	**107,804**	**11,176,744**	**6,866,102**	**8,961,159**	**286,176**	**16,113,437**
B. Derivatives								
1. Financial derivatives:	195,370	10,555,188	1,301	10,751,859	141,795	13,394,453	12,055	13,548,303
1.1 held for trading	195,370	10,505,417	1,301	10,702,088	141,795	13,354,271	12,055	13,508,121
1.2 fair value option	-	49,771	-	49,771	-	40,182	-	40,182
1.3 other	-	-	-	-	-	-	-	-
2. Credit derivatives:	-	1,585,601	-	1,585,601	-	2,877,444	-	2,877,444
2.1 held for trading	-	1,585,601	-	1,585,601	-	2,877,444	-	2,877,444
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	-	-	-
Total (B)	**195,370**	**12,140,789**	**1,301**	**12,337,460**	**141,795**	**16,271,897**	**12,055**	**16,425,747**
Total (A+B)	**6,879,782**	**16,525,317**	**109,105**	**23,514,204**	**7,007,897**	**25,233,056**	**298,231**	**32,539,184**

Item 20 “Financial assets held for trading ” includes:

a) on-balance-sheet assets acquired mainly for short-term gains;

b) financial assets deriving from derivative contracts other than those formally designated as hedging instruments.

Criteria adopted for classification of financial instruments in the three levels of the “fair value hierarchy” are reported in Section A.3, “Fair value disclosure” of Part A, “Accounting policies” of the notes to the financial statements.

As a result of the provisions set out in IAS 39 with regard to the derecognition of financial assets, lines 1.1 and 1.2 also include debt securities pledgeed in repos and securities lending transactions carried out in respect of own securities posted to the trading portfolio.

As far as on-balance-sheet assets are concerned, an overall decrease of EUR 4,936.7 mln was registered as compared to 2011, mainly driven by a EUR 4,171.9 mln reduction in line "4.1 Loans - repurchase agreements (assets)" to which the repo agreements entered into by the subsidiary, MPS Capital Services - Banca per le imprese S.p.a., are posted. These transactions are mainly correlated with Lines "1. Deposits from banks" and "2. Deposits from customers" of Item 40 “Financial liabilities held for trading”.

Line "4.2 Loans - other" includes capitalisation insurance policies comprised in the Parent Company's trading book,.

Derivatives connected with fair value option instruments are also included in the trading book: these cover the risks of funding designated at fair value arising from possible interest rate fluctuations and from any embedded options in structured securities issued. The fair value of such derivatives is shown in line B.1.2 “Fair value option” if carried out directly with external counterparties, while it is shown as a share of trading derivatives (line 1.1) where FVO hedging initially carried out with subsidiary MPS Capital Services made it necessary to externalise risk.

For FVO derivatives arranged by Group companies with the subsidiary MPS Capital Services, it is worth noting that the relevant internal units responsible for risk management perform appropriate tests at consolidated level in order to periodically test the strength of the hedge applied from a 'natural hedging' perspective.

2.1.a Breakdown of debt securities: structured securities

Structured debt securities	Total 31 12 2012	Total 31 12 2011
Index Linked	35	2,853
Credit linked notes	68,494	107,297
Equity Linked	2,089	48,915
Step - up, Step down	9	18
Cap Floater	-	1
Reverse Floater	1,207	5,877
Commodity	-	51,675
Fund Linked	35,570	27,799
Inflation linked	-	7,503
Other	13,609	27,390
Total	**121,013**	**279,328**

The table adds details to the information shown in table 2.1 and shows the main types of structured securities in the trading portfolio. Embedded derivatives were not separated from these securities, which were measured at fair value with direct recognition of value changes to profit and loss.

2.1.b Derivatives receivable - Fair Value Option method

Items/Amounts	31 12 2012		
	Natural hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis *of fair value*
Financial derivatives	49,771	x	-
Credit derivatives	-	x	-
Total	**49,771**	**x**	**-**

This is a breakdown of previous table 2.1 and shows the book value (fair value) of hedging derivatives of fair value option instruments, by method of use, between Group companies and external counterparties.

At the end of both 2012 and 2011, all fair value option derivatives posted to the trading book were attributable to the natural and systematic hedging of fixed-rate and structured bonds issued by the Group.

By convention, such derivatives are classified in the trading book. In terms of their representation in the profit and loss statement, they comply with rules similar to the rules applicable to hedging derivatives: positive and negative spreads or margins settled or accrued until the balance sheet date are recognised as interest income and expense, while valuation profits and losses are posted under item 110 of the profit and loss statement, “Net profit (loss) from financial assets and liabilities designated at fair value”, in compliance with representations used for funding instruments which adopted the fair value option.

Items/Amounts	31 12 2011		
	Natural hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis *of fair value*
Financial derivatives	40,182	x	-
Credit derivatives	-	x	-
Total	**40,182**	**x**	**-**

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

Items/Amounts	Total 31 12 2012	Total 31 12 2011
A. Balance sheet assets		
1. Debt securities	7,621,154	7,699,586
a) Governments and Central banks	6,129,876	5,875,740
b) Other public entities	4	1,326
c) Banks	891,091	1,016,198
d) Other issuers	600,183	806,322
2. Equity instruments	139,172	394,567
a) Banks	44,475	31,610
b) Other issuers:	94,697	362,957
- insurance companies	1,138	4,990
- financial companies	6,884	16,310
- non-financial companies	86,675	341,657
- other	-	-
3. Units in UCITS	235,976	552,591
4. Loans	3,180,442	7,466,693
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	738,055	1,699,513
d) Other entities	2,442,387	5,767,180
Total (A)	**11,176,744**	**16,113,437**
B. Derivatives		
a) Banks		
- *fair value*	6,600,431	8,215,202
b) Customers		
- *fair value*	5,737,029	8,210,545
Total (B)	**12,337,460**	**16,425,747**
Total (A+B)	**23,514,204**	**32,539,184**

The breakdown by borrower/issuer was carried out in accordance with criteria of classification by economic activity group and sector laid down by the Bank of Italy.

As far as on-balance-sheet assets are concerned, an overall decrease of EUR 4,936.7 mln was registered, mainly driven by a reduction in loans by EUR 4,286.3 mln.

Derivative instruments were down by EUR 4,088.3 mln on 2011.

2.2.a Units in UCITS: Breakdown by main categories

Categories/Amounts	Total 31 12 2012	Total 31 12 2011
Equity	723	5,698
Bonds	244	3,754
Balanced	7,263	137,519
Hedge Funds	177,028	354,669
Other	50,718	50,951
Total	**235,976**	**552,591**

The table adds details to line "A.3. Units in UCITS" of table 2.2 and particularly reports a decrease in hedge funds by EUR 177.6 mln mainly associated with units sold.

2.3 On-balance-sheet financial assets held for trading: annual changes

31 12 2012

Changes/Underlying assets	Debt securities	Equity instruments	Units in UCITS	Loans	Total
A. Opening balance	**7,699,586**	**394,567**	**552,591**	**7,466,693**	**16,113,437**
B. Increases	95,162,457	1,851,300	717,238	124,237,509	**221,968,504**
B1. Purchases	91,169,801	1,775,682	370,654	124,085,679	217,401,816
B2. Positive changes in fair value	383,268	10,912	13,845	3,756	411,781
B3. Other increases	3,609,388	64,706	332,739	148,074	4,154,907
C. Decreases	**95,240,889**	**2,106,695**	**1,033,853**	**128,523,760**	**226,905,197**
C1. Sales	88,416,839	1,976,621	765,471	128,363,379	219,522,310
C2. Redemptions	4,502,769	-	249,701	77,375	4,829,845
C3. Negative changes in fair value	279,347	18,949	8,866	-	307,162
C4. Transfers to other portfolios	-	-	-	-	-
C5. Other increases	2,041,934	111,125	9,815	83,006	2,245,880
D. Closing balance	**7,621,154**	**139,172**	**235,976**	**3,180,442**	**11,176,744**

The table reports a decrease in debt securities (primarily Italian government securities) and loans.

Lines B3 and C5 include profit and loss from trading, accruals on issue discounts and on coupon interest, effects of exchange-rate fluctuations and any opening (C5) and closing (B3) uncovered short positions.

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

3.1 Financial assets designated at fair value: breakdown by type

Items/Amounts	31 12 2012				31 12 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	-	-	-	-	26,062	12,169	-	38,231
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	26,062	12,169	-	38,231
2. Equity instruments	-	-	-	-	-	-	-	-
of which valued at cost	-	-	-	-	-	-	-	-
3. Units in UCITS	-	-	-	-	-	-	-	-
4. Loans	-	-	-	-	-	-	-	-
4.1 structured	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**26,062**	**12,169**	**-**	**38,231**
Cost	**-**	**-**	**-**	**-**	**25,707**	**11,898**	**-**	**37,605**

3.2 Financial assets designated at fair value: breakdown by borrower/issuer

Items/Amounts	Total 31 12 2012	Total 31 12 2011
1. Debt securities	**-**	**38,231**
a) Governments and Central banks	-	26,062
b) Other public entities	-	-
c) Banks	-	12,169
d) Other issuers	-	-
2. Equity instruments	**-**	**-**
a) Banks	-	-
b) Other issuers:	-	-
- insurance companies	-	-
- financial companies	-	-
- non-financial companies	-	-
- other	-	-
3. Units in UCITS	**-**	**-**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**-**	**38,231**

3.3 Financial assets designated at fair value: annual changes

31.12.2012

	Debt securities	Equity instruments	Units in UCITS	Loans	Total
A. Opening balance	**38,231**	**-**	**-**	**-**	**38,231**
B. Increases	**-**	**-**	**-**	**-**	**-**
B1. Purchases	-	-	-	-	-
B2. Positive changes in fair value	-	-	-	-	-
B3. Other increases	-	-	-	-	-
C. Decreases	38,231	**-**	**-**	**-**	**38,231**
C1. Sales	-	-	-	-	-
C2. Redemptions	-	-	-	-	-
C3. Negative changes in fair value	-	-	-	-	-
C4. Other decreases	38,231	-	-	-	38,231
D. Closing balance	**-**	**-**	**-**	**-**	**-**

Section 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown by type

Items/Amounts	31 12 2012				31 12 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	23,885,848	248,582	143,585	24,278,015	20,410,713	186,467	131,455	20,728,635
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	23,885,848	248,582	143,585	24,278,015	20,410,713	186,467	131,455	20,728,635
2. Equity instruments	41,585	789,142	47,186	877,913	209,343	1,213,748	70,306	1,493,397
2.1 Designated at fair value	41,585	774,394	47,186	863,165	209,343	1,199,841	70,306	1,479,490
2.2. Carried at cost	-	14,748	-	14,748	-	13,907	-	13,907
3. Units in UCITS	477	492,336	-	492,813	16,093	666,531	-	682,624
4. Loans	-	-	-	-	-	-	-	-
Total	**23,927,910**	**1,530,060**	**190,771**	**25,648,741**	**20,636,149**	**2,066,746**	**201,761**	**22,904,656**

The portfolio of AFS financial assets includes:

1) bonds and UCITS not held for trading;

2) equity investments with shareholding lower than controlling or associate interests.

As a result of the provisions set out in IAS 39 for the derecognition of financial assets, lines 1.1 and 1.2 also include debt securities committed in repos (liabilities) and securities lending transactions carried out for own securities posted to the available-for-sale portfolio.

The EUR 3,549.4 mln increase in debt securities was primarily contributed to by positive fair value changes in the Italian government bonds already held as at 31.12.2011 (see table 4.4 below).

4.1.b Financial assets available for sale - breakdown of equity securities

Name	31 12 2012		31 12 2011	
	% ownership	Book value	% ownership	Book value
Acque Blu Arno Basso S.p.A.	8.00	3,069	8.00	2,826
Acque Blu Fiorentine S.p.A.	8.00	5,774	8.00	5,531
Aeroporto di Firenze S.p.A.	0.00	-	4.89	4,416
Banca d'Italia	2.50	432,048	4.60	794,969
Bassilichi S.p.A.	11.74	3,991	11.74	3,734
Cantine Cooperative riunite soc. coop. Agr.	5.72	1,000	0.00	-
Cedacri S.p.A.	-	-	2.74	2,657
Centro Affari e Convegni Arezzo S.r.l.	5.42	1,979	5.42	1,979
Compagnia Investimenti e Sviluppo C.I.S. S.p.A.	4.10	3,769	4.17	4,469
Consorzio Granterre Caseifici e allevam. società coop.	7.33	1,000	10.43	1,500
Consorzio Latterie Soc. Mantov.Virgilio soc. agricola coop.	22.26	3,000	23.45	3,000
Consorzio Perimetro Gest. Prop. Imm. S.c.p.a. (Classe A)	7.90	437	7.90	437
Consorzio Perimetro Gest. Prop. Imm. S.c.p.a. (Classe B)	100.00	49,509	100.00	49,509
Cooperativa Italiana di Ristorazione	4.62	750	5.05	750
Firenze Parcheggi S.p.A.	16.46	4,939	16.46	4,939
Finanziaria Regionale Friuli Venezia Giulia	1.61	6,485	1.61	7,002
Hopa S.p.A.	-	-	0.53	734
Immobiliare Novoli S.p.A.	8.33	3,723	8.33	6,021
Iniziative Immobiliari S.r.l.	13.87	942	13.87	950
Istituto per il Credito Sportivo	10.81	80,827	10.81	80,827
Marina di Stabia S.p.A.	16.31	4,317	16.31	6,606
Ombrone S.p.A.	14.99	2,076	14.99	1,733
Palladio Finanziaria S.p.A.	0.47	2,148	0.47	2,182
Porto Industriale di Livorno S.p.A.	15.96	3,271	15.96	3,271
S.S.B. S.p.A.	5.78	15,615	5.78	15,615
SITEBA Sistemi Telematici Bancari S.p.A.	-	-	6.16	616
Società Italiana per le Imprese all'Estero Simest S.p.A.	1.06	3,024	1.05	2,896
Società Aeroporto toscano Galileo Galilei S.p.A.	3.97	3,301	3.97	3,573
Sofinco S.p.A.	2.94	2,773	3.33	2,775
Sorgenia S.p.A.	1.16	7,723	1.16	40,313
S.T.A. S.p.A.	12.15	4,337	12.15	4,337
S.T.B. Società delle Terme e del Benessere S.p.A.	13.82	2,551	13.82	5,823
Unipeg Soc. Coop. Agricola	1.49	200	17.45	2,800
Veneto Sviluppo S.p.A.	8.62	5,495	8.62	5,685
Altre partecipazioni minori	N/A	136,751	N/A	147,329
Portafoglio della Finanza	N/A	81,089	N/A	271,593
Totale		**877,913**		**1,493,397**

The table shows the main equity investments classified in the portfolio of financial assets available for sale. Voting rights at companies incorporated as limited liability co-operatives (it.: s.c.a.r.l.) are per capita, so the holding of shares is not indicative of an associate relationship.

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

Items/Amounts	Total 31 12 2012	Total 31 12 2011
1. Debt securities	**24,278,015**	**20,728,635**
a) Governments and Central banks	23,276,357	19,355,132
b) Other public entities	38,081	46,083
c) Banks	678,357	991,502
d) Other issuers	285,220	335,918
2. Equity instruments	**877,913**	**1,493,397**
a) Banks	586,905	1,024,466
b) Other issuers:	291,008	468,931
- insurance companies	1,105	8,410
- financial companies	30,560	80,119
- non-financial companies	214,325	323,268
- other	45,018	57,134
3. Units in UCITS	**492,813**	**682,624**
4. Loans	-	-
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**25,648,741**	**22,904,656**

The breakdown by borrower/issuer was carried out in accordance with the criteria for classification by economic activity group and sector laid down by the Bank of Italy.

The EUR 3,921.2 mln increase in debt securities issued by Governments and Banks was primarily contributed to by positive fair value changes in the Italian government bonds already held as at 31.12.2011 (see table 4.4 below).

4.2.a Units in UCITS: Breakdown by main categories

Categories/Amounts	Total 31 12 2012	Total 31 12 2011
Hedge Funds	136,786	330,446
Private Equity	256,013	239,368
Real estate	100,014	97,563
Others	-	15,247
Total	**492,813**	**682,624**

The table adds details to the information shown in table 4.2 and shows main types of investments in UCITS, held in the portfolio of financial assets available for sale. In particular, hedge funds were down by EUR 193.6 mln, mainly as a reuslt of units sold.

4.3 Micro-hedged financial assets available for sale:

Items/Amounts	Total 31 12 2012	Total 31 12 2011
1. Financial assets subject to micro-hedging of fair value	**17,762,527**	**15,307,204**
a) interest rate risk	17,745,108	15,290,018
b) price risk	-	-
c) foreign exchange risk	-	-
d) credit risk	-	-
e) multiple risks	17,419	17,186
2. Financial assets subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**17,762,527**	**15,307,204**

The table shows the share of the available-for-sale portfolio which, at year-end, was subjected to micro-hedging.

The EUR 2,455.1 rise in fair value micro-hedge transactions to counter interest rate risk is primarily attributable to an increase in the fair value of hedged securities.

4.4 Financial assets available for sale: annual changes

31.12.2012

Items/Amounts	Debt securities	Equity instruments	Units in UCITS	Loans	Total
A. Opening balance	**20,728,635**	**1,493,397**	**682,624**	**-**	**22,904,656**
B. Increases	**9,311,618**	**573,363**	**408,977**	**-**	**10,293,958**
B1. Purchases	8,767,255	376,624	328,339	-	9,472,218
B2. Increases in fair value	13,356	5,347	15,022	-	33,725
B3. Write-backs	*4,684*	63,098	55,378	-	123,160
- posted to profit and loss	1,441	-	-	-	1,441
- posted to net equity	3,243	63,098	55,378	-	121,719
B4. Transfers from other portfolios	-	-	-	-	-
B5. Other increases	526,323	128,294	10,238	-	664,855
C. Decreases	**8,058,893**	**655,447**	**476,477**	**-**	**9,190,817**
C1. Sales	3,818,105	424,318	339,211	-	4,581,634
C2. Redemptions	786,740	1,002	925	-	788,667
C3. Decreases in fair value	2,929,126	140,280	73,244	-	3,142,650
C4. Write-downs due to impairment	*3,243*	63,098	55,378	-	121,719
- posted to profit and loss	3,243	63,098	55,378	-	121,719
- posted to net equity	-	-	-	-	-
C5. Transfers to other portfolios	-	-	-	-	-
C6. Other decreases	521,679	26,749	7,719	-	556,147
IFRS 5 "discontinuing operations"	-	-	-	-	-
D. Closing balance	**20,728,635**	**1,493,397**	**682,624**	**-**	**22,904,656**

Amounts shown in lines "B2 Increases in fair value" and "C.1 Sales" in the "Debt securities" column, primarily refer to Italian government securities.

Line B.3 “Write-backs – posted to equity” includes the reversal of negative net equity reserves of impaired securities; in terms of profit and loss, the value adjustments for the same amount are posted to line C.4 “Write-downs due to impairment” of the table.

Line "B5. "Other increases" and line "C6. “Other decreases” include exchange-rate differences and gains (losses) on disposals.

Section 5 - Financial assets held to maturity – Item 50

5.1 Financial assets held to maturity: breakdown by type

	31 12 2012					31 12 2011				
	BV	FV				BV	FV			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
1. Debt securities	-	-	-	-	-	2	2	-	-	2
1.1 Structured securities	-	-	-	-	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	2	2	-	-	2
2. Loans	-	-	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**2**	**2**	**-**	**-**	**2**

5.2 Financial assets held to maturity: breakdown by borrower/issuer

Type of transaction / Amount	Total 31 12 2012	Total 31 12 2011
1. Debt securities	**-**	**2**
a) Governments and Central banks	-	2
b) Other public entities	-	-
c) Banks	-	-
d) Other issuers	-	-
2. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**-**	**2**
Total *fair value*	**-**	**2**

The breakdown by borrower/issuer was carried out in accordance with the criteria for classification by economic activity group and sector laid down by the Bank of Italy.

5.3 Micro-hedged financial assets held to maturity

No figures are available because there were no micro-hedged held-to-maturity financial assets to report, for either the year under review or the previous year.

5.4 Financial assets held to maturity : annual changes

	Debt securities	Loans	Total
A. Opening balance	2	-	2
B. Increases	-	-	-
B1 Purchases	-	-	-
B2 Write-backs	-	-	-
B3 Transfers from other portfolios	-	-	-
B4 Other changes	-	-	-
C. Decreases	2	-	2
C1 Sales	-	-	-
C2 Redemptions	-	-	-
C3 Write-downs	-	-	-
C4 Transfers to other portfolios	-	-	-
C5 Other changes	2	-	2
D. Closing balance	-	-	-

Section 6 - Loans to banks – Item 60

6.1 Loans to banks: breakdown by type

Type of transaction / Amount	Total 31 12 2012	Total 31 12 2011
A. Loans to central banks	**630,545**	**4,526,008**
1. Time deposits	16,000	3,515,773
2. Compulsory reserve	590,102	1,005,246
3. Reverse repurchase agreements	-	-
4. Other	24,443	4,989
B. Loans to banks	**10,594,444**	**16,169,439**
1. Current accounts and demand deposits	553,003	526,299
2. Time deposits	3,382,682	2,375,331
3. Other loans:	5,666,643	11,051,353
3.1 Reverse repurchase agreements	1,218,713	2,359,862
3.2 Finance leases	-	-
3.3 Other	4,447,930	8,691,491
4. Debt securities	992,116	2,216,456
4.1 Structured securities	-	-
4.2 Other debt securities	992,116	2,216,456
Total (book value)	**11,224,989**	**20,695,447**
Total (fair value)	**11,158,025**	**20,725,010**

Loans and advances to banks	31 12 2012	31 12 2011
Impaired assets	4,230	3,408

The portfolio of "Loans to banks" includes loans and deposits, in addition to the unrestricted part of the compulsory legal reserve with the Bank of Italy which, as at 31.12.2012, amounted to EUR 590.1 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. The decrease in "Time deposits" with Central Banks is due to inclusion in the Parent Company's balance as at 31.12.2011 of a temporary use of liquidity through an overnight deposit placed with the Bank of Italy for an amount of EUR 3,499.8 mln.

The EUR 4,243.6 mln decrease in Line "3.3 Other" is largely attributable to a reduction in deposits pledged as collateral in OTC derivative and repo transactions. The item includes EUR 959.8 mln in collateral pledged for the *long term repo* and *asset swap* transaction entered into with Deutsche Bank, described in section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)".

The collective write-down was also posted to the 'Debt securities' portfolio as it was applied to other loans to banks that proved performing at the end of 2012.

'Banks' also includes international entities of a banking nature subjected to zero weighting in accordance with prudential supervisory regulations on the standardised approach to counterparty and credit risk.

6.2 Loans to banks: micro-hedged assets

Type of transaction / Amount	Total 31 12 2012	Total 31 12 2011
1. Loans subject to micro-hedging of fair value	492,155	595,038
a) interest rate risk	472,397	580,447
b) exchange risk	-	-
c) credit risk	19,758	14,591
d) multiple risks	-	-
2. Loans subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**492,155**	**595,038**

The table shows the share of the available-for-sale portfolio which, at year-end, was subject to micro-hedging.

6.3 Finance leases

This table was not compiled because the Group had no finance leases to report for either the period under review or the previous year.

Section 7 - Loans to customers – Item 70

7.1 Loans to customers: breakdown by type

Type of transaction / Amount	31 12 2012				31/12/2011*			
	Performing	Non performing		Total	Performing	Non performing		Total
		Purchased	Others			Purchased	Others	
1. Current accounts	13,098,750	-	3,639,314	16,738,064	14,246,495	-	2,755,288	17,001,783
2. Reverse repurchase agreements	2,199,150	-	-	2,199,150	881,956	-	-	881,956
3. Mortgages	72,328,840	-	9,357,257	81,686,097	80,855,501	-	6,973,763	87,829,264
4. Credit cards, personal loans and fifth-of-salary backed loans	3,421,925	-	196,694	3,618,619	3,017,339	-	122,827	3,140,166
5. Financial leasing	4,279,896	-	972,402	5,252,298	4,297,747	-	819,169	5,116,916
6. Factoring	1,573,046	-	91,619	1,664,665	1,431,002	-	138,556	1,569,558
7. Other transactions	25,495,592	-	3,136,923	28,632,515	25,292,010	-	2,666,219	27,958,229
of which leased assets under construction	215,655	-	74,428	290,083	*396,267*	-	*55,842*	*452,109*
8. Debt securities	2,221,223	-	2,530	2,223,753	3,107,130	-	4,095	3,111,225
8.1 Structured securities	644,690	-	-	644,690	685,440	-	-	685,440
8.2 Other debt securities	1,576,533	-	2,530	1,579,063	2,421,690	-	4,095	2,425,785
Total (book value)	**124,618,422**	**-**	**17,396,739**	**142,015,161**	**133,129,180**	**-**	**13,479,917**	**146,609,097**
Total (fair value)	**127,757,382**	**-**	**17,396,739**	**145,154,121**	**135,420,369**	**-**	**13,479,917**	**148,900,286**

**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 customers' includes all loans to ordinary customers and part of the banking book securities portfolio.

'Loans to customers' also includes operating receivables other than those connected with the payment for the supply of non-financial goods and services, which are posted to "Other assets" in account 160 of the Assets.

Line 7 “Other transactions” includes the *repo facility* with Nomura for an amount of approximately EUR 2 billion.

The securities portfolio also includes underwritten ABS and other bonds issued by regional public bodies, e.g. municipal bonds (it.: buoni ordinari comunali, BOC).

The collective write-down was also posted to the 'Debt securities' portfolio as it was applied to other loans to customers that proved 'performing' at the end of 2012.

According to the Bank of Italy's definitions, the “Non-performing” column includes doubtful, substandard and restructured loans, as well as exposures more than 90 days past due, net of impairment losses. Details of these exposures can be found in Part E "Information on risks and hedging policies" of the notes to the financial statements (Section A "credit Quality").

The amount of EUR 644.7 mln posted to line "8.1. Structured securities” refers to two structured securities which were reclassified from the AFS portfolio in 2008; derivatives subject to bifurcation are recognised at fair value in the trading book.

The item includes EUR 1,911.2 mln in collateral pledged for the *long term repo* and *asset swap* transaction entered into with Nomura, described in section “Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)”.

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction / Amount	31 12 2012				31 12 2011			
	Performing	Non performing		Total	Performing	Non performing		Total
		Purchased	Others			Purchased	Others	
1. Debt securities:	**2,221,223**	**-**	**2,530**	**2,223,753**	**3,107,130**	**-**	**4,095**	**3,111,225**
a) Governments	241,724	-	-	**241,724**	242,130	-	2,960	**245,090**
b) Other public entities	225,152	-	-	**225,152**	241,951	-	-	**241,951**
c) Other issuers	1,754,347	-	2,530	**1,756,877**	2,623,049	-	1,135	**2,624,184**
- non-financial companies	17,072	-	1,141	**18,213**	89,817	-	1,135	**90,952**
- financial companies	1,221,983	-	1,389	**1,223,372**	1,967,924	-	-	**1,967,924**
- insurance companies	514,929	-	-	**514,929**	565,176	-	-	**565,176**
- other	363	-	-	**363**	132	-	-	**132**
2. Loans to:	**122,397,199**	**-**	**17,394,209**	**139,791,408**	**130,022,050**	**-**	**13,475,822**	**143,497,872**
a) Governments	1,054,957	-	45	**1,055,002**	1,085,934	-	495	**1,086,429**
b) Other public entities	2,989,834	-	793	**2,990,627**	2,969,986	-	1,262	**2,971,248**
c) Other entities	118,352,408	-	17,393,371	**135,745,779**	125,966,130	-	13,474,065	**139,440,195**
- non-financial companies	68,708,721	-	14,875,974	**83,584,695**	76,455,097	-	11,362,862	**87,817,959**
- financial companies	9,019,672	-	176,866	**9,196,538**	5,109,275	-	139,911	**5,249,186**
- insurance companies	48,702	-	3	**48,705**	39,424	-	12	**39,436**
- other	40,575,313	-	2,340,528	**42,915,841**	44,362,334	-	1,971,280	**46,333,614**
Total	**124,618,422**	**-**	**17,396,739**	**142,015,161**	**133,129,180**	**-**	**13,479,917**	**146,609,097**

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

The breakdown by borrower/issuer was carried out in accordance with the criteria for classification by economic activity group and sector laid down by the Bank of Italy.

7.3 Loans to customers: micro-hedged assets

Type of transaction/Amount	Total 31/12/2012	Total 31/12/2011
1. Loans subject to micro-hedging of fair value	998,139	1,450,848
a) interest rate risk	475,404	889,218
b) exchange risk	467,012	507,032
c) credit risk	10,551	10,544
d) multiple risks	45,172	44,054
2. Loans subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**998,139**	**1,450,848**

The table shows the share of loans to customers which, at year-end, was subject to micro-hedging.

7.4 Finance leases

7.4.a Loans to customers: reconciliation of future minimum lease payments receivable

31.12.2012

Items/Amounts	Carryng amount			Gross investment		
	Lease payments receivable discontinued at explicit lease rate (A)	Lease payments receivable discontinued at implicit lease rate (present value of minimum lease payments) (B)	Total lease payments receivable recognised in income for the period (A + B)	Deferred financial income (D)	Future minimum lease payments (B + D)	*of which: unguaranteed residual values*
Up to 1 year	147,806	906,192	1,053,998	214,775	1,120,967	*37,278*
From 1 to 5 years	-	1,864,934	1,864,934	592,197	2,457,131	*142,435*
Over 5 years	-	2,384,297	2,384,297	619,521	3,003,818	*601,828*
Indefinite useful life	447,734	-	447,734	-	-	-
Total	**595,540**	**5,155,423**	**5,750,963**	**1,426,493**	**6,581,916**	***781,541***
Value adjustments			(498,665)			
Loans and advances in the balance sheet			**5,252,298**			

Section 8 - Hedging derivatives – Item 80

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

	Fair Value 31 12 2012				NV	Fair Value 31 12 2011				NV
	Level 1	Level 2	Level 3	Total	31 12 2012	Level 1	Level 2	Level 3	Total	31 12 2011
A. Financial derivatives	**-**	**550,439**	**-**	**550,439**	**9,902,587**	**-**	**354,464**	**-**	**354,464**	**10,960,329**
1) Fair value	-	538,982	-	538,982	9,844,024	-	354,464	-	354,464	10,960,329
2) Cash flows	-	11,457	-	11,457	58,563	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**654**	**-**	**654**	**55,500**	**-**	**8,887**	**-**	**8,887**	**81,900**
1) Fair value	-	654	-	654	55,500	-	8,887	-	8,887	81,900
2) Cash flows	-	-	-	-	-	-	-	-	-	-
Total	**-**	**551,093**	**-**	**551,093**	**9,958,087**	**-**	**363,351**	**-**	**363,351**	**11,042,229**

Key

NV = Nominal or Notional Value

The table displays the positive book value (fair value) of hedging derivatives for hedges carried out through hedge accounting. Hedge accounting is used for the accounting of hedges of financial instruments posted in balance sheet items which do not provide for fair value measurement to offset profit and loss: in particular, hedges of all financial assets and liabilities other than those represented by securities are managed through hedge accounting.

Hedges of financial liabilities consisting in securities are normally managed through the fair value option. The fair value option has systematically been adopted for fixed-rate and structured debt securities issued by the Group, for which the risk of fair value changes was hedged by derivatives upon issuance, with the aim of maintaining the hedge for the contractual duration of the hedged securities; derivatives used as part of the fair value option are classified in the trading book.

Hedge accounting is instead used for securities issued by the Group for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Information on the underlying strategies and objectives of hedge transactions can be found in Section 2 “Market risks” of Part E “Risks and hedging policies”.

8.2 Hedging derivatives: breakdown by hedged portfolios and type of hedging (book value)

31.12.2012

Transaction/Type of hedge	Fair Value						Cash flow hedge		Investments Foreign	Total
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	Risk Rate	Risk Exchange	Risk Credit	Risk Price	Multiple Risks					
1. Financial assets available for sale	-	-	-	-	-	x	-	x	x	-
2. Loans and receivables	5,028	40,692	654	x	-	x	-	x	x	46,374
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	-	x	-	x	-
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**5,028**	**40,692**	**654**	**-**	**-**	**-**	**-**	**-**	**-**	**46,374**
1. Financial liabilities	493,262	-	-	x	-	x	11,457	x	x	504,719
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**493,262**	**-**	**-**	**-**	**-**	**-**	**11,457**	**-**	**-**	**504,719**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**498,290**	**40,692**	**654**	**-**	**-**	**-**	**11,457**	**-**	**-**	**551,093**

The table shows the positive fair values of hedging derivatives, classified by hedged assets or liabilities and type of hedging implemented.

In particular, fair value micro-hedging was used to hedge against interest-rate risk on fixed and variable capped rate mortgages and bonds classified in the available-for-sale portfolio or among receivables, in order to protect them from unfavourable interest rate changes. The 'Exchange risk' column shows the positive fair value of cross currency swaps entered into to counter foreign-exchange risk on unlisted bonds classified among loans and receivables.

Fair value micro-hedging was also applied to the credit risk of bonds classified among receivables; these hedges were performed by buying protection through credit default swaps.

Fair value micro-hedging of the interest-rate risk on financial liabilities refers primarily to hedges of liabilities consisting in securities for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Prospective and retrospective tests performed in 2012 in accordance with IAS 39 confirmed the effectiveness of hedging relationships.

More information on hedged assets and liabilities can be found in the tables contained in Part B of the notes for each section of the balance-sheet items to which the hedged items are posted.

31.12 2011

Transaction/Type of hedge	Fair Value						Cash flow hedge		Foreign Investments	Total
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	Risk Rate	Risk Exchange	Risk Credit	Risk Price	Multiple Risks					
1. Financial assets available for sale	-	-	582	-	-	x	-	x	x	582
2. Loans and receivables	4,934	1,513	8,306	x	-	x	-	x	x	14,753
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	-	x	-	x	-
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**4,934**	**1,513**	**8,888**	**-**	**-**	**-**	**-**	**-**	**-**	**15,335**
1. Financial liabilities	348,016	-	-	x	-	x	-	x	x	348,016
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**348,016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**348,016**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**352,950**	**1,513**	**8,888**	**-**	**-**	**-**	**-**	**-**	**-**	**363,351**

Section 9 – Change in value of macro-hedged financial assets – Item 90

9.1 Change in value of hedged assets: breakdown by hedged portfolio

Changes in value of hedged assets / Group components	Total 31 12 2012	Total 31 12 2011
1. Positive changes	**119,157**	**76,695**
1.1 of specific portfolios:	119,157	76,695
a) loans and receivables	119,157	76,695
b) financial assets available for sale	-	-
1.2 overall	-	-
2. Negative changes	**-**	**385**
2.1 of specific portfolios:	-	385
a) loans and receivables	-	385
b) financial assets available for sale	-	-
2.2 overall	-	-
Total	**119,157**	**76,310**

The value adjustment concerns fixed and capped floating rate mortgage loan portfolios that were fair value macro-hedged with derivatives to counter possible interest rate risk-induced fluctuations in value. As this is a macrohedge, any gain or loss on the hedged item attributable to the risk hedged may not directly adjust the value of said item (unlike in microhedging), but must be presented in this separate line item of the assets. The amounts in this item must be removed from the balance sheet when the relevant assets or liabilities are derecognised.

The fair value of the corresponding hedging derivatives is shown respectively in Table 8.2 (assets) or Table 6.2 (liabilities), both entitled "Hedging derivatives: breakdown by hedged portfolio and type of hedging", in the "Macro-hedging" column.

9.2 Assets subject to macro-hedging of interest-rate risk

Hedged assets	Total 31 12 2012	Total 31 12 2011
1. Loans and receivables	1,783,964	1,906,745
2. Assets available for sale	-	-
3. Portfolio	-	-
Total	**1,783,964**	**1,906,745**

The table shows the book value (amortised cost) of fixed-rate and capped floating rate mortgages included in Item 70 "Loans to customers", which was macro-hedged against interest-rate risk as per Table 9.1 above.

The sum of this amount and the one shown in Table 9.1 expresses the book value of these receivables, adjusted for profit or loss attributable to the risk hedged.

Section 10 – Equity Investments – Item 100

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

Company Name	Registered Office	Type of relationship *	Ownership Relationship		Avail. % votes **
			Held by	Share holding %	
AD.Impresa S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	20.000	
Aereoporto di Siena S.p.a.	Sovicille (SI)	8	Banca Monte dei Paschi di Siena	21.380	
Alerion Cleanpower S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	6.295	
Antoniana Veneta Popolare Vita S.p.a.	Trieste	8	Banca Monte dei Paschi di Siena	50.000	
Asset Management Holding S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	21.626	
			Prima Holding 2 S.p.a.	4.260	
Axa Mps Assicurazioni Danni S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	50.000	
Axa Mps Assicurazioni Vita S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	50.000	
Banca Popolare di Spoleto S.p.a.	Spoleto (PG)	8	Banca Monte dei Paschi di Siena	26.005	
BioFund S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	13.676	
Casalboccone Roma S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21.750	33.675
CO.E.M. Costruzioni Ecologiche Moderne S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	40.197	
EDI.B. S.p.a.	Gubbio (PG)	8	Banca Monte dei Paschi di Siena	18.052	
Fabrica Immobiliare SGR S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	49.990	
Fenice Holding S.p.a.	Calenzano (FI)	8	Banca Monte dei Paschi di Siena	4.156	
			MPS Capital Services S.p.a.	16.383	
Fidi Toscana S.p.a.	Florence	8	Banca Monte dei Paschi di Siena	29.227	
Industria e Innovazione S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	7.107	
Intermonte SIM S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	17.410	
J.P.P. Euro Securities Inc.	New York (NY)	8	Intermonte SIM S.p.a.	100.000	
Intermonte Bcc Private Equity	Milan	8	Intermonte SIM S.p.a.	50.010	
Le Robinie S.p.a.	Reggio Emilia	8	Banca Monte dei Paschi di Siena	20.000	
Marinella S.p.a.	Marinella di Sarzana (SP)	8	Banca Monte dei Paschi di Siena	25.000	
Microcredito di Solidarietà S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	40.000	
NewColle S.r.l.	Colle V.Elsa (SI)	8	Banca Monte dei Paschi di Siena	49.002	
Prima Holding 2 S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	27.836	31.792
Realizzazioni e Bonifiche Arezzo S.p.a. (in liquidazione)	Arezzo	8	Banca Monte dei Paschi di Siena	19.584	
Sansedoni Siena S.p.a.	Siena	8	Banca Monte dei Paschi di Siena	21.754	33.674
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	19.969	
Società Italiana di Monitoraggio S.p.a.	Rome	8	Banca Monte dei Paschi di Siena	12.889	
Sorin S.p.a.	Milan	8	Banca Monte dei Paschi di Siena	5.736	
Terme di Chianciano S.p.a.	Chianciano T. (SI)	8	Banca Monte dei Paschi di Siena	48.866	
Agricola Merse S.r.l.	Assago (MI)	8	MPS Capital Services S.p.a.	20.000	
Immobiliare Centro Milano S.p.a.	Milan	8	MPS Capital Services S.p.a.	33.333	
Interporto Toscano A.Vespucci S.p.a. Livorno-Guasticce	Collesalvetti (LI)	8	MPS Capital Services S.p.a.	36.303	
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	Florence	8	MPS Capital Services S.p.a.	29.000	
Re.Ge.Im. Realizzazione e Gestione Immobili di Qualità S.p.a.	Rome	8	MPS Capital Services S.p.a.	40.000	

Investments in which the Group holds less than 20% of the voting rights are generally classified as investments under significant influence in those cases where the Group has signed a shareholders' agreement and/or is entitled to appoint one or more members in the Board of Directors.
For further details on changes, see comments to table "10.3 - Equity investments: annual changes".

10.2 Equity investments in entities subject to joint control and under significant influence: accounting information

Company Name	Total assets	Total revenues	Profit (Loss)	Net Equity	Consolidated Value		Fair Value
					31 12 2012	31 12 2011	
A. Companies valued at net equity							
A.1 Companies valued at net equity - jointly controlled							
A.2 Companies valued at net equity - under significant influence							
AD.Impresa S.p.a.	x	x	(115)	770	3	15	-
Aereoporto di Siena S.p.a.	x	x	(1,833)	13,935	-	-	-
Alerion Cleanpower S.p.a.	x	x	3,500	210,896	8,774	10,974	10,010
Agricola Merse S.r.l.	x	x	(4,642)	43,002	5,000	4,809	-
Antoniana Veneta Popolare Assicurazioni S.p.a.	x	x	102	11,596	-	6,383	-
Antoniana Veneta Popolare Vita S.p.a.	x	x	1,685	63,855	29,680	33,000	-
Asset Management Holding S.p.a.	x	x	28,132	472,614	115,720	121,332	-
Axa Mps Assicurazioni Danni S.p.a.	x	x	7,519	51,382	38,496	28,587	-
Banca Popolare di Spoleto S.p.a.	x	x	1,474	193,882	13,500	-	13,113
Beta Prima S.r.l.	x	x	-	-	-	274	-
BioFund S.p.a.	x	x	(511)	3,496	314	555	-
Casalboccone Roma S.p.a.	x	x	(34)	581	26	26	-
CO.E.M. Costruzioni Ecologiche Moderne S.p.a.	x	x	2,772	24,751	17,905	19,500	-
EDI.B. S.p.a.	x	x	(9,354)	10,511	-	1,968	-
Fabrica Immobiliare SGR S.p.a.	x	x	932	9,930	6,326	6,497	-
Fenice Holding S.p.a.	x	x	-	256,829	52,750	-	-
Fidi Toscana S.p.a.	x	x	(1,374)	164,865	48,190	38,638	-
Gruppo Axa Mps Assicurazioni Vita S.p.a.	x	x	3,274	597,468	575,606	476,632	-
Immobiliare Centro Milano S.p.a.	x	x	(8,662)	594	-	-	-
Industria e Innovazione S.p.a.	x	x	(4,385)	47,041	3,291	3,793	2,398
Intermonte SIM S.p.a.	x	x	14,242	71,706	14,890	14,873	-
Intermonte BCC Private Equity	x	x	377	2,659	231	-	-
Interporto Toscano A.Vespucci S.p.a. Livorno-Guasticce	x	x	(1,541)	17,245	6,271	10,116	-
J.P.P. Euro Securities Inc.	x	x	50	2,170	378	383	-
Le Robinie S.p.a.	x	x	(895)	3,291	-	-	-
Marinella S.p.a.	x	x	(6,812)	38,185	9,844	9,844	-
Microcredito di Solidarietà S.p.a.	x	x	14	1,436	582	574	-
NewColle S.r.l.	x	x	(202)	3,885	2,003	2,003	-
Prima Holding 2 S.p.a.	x	x	(38)	12,872	3,588	3,588	-
Re.Ge.Im. Realizzazione e Gestione Immobili di Qualità S.p.a.	x	x	(96)	9,076	7,248	3,630	-
Realizzazioni e Bonifiche Arezzo S.p.a.	x	x	(14,478)	(38,700)	-	-	-
MP Venture Sgr S.p.a.	x	x	3,878	6,978	-	9,766	-
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	x	x	331	8,095	2,688	2,545	-
S.I.T. - Finanz.di Sviluppo per l'Innovaz. Tecnologica S.p.a.	x	x	(51)	587	122	136	-
Sansedoni Siena S.p.a.	x	x	(16,472)	174,555	37,966	47,912	-
Società Italiana di Monitoraggio S.p.a.	x	x	36	846	105	105	-
Sorin S.p.a.	x	x	34,999	625,124	36,505	33,389	46,103
Terme di Chianciano S.p.a.	x	x	(750)	5,289	2,100	2,795	-
B. Proportionately consolidated companies							
Integra S.p.a.	20,805	1,714	6	1,791	x	x	-
Total					**1,040,102**	**894,642**	

Following analysis on the governance of Banca Popolare di Spoleto, the investment was reclassified from “proportionately consolidated” to “subject to significant influence".

10.3 Equity investments: annual changes

	Total 31 12 2012	Total 31 12 2011
A. Opening balance	**894,642**	**907,529**
B. Increases	**300,758**	**152,711**
B.1 Purchases	104,310	-
B.2 Write-backs	-	-
B.3 Revaluations	-	-
B.4 Other increases	196,448	152,711
C. Decreases	**155,298**	**165,598**
C.1 Sales	-	-
C.2 Write-downs	80,117	74,726
C.4 Other decreases	75,181	90,872
D. Closing balance	**1,040,102**	**894,642**
E. Total revaluation	**-**	**-**
F. Total write-downs	**186,867**	**106,750**

Below are the main changes occurring during the year.

Among increases, line B.1 "Purchases" includes the subscriptions to capital increase of AXA MPS Assicurazione vita S.p.a. for EUR 35 mln, AXA MPS Assicurazioni Danni S.p.a. for EUR 6.6 mln and Fidi Toscana S.p.a. for EUR 9.9 mln, in addition to the purchase of the investment in La Fenice Holding S.p.a. for EUR 52.8 mln.

Among decreases:

- Line "C.2 Write-downs" includes the depreciation of investments held in Asset Management Holding s.p.a. for EUR 14.3 mln, in Antoniana Veneta Popolare Vita S.p.a for EUR 9.4 mln, in Banca Popolare di Spoleto S.p.a. for EUR 33.1 mln, in Sansedoni Siena S.p.a. for EUR 6.3 mln; for further details on the methodologies employed in the evaluation of controlling, joint-control and significant influence investments, see below
- Line "C.4 Other decreases" primarily includes dividends paid out by the associates.

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In accordance with IAS 28 "Investments in associates" and IAS 36 (to which IAS 28 refers), an impairment test was carried out on the main insurance associates of the Group in consideration of the importance of these assets and a global context of crisis. In particular, based on an assessment of possible indications of impairment (IAS 39), the following investments were tested for impairment:

- Antoniana Veneta Popolare Vita S.p.a. (Antonveneta Vita);
- AXA MPS Assicurazioni Danni S.p.a. (AXA MPS Danni);
- AXA MPS Assicurazioni Vita S.p.a. (AXA MPS Vita);
- Asset Management Holding S.p.a. (AM Holding).
- Banca Popolare di Spoleto S.p.A.

With reference to how impairment losses on investments in associates are determined, under IAS 36 the test is conducted by comparing the recoverable value with the carrying value of the equity investment.

For life insurers, the appraisal value method was used, which estimates the value of an insurance company as the sum of its Embedded Value (amount of adjusted equity and outstanding insurance policies) and its New Business Value (current value of future life insurance business). In accordance with professional measurement practices and regulations, this method is applied for the appraisal of life insurance companies. In the case of Antonveneta Vita, only the Embedded Value was considered, due to the company's substantial portfolio run-off.

The appraisal value method was applied on the basis of parameters that enable the representation of the company's risk/return level. In particular, the following were considered:

a) a cost of equity of 10.6%, estimated using a risk-free rate of return of 5.48% with country risk factored in (average return for 10-year Italian government securities in 2012), a premium for market risk of 5% and beta of 1.03 calculated based on a panel of listed European companies operating exclusively in the field of life insurance (source: Bloomberg);

b) a long-term growth rate of 2%, on the basis of inflation forecasts from the leading econometric analysis institutes (ERC, IMF, Prometeia). The growth rate is thus not in excess of the market rate.

The recoverable value for AXA MPS Danni was determined by discounting distributable cash flows (for a description of the approach, see section on goodwill impairment testing).

The recoverable value was determined on the basis of economic and financial projections provided by the Parent Company and following parameters:

- a target solvency ratio of 150%;
- a cost of equity of 10.0%, estimated using a risk-free rate of return of 5.48% with country risk factored in, a premium for market risk of 5% and beta of 0.91 calculated based on a panel of listed European companies operating exclusively in the field of P&C insurance (source: Bloomberg);
- a long-term growth rate of 2%.

The recoverable amount of AM Holding was determined by cash flow discounting. The value was determined on the basis of economic and financial projections by leading econometric institutions (which factored in different macroeconomic and sectorial variables) and following parameters:

- a cost of equity of 11.7% (vs. 12.1% as at 30/06/2012), estimated using a risk-free rate of return of 5.48% with country risk factored in, a premium for market risk of 5% and beta of 1.13 calculated based on a panel of listed European companies operating in asset management (source: Bloomberg) and a 50bps additional risk to factor in current uncertainties in the asset management industry;
- a long-term growth rate of 2%.

In order to best appraise the sensitivity of the results of the impairment test conducted on the investments with respect to changes in the base assumptions, several sensitivity tests were performed by changing the discount rate (+100 bps), the long-term growth rate and some underlying assumptions for the insurance company's economic and financial forecasts.

The results of the impairment test showed that the recoverable values of the investments analysed were not lower than their respective carrying values, except for investments in AM Holding and Antonveneta Vita, lower by respectively EUR 14 and 9 mln.

These writedowns occurred during the preparation of the half-year report; at year-end, although the recoverable values were higher than those registered as at 30/6/2012 (even after an increase of 100 bps in the discount rate) the adjustments made during the year were maintained.

Finally, the investment in Banca Popolare di Spoleto (26.005%), reclassified at the end of the year from jointly-controlled to significant influence investments, was evaluated on the basis of the average market price in the last few months. The appraisal resulted in value adjustments for an amount of EUR 36 mln.

Reported below is the main embedded goodwill remaining after the impairment test:

Embedded goodwill	31 12 2012	31 12 2011
Axa Mps Assicurazioni Vita S.p.A.	46,796	46,796
Axa Mps Assicurazioni Danni S.p.A.	2,316	2,316
Asset Management Holding S.p.A.	4,002	18,327
Sorin S.p.A.	4,649	4,649
MP Venture Sgr S.p.A.	-	5,460
Others	790	10,357
Total	**58,553**	**87,905**

10.4 Covenants on investments in jointly controlled companies

No covenants on investments in jointly controlled companies are reported.

10.5 Covenants on investments in companies under significant influence

No covenants on investments in companies under significant influence are reported.

Section 11 – Reinsurance technical reserves – Item 110

No values are shown in this section as the Group's insurance investments are associates.

Section 12 - Property, plant and equipment - Item 120

12.1 Property, plant and equipment: breakdown of assets valued at cost

Asset / Amount	Total 31 12 2012	Total 31 12 2011
A. Assets used in the business		
1.1 owned	**1,098,337**	**1,170,774**
a) land	399,750	427,467
b) buildings	385,293	442,367
c) furniture and furnishings	171,958	64,995
d) electronic systems	48,704	28,537
e) other	92,632	207,408
1.2 Leased	-	**-**
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total A	**1,098,337**	**1,170,774**
B. Assets held for investment		
2.1 owned	236,142	214,191
a) land	124,003	112,880
b) buildings	112,139	101,311
2.2 Leased	-	-
a) land	-	-
b) buildings	-	-
Total B	**236,142**	**214,191**
Total (A+B)	**1,334,479**	**1,384,965**

All of the Group's property and equipment is measured at cost; the line "land" expresses the value of land separately from the value of buildings. In compliance with guidance provided by IAS 36 "Impairment of Assets" and recommendations contained in document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, an overall property appraisal was made with a view to determining any impairment losses to be posted to profit and loss for the year; disclosure of these impairment losses is provided in the notes to tables "12.3 Property, plant and equipment used in the business: annual changes" and "12.4 Property, plant and equipment held for investment: annual changes".

12.1.a Property, plant and equipment: leased property held for investment

Items/Amounts	Total 31 12 2012	Total 31 12 2011
Leased property held for investment	6,833	6,691

12.2 Property, plant and equipment: breakdown of assets designated at fair value or revalued

The Group does not own any property, plant and equipment designated at fair value or revalued pursuant to IAS 40.

12.3 Property, plant and equipment used in the business: annual changes

	Land	Buildings	Furniture	Electronic systems	Other	Total 31 12 2012
A. Gross opening balance	**432,423**	**598,984**	**510,043**	**507,573**	**449,986**	**2,499,009**
A.1 Total net decreases	4,956	156,617	331,488	476,969	358,205	1,328,235
A.2 Net opening balance	**427,467**	**442,367**	**178,555**	**30,604**	**91,781**	**1,170,774**
B. Increases	**2,115**	**10,966**	**11,399**	**37,881**	**21,288**	**83,649**
B.1 Purchases	-	816	11,399	37,775	20,423	70,413
- Business combinations	-	-	-	-	-	-
B.2 Capitalized expenditure on improvements	112	7,997	-	-	673	8,782
B.3 Write-backs	-	-	-	-	190	190
B.4 Increases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Transfers from properties held for investment	2,003	2,153	-	-	-	4,156
B.7 Other increases	-	-	-	106	2	108
C. Decreases	**29,832**	**68,040**	**17,996**	**19,781**	**20,437**	**156,086**
C.1 Sales	9,030	22,908	1,278	363	1,888	35,467
C.2 Depreciation	-	16,571	16,036	17,769	17,903	68,279
C.3 Impairment losses booked to:	624	1,036	-	-	-	1,660
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	624	1,036	-	-	-	1,660
C.4 Decreases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
C.5 Negative exchange differences	40	19	-	-	-	59
C.6 Transfers to:	17,792	19,807	-	-	-	37,599
a) tangible assets held for investment	17,792	19,807	-	-	-	37,599
b) assets held for sale	-	-	-	-	-	-
C.7 Other decreases	2,346	7,699	682	1,649	646	13,022
IFRS5 "Discontinuing operations"	-	-	-	-	-	-
D. Net closing balance	**399,750**	**385,293**	**171,958**	**48,704**	**92,632**	**1,098,337**
D.1 Total net decreases	3,943	148,755	333,734	468,651	368,334	1,323,417
D.2 Gross closing balance	**403,693**	**534,048**	**505,692**	**517,355**	**460,966**	**2,421,754**
E. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

The table illustrates the Group's property assets used in the business. Buildings are measured at cost and depreciated based on their expected useful life.

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 1.7 mln being recognised in the balance sheet as at 31/12/2012; EUR 96.3 mln in overall capital gains on real estate used in the business are also highlighted which were not recognised in profit and loss. With regard to property, plant and equipment used in the business other than buildings, no extraordinary negative market factors were thought to exist under a going concern assumption, that might call for the need to recognise impairment losses.

Lines A.1 and D.1 – "Total net decreases" include amounts relating to total depreciation and impairment losses booked.

Line E – "Carried at cost" was left blank, as per the Bank of Italy's instructions, since it only needs to be completed for assets accounted for at fair value.

12.4 Property, plant and equipment held for investment: annual changes

	31 12 2012		
	Land	**Buildings**	**Total**
A. Opening balance	**112,880**	**101,311**	**214,191**
B. Increases	**18,192**	**23,980**	**42,172**
B.1 Purchases	400	3,981	4,381
Business combinations	-	-	-
B.2 Capitalised expenditure on improvements	-	192	192
B.3 Increases in fair value	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfers from property used in the business	17,792	19,807	37,599
B.7 Other increases	-	-	-
C. Decreases	**7,069**	**13,152**	**20,221**
C.1 Sales	4,305	5,291	9,596
C.2 Depreciation	-	4,518	4,518
C.3 Decreases in fair value	-	-	-
C.4 Impairment losses	655	994	1,649
C.5 Negative exchange differences	-	-	-
C.6 Transfers to other asset portfolios	2,096	2,335	4,431
a) properties used in the business	2,003	2,153	4,156
b) non-current assets held for sale	93	182	275
C.7 Other decreases	13	14	27
IFRS5 "Discontinuing operations"	-	-	-
D. Closing balance	**124,003**	**112,139**	**236,142**
E. Designated at fair value	**121,229**	**127,863**	**249,092**

The table illustrates the Group's property assets held for investment. Buildings are measured at cost and depreciated based on their expected useful life.

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 1.7 mln being recognised in the balance sheet as at 31/12/2012; EUR 12.9 mln in overall capital gains on real estate used in the business are also highlighted which were not recognised in profit and loss.

12.5 Commitments to purchase property, plant and equipment

Items/Amounts	Total 31 12 2012	Total 31 12 2011
Commitments to purchase tangible assets	-	228

12.6 Property, plant and equipment: depreciation rates

Main categories of tangible assets	%
Land and works of art	0%
Buildings	3%
Furniture and furnishings	12-20%
Alarm and video systems	20%
Electronic and ordinary office equipment	12-25%
Electronic data processing equipment	33-50%

The table shows the depreciation rates used for main categories of property and equipment.

Having an indefinite useful life, land and works of art are not depreciated.

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type

Asset / Amount	Total 31 12 2012			Total 31/12/2011*		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**x**	**669,701**	**669,701**	**x**	**2,216,339**	**2,216,339**
A.1.1 group	x	669,701	669,701	x	2,202,882	2,202,882
A.1.2 minorities	x	-	-	x	13,457	13,457
A.2 Other intangible assets	**521,801**	**-**	**521,801**	**764,077**	**-**	**764,077**
A.2.1 Assets carried at cost:	521,801	-	521,801	764,077	-	764,077
a) Internally generated intangible assets	101,872	-	101,872	157,446	-	157,446
b) other assets	419,929	-	419,929	606,631	-	606,631
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**521,801**	**669,701**	**1,191,502**	**764,077**	**2,216,339**	**2,980,416**

**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.*

All of the Group's intangible assets are measured at cost. In addition to goodwill, they include the intangible assets resulting from the merger of former Banca Antonveneta S.p.A. All intangible assets recognised in the financial statements have a finite useful life, except for goodwill.

During preparation of the 2012 accounts, goodwill recognised was tested for recoverability or impairment. In accordance with Document 4 jointly published by Bank of Italy/CONSOB/ISVAP on 3 March 2010 and provisions set out in IAS 36, "Impairment of Assets", a special chapter has been added below to describe the goodwill recoverability test procedure.

Goodwill posted to assets is not systematically amortised but tested for impairment ("Impairment Test"). The test resulted in impairment losses for EUR 1,528 mln.

Line "A.2.1 Assets carried at cost – b) other assets" includes the following intangible assets arising from customer relations recognised following the acquisition of former Banca Antonveneta S.p.a.:

- core deposits totalling EUR 127.4 mln, from fair value measurement at the acquisition date of on-demand funding (current accounts and savings deposits) of the merged bank;
- core overdrafts totalling EUR 33.8 mln, from fair value measurement at the acquisition date of non-revolving credit facilities in the current account of the merged bank;
- assets under management and assets under custody in the amount of EUR 13.5 mln, arising from enhancement of AUM and AUC of the merged bank.

An analysis was carried out on the variables that lie at the basis of the value of the above-mentioned intangible assets associated with customer relationships which resulted in no need for impairment testing.

In consideration of the project for Banca Antonveneta's integration with the Parent Company Banca Monte dei Paschi di Siena as set out in the Business Plan and in light of the Parent Company's intention to consider 'Banca Monte dei Paschi di Siena' as the Group's trademark of choice, recognition of a loss for the entire value of the Banca Antonveneta trademark (EUR 22.5 mln) was deemed appropriate.

In addition, software was written down for an amount of approx. EUR 144.9 mln due to certain IT applications becoming obsolete; as a result, the software book value as at 31 December 2012 was EUR 347.1 mln.

Line "A.2.1 Assets carried at cost – a) internally generated intangible assets" includes internally generated intangibles associated with IT.

Impairment testing of Group goodwill

IAS 36 sets out the principles for recognition and reporting of impairment for certain types of assets, including goodwill, illustrating the principles that an enterprise must follow to make sure that the carrying amount of its assets is not higher than their recoverable amount.

IAS 36 defines recoverable amount as the higher of:

- fair value less costs to sell - the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal;
- value in use - the present value of estimated future cash flows expected to arise from the continuing use of an asset or from a cash-generating unit.

IAS 36 requires the carrying amount of goodwill to be compared with the recoverable amount whenever there is an indication that the asset may have been impaired and in any case at least once a year at the balance sheet date (impairment test).

The recoverable amount of goodwill is estimated with reference to the cash-generating unit (CGU), since goodwill is not able to generate cash flows independently from an asset.

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows from continuing use which are largely independent of the cash inflows from other assets or groups of assets, which the Group is able to recognise separately in its management reporting system.

In accordance with IAS 36 and considering the aforementioned considerations, the impairment test carried out on goodwill as shown in the Group's consolidated financial statements comprised the following activities:

1) Identification of goodwill
2) Identification of cash-generating units and allocation of goodwill to the cash-generating units identified
3) Impairment test results
4) Analysis of impairment test result sensitivity to changes in the underlying assumptions

The impairment test was conducted with reference to both 30 June 2012 and year-end.

1. Identification of goodwill

The impairment test was carried out on goodwill; no other indefinite-life intangible assets are recognised in the financial statements.

2. Identification of cash-generating units and allocation of goodwill to the cash-generating units identified

According to IAS 36, each cash generating unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and should not be larger than an operating segment as defined by IFRS 8 ("Operating Segments").

As for the impairment test at 31 December 2011, the Group's goodwill was tested by identifying those CGUs into which the Group's operations can be separated and analysing the cash flows that these will be able to generate in future years, based on an approach consistent with Segment Reporting at the balance sheet date, which in turn reflects Management Reporting.

For the purpose of primary reporting of profit and loss/balance-sheet data, the Group has adopted a business approach opting for results to be broken down by the business segments in which the Group operates: Consumer Banking (Retail and Private Customers), Corporate Banking (Corporate Customers) and the Corporate Centre (residual central operations). The Group's performance and planning development are monitored based on a model that splits the business into these various operating segments.

Accordingly, four cash-generating units have been identified in a line of continuity and consistency with the achievements of the previous financial year:

1) "**CGU - MPS Consumer Banking**" composed of:
   - retail customers from BMPS and Consum.it branches;
   - typically private customers of BMPS branches and other private clients from other Group entities;
2) "**CGU - MPS Corporate Banking**", composed of typically corporate clients of BMPS branches, foreign branches, Key Clients, MPS Leasing & Factoring and MPS Capital Services;
3) "**CGU - BAV Consumer Banking**" composed of:
   - retail customers from 373 BAV branches;
   - customers from 9 BAV private banking centres.
4) "**CGU - BAV Corporate Banking"** composed of clients from 26 BAV corporate banking centres.

The process of allocating goodwill to individual cash-generating units was carried out in 2008 taking into account the effects of the acquisition of Banca Antonveneta and synergies arising from business combinations.

Goodwill tested for impairment in consolidated financial statements: 2,198 *(in EUR/mln, amounts rounded off)*	
Goodwill related to MPS CGUs: 2,106	
1. CGU Consumer Banking Goodwill allocated: 2,106	2. CGU Corporate Banking Goodwill allocated: 0

Goodwill related to BAV CGUs: 92	
3. CGU - BAV Consumer Banking Goodwill allocated: 92	4. CGU - BAV Corporate Banking Goodwill allocated: 0

Goodwill at year-end takes into account the EUR 18 mln reduction from disposal of Biverbanca.

Under IAS 36, if a corporate asset cannot be allocated on a reasonable and consistent basis to the cash-generating units identified, it should be tested for impairment by identifying the smallest group of cash-generating units – a sort of "higher" cash-generating unit – to which it can be allocated. In this specific case, the test focused on those corporate assets which were not included in individual CGUs' segment reporting, with a view to identifying some drivers enabling their allocation to the CGUs. Subsequent to the allocation, an estimate was made of the Montepaschi Group's overall recoverable value so as to confirm the applicability of the 'Central Residual Expenses'/Residual CGU' allocation by comparing the total value of the CGUs with the overall value of the Group. The Residual CGU was also allocated on the basis of the actions and objectives set out in the Business Plan for the different business areas.

It is noted that, since the MPS Corporate and BAV Corporate CGUs have no allocated goodwill, they did not require to be tested for impairment; their carrying value and recoverable amount were established, as specified below, for the sole purpose of re-allocating the Residual CGU and verifying the allocated value.

3. Impairment test results

Test as at 30 June 2012

The Group's goodwill at 30 June 2012 was tested for impairment by identifying the recoverable amount of the individual cash-generating units as the value in use. The recoverable amount of the CGUs was determined partly with the assistance of a leading consultancy firm (hereinafter the Consultant).

The recoverable amount of the CGUs was estimated by discounting future distributable cash flows. Although the CGUs, MPS Corporate and BAV Corporate, have no allocated goodwill, their value in use was estimated for the purpose of allocating the Residual CGU and verifying its allocated value.

To determine the recoverable amount, reference was made to the 2012-2015 Business Plan and the 2016-2017 Economic and Financial Plan for the Group and the identified CGUs[4].

The main underlying assumptions of the Group's 2013-2017 projections are shown in the table below:

Turnover and income trends	**CAGR 2013- 2017**	
Total lending to customers	+2.0%	
Total direct funding	+2.6%	
Net operating income	+13.8%	
Profitability indicators	**2013P**	**2017P**
Euribor	0.7%	1.9%
Mark down	0.14%	0.15%
Mark up	1.59%	1.78%
Cost / Income	57.2%	51.1%

4 For the purpose of determining the recoverable amount, account was taken of the effects of the Purchase Price Allocation in relation with the acquisition of Banca Antonveneta -after write-down of the Banca Antonveneta trademark- as well as of the capital contribution allocated to the individual cash-generaing units.

The 2013-2017 economic and financial projections for the CGUs identified were based on assumptions consistent with the Montepaschi Group's 2012-2015 new Business Plan, with projections 'extended' until 2017.

CGUs

The recoverable amount was estimated on the basis of the following methodological steps:

1. determination of the CGU's value in use by discounting future distributable cash flows, based on the following formula:

$$W = \sum_{t=1}^{n} \frac{F_t}{(1+i)^t} + VT_a$$

where:

F_t = cash flows distributable to shareholders over the selected time horizon based on the economic and financial projections made, maintaining a satisfactory level of capitalisation.

i = discounting rate represented by the cost of equity (ke).

VT_a = present terminal value ("Terminal Value") calculated as the value of a perpetual yield estimated based on an economically sustainable normalised cash flow consistent with the long-term growth rate ("g").

For an estimate of distributable cash flows, reference was made to the CGU's 2013-2017 economic and financial projections.

To discount cash flows distributable to shareholders, the cost of equity was used, that is the return on equity required by investors/shareholders for investments with similar risk characteristics. This rate was estimated using the Capital Asset Pricing Model ("CAPM"), based on the following formula:

$$k_e = R_f + \text{Beta} * (R_m - R_f)$$

where:

Rf = risk-free rate (with country risk factored in) of 5.85% identified as the annual average yield (as at 27 July 2012) of 10-year bonds issued by the Italian government (source: Bloomberg).

Beta = correlation factor between actual share performance and overall performance of the reference market (measurement of the volatility of a stock relative to the market), equivalent to 1.03 (for BMPS beta, source: Bloomberg)

R_m - R_f = risk premium required by the market which, in line with assessment practices, is set at 5.0% .

The Terminal Value was determined based on the following formula:

$$VT = \text{normalised distributable cash flow} / (k_e - g)$$

where g is the long-term growth rate.

The recoverable value was determined based on the parameters identified together with the Consultant and which represented the actual level of risk/return for the individual cash-generating unit. Specifically, the valuation parameters used were based on the following assumptions:

- capital ratio: target capital coverage ratio of 8%, allowing all capital needs of the CGUs to be met;
- cost of equity (ke): discounting rates were determined using estimates that reflect the specific risk of CGUs (CGU MPS Retail and CGU BAV Retail: 11.0%; CGU MPS Corporate and CGU BAV Corporate: 12.0%).
- long-term growth rate (g): it was estimated at 2.0% based on forecasts by leading econometric institutions (ERC, IMF, Prometeia).

The value in use of the CGUs was estimated by taking account of their reallocation to the 'Residual CGU/Central expenses' component relating to the ALM action scheduled in the Business Plan.

2. Allocation to the CGUs of the 'Residual CGU/Central Expenses' components, which had not previously been included in the estimate under item 1 above, based on reasonable drivers, consistent with the characteristics of the individual CGUs.
3. Determination of the MPS Group's recoverable value by discounting distributable cash flows, based on the Business Plan and the extended 2016-2017 Economic and Financial Plan, a target supervisory ratio (Common Equity) consistent with the requirements set forth by the new supervisory regulations of Basel 3 and the objectives set out in the Business Plan (8%), an 11.0% ratio in line with the Group's cost of equity, according to current market parameters and a long-term growth rate of 2.0%.

The main parameters used to determine the recoverable amount of cash-generating units are shown below.

CGUs	**Measurement criteria**		
	k_e (*)	g (*)	Capital ratio
MPS Retail	11.0% (*)	2.0% (*)	8.0%
BAV Retail	11.0% (*)	2.0% (*)	8.0%

The results of the tests described above showed that the recoverable values of the CGUs were lower than their respective carrying values, for an overall amount of EUR 1,087 mln.

In light of tensions on major financial markets, mainly driven by the sovereign debt crisis in the peripheral countries of the Euroarea and uncertainties in the macroeconomic environment, the "base case" scenario was modified by considering a shift in the discount rate of +100 basis points. This rate increase has led to a total difference of EUR 1,528 mln between the recoverable amounts of the CGUs and their respective carrying values, of which EUR 1,436 mln relating to the MPS Consumer CGU and EUR 92 mln to the BAV Consumer CGU.

Test as at 31 December 2012

Impairment Testing on Group goodwill as at 31 December 2012 was conducted in the same way as for the half-year test.

To determine the recoverable amount, reference was made to the 2013-2017 Restructuring Plan for the Group.

The main underlying assumptions of the Group's Restructuring Plan are shown in the table below:

Turnover and income trends	**CAGR 2013- 2017**	
Total lending to customers	-2.5%	
Total direct funding	+1.0%	
Net operating income	+19.8%	
Profitability indicators	**2013P**	**2017P**
Euribor	0.2%	1.3%
Mark down	0.65%	0.70%
Mark up	1.76%	1.99%
Cost / Income	55.6%	53.1%

The 2013-2017 economic and financial projections for the CGUs identified were based on hypotheses consistent with the assumptions contained in the Montepaschi Group's Restructuring Plan.

CGUs

The recoverable value, similarly to what was done for the half-year report and at consolidated level, was estimated on the basis of the following methodological steps:

- determination of the CGU's value in use by discounting future distributable cash flows, based on the afore-mentioned formula.

For an estimate of distributable cash flows, reference was made to the CGU's 2013-2017 economic and financial projections.

To discount cash flows distributable to shareholders, use was made of the cost of equity calculated with the Capital Asset Pricing Model (CAPM) described above, based on the following parameters:

- Rf = risk-free rate (with country risk factored in) of 5.48% identified as the annual average yield (as at 12 December 2012) of 10-year bonds issued by the Italian government (source: Bloomberg).
- Beta = 1.04 (BMPS beta, Source: Bloomberg).
- Rm - Rf = 5.0%.

The recoverable value was determined based on parameters representing the actual level of risk/return for the individual cash-generating unit. Specifically, the valuation parameters used were based on the following assumptions:

a) capital ratio: target capital coverage ratio of 8%, allowing all capital needs of the CGUs to be met;

b) cost of equity (ke): discounting rates were determined using estimates that reflect the specific risk of CGUs (CGU MPS Consumer and CGU BAV Consumer: 10.7%; CGU MPS Corporate and CGU BAV Corporate: 11.7%).

c) long-term growth rate (g): it was estimated at 2.0% based on forecasts by leading econometric institutions (ERC, IMF, Prometeia).

The value in use of the CGUs was estimated by taking account of their reallocation to the 'Residual CGU/Central expenses' component relating to the ALM action scheduled in the Restructuring Plan.

- Allocation to the CGUs of the 'Residual CGU/Central Expenses' components, which had not previously been included in the estimate under item 1 above, based on reasonable drivers, consistent with the characteristics of the individual CGUs.
- Determination of the MPS Group's recoverable value by discounting distributable cash flows, based on the Business Plan and the extended 2016-2017 Economic and Financial Plan, a target supervisory ratio (Common Equity) consistent with the requirements set forth by the new supervisory regulations of Basel 3 and the objectives set out in the Business Plan (8%), an 10.7% ratio in line with the Group's cost of equity, according to current market parameters and a long-term growth rate of 2.0%.

The main parameters used to determine the recoverable amount of cash-generating units as at 31 December 2012 are shown below.

CGUs	**Measurement criteria**		
	k_e (*)	g (*)	Capital ratio
MPS Consumer	10.7% (*)	2.0% (*)	8.0%

The tests described above show that the recoverable value of the MPS Consumer CGU is higher than its respective carrying value by an amount of EUR 1,291 mln.

In order to better assess the sensitivity of impairment test results in relation to changes in the underlying assumptions, sensitivity analyses were carried out considering a +100bps shift in the discount rate.

The following table shows the results of the sensitivity analysis of cash-generating units carried out on the MPS Consumer CGU for the Consolidated Financial Statements , expressed in terms of the difference between the recoverable amount and the carrying amount in absolute terms and in percentage terms.

Sensitivity analysis *In EUR/mln (amounts rounded off)*	**Difference in recoverable value vs. carrying value**	
	Discount rate	
	Absolute value	**%**
CGU - MPS Consumer	+740	31.4 %

In conclusion, the two tests performed in 2012 resulted in a total writedown of EUR 1,528 mln.

Impairment Testing of software

With regard to software, at the end of 2012 focus was given to certain internal and external impairment indicators including:

- the deteriorating economic outlook both in general and for the industry;
- the falling economic results of the Group's key clients;
- evidence of software obsolescence through a comparison with similar products on the market.

An analysis of the above indicators highlighted:

- the persistently negative macroeconomic and industry scenario and challenging operating environment for the banking sector;
- a deterioration in the profitability of the Group's core business;
- as for software, indicators of impairment have emerged in relation to the development of technologies that occurred in the market over the last few years resulting in partial obsolescence of the existing applications; the Group launched a project for the renovation and replacement of the IT system a few years ago,

Having verified the existence of such impairment indicators, the Group, in collaboration with an independent advisor, launched a project for an assessment of the recoverable value of software-related intangible assets as at 31 December 2012.

The recoverable amount, represented as the fair value, was estimated on the basis of costs which the Group would incur to purchase assets with the same features and functions as those under evaluation.

In particular, the following parameters were used for internally-developed software:

- number of man-days used for software development in the year;
- going rate estimated on the basis of the average benchmark rate of leading software analysis, planning and development companies which provide services to the MPS Group;
- technical obsolescence;
- residual useful life.

For externally-developed software, the following parameters were used:

- capitalised costs restated to the current purchasing power by means of a monetary revaluation based on Istat FOI(nt) (National index of consumer prices for households of workers and employees);
- technical obsolescence;
- residual useful life.

Technical obsolescence has been identified by analysing the obsolescence of programming languages (Cobol, PL1, .NET, HTML, Java, etc.) functional to the implementation of applications and assigning functional weights of each language for each application.

In estimating the obsolescence of programming languages, consideration was given to the roadmap for a gradual replacement of the existing applications with sixth generation languages (Java) in view of the current projects and future implementations arising from the Business Plan.

The percentage of programming language obsolescence was assessed on the basis of the following aspects:

- objective obsolescence;
- temporal obsolescence of the code;
- subjective obsolescence of language.

The objective obsolescence of language and temporal obsolescence take into account parameters relating to the language structure, developments over time and the ability to adapt to new platforms.

Subjective obsolescence, on the other hand, analyses and evaluates software obsolescence within the specific environment of the MPS Group's application model.

The test resulted in a writedown of EUR 116 mln.

In addition, it should be noted that during the year, software programs to be discontinued or no longer used were written down for an amount of EUR 28.9 mln in assets.

13.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		finite life	indefinite life	finite life	indefinite life	31 12 2012
A Opening balance	**6,623,779**	**331,989**	**-**	**1,753,297**	**-**	**8,709,065**
A.1 Total net decreases	4,407,440	174,543	-	1,146,666	-	5,728,649
A.2 Net opening balance	**2,216,339**	**157,446**	**-**	**606,631**	**-**	**2,980,416**
B. Increases	**-**	**32,888**	**-**	**89,552**	**-**	**122,440**
B.1 Purchases	-	32,738	-	4,207	-	36,945
- *Business combinations*	-	-	-	-	-	-
B.2 Increases in internally generated intangible assets	x	-	-	84,237	-	84,237
B.3 Write-backs	x	-	-	-	-	-
B.4 Increases in fair value	#RIF!	-	-	-	-	-
- to net equity	x	-	-	-	-	-
- to profit and loss	x	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	-	-	-
B.6 Other increases	-	150	-	1,108	-	1,258
C. Decreases	**1,546,638**	**88,462**	**-**	**276,254**	**-**	**1,911,354**
C.1 Sales	18,638	-	-	44,691	-	63,329
- Disposals and one-off transactions	-	-	-	-	-	-
C.2 Write-downs	1,528,000	88,462	-	231,236	-	1,847,698
- Depreciation	x	38,899	-	113,323	-	152,222
- Write-downs	1,528,000	49,563	-	117,913	-	1,695,476
+ net equity	x	-	-	-	-	-
+ profit and loss	1,528,000	49,563	-	117,913	-	1,695,476
C.3 Decreases in fair value	#RIF!	-	-	-	-	-
- to net equity	x	-	-	-	-	-
- to profit and loss	x	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	4	-	4
C.6 Other decreases	-	-	-	323	-	323
IFRS5 "Discontinuing operations"	**-**	**-**	**-**	**-**	**-**	**-**
D. Net closing balance	**669,701**	**101,872**	**-**	**419,929**	**-**	**1,191,502**
D.1 Total net value adjustments	5,935,440	262,854	-	1,319,840	-	7,518,134
E. Gross closing balance	**6,605,141**	**364,726**	**-**	**1,739,769**	**-**	**8,709,636**
F. Carried at cost	-	-	-	-	-	-

Line A.1, "Total net decreases", and line D.1, "Total net value adjustments", show the opening and closing balances for total value adjustments and amortisation recorded for intangible assets with a finite life.

With regard to line C.2 “Writedowns” see footnotes to table 13.1 “Intangible assets: breakdown by type of asset”.

Line F - "Carried at cost" was left blank in accordance with Bank of Italy's instructions, as it only needs to be completed for assets recognised at fair value.

13.3 Intangible assets: depreciation rates

Main categories of intangible assets	%	residual depreciation period
Software	20.00%	
Concessions and other licenses	10% - 20%	
Banca Antonveneta S.p.a. trademark	10.00%	6
Core deposits - current accounts	9% - 9,1%	7
Core deposits - deposits	6,70% - 7%	11
Core overdrafts	9% - 9,1%	7
Assets under management	11,1%	5

Intangible assets recognised during the purchase price allocation of Banca Antonveneta S.p.A. are all finite-life and therefore amortised based on their expected useful life.

As at 31 December 2012, there were no:

- revalued intangible fixed assets;
- intangible fixed assets acquired through government concessions (IAS, par. 44);
- intangible fixed assets pledged as loan collaterals;
- commitments to purchase intangible assets.

Section 14 – Tax Assets and Liabilities – Item 140 (Assets) and Item 80 (Liabilities)

14.1 Deferred tax assets: breakdown

Item/Amounts	IRES with offsetting entry to P&L	IRES with offsetting entry to Balance Sheet	IRAP with offsetting entry to P&L	IRAP with offsetting entry to Balance Sheet	Total 31 12 2012	Total 31/12/2011*
Receivables (including securitisations)	27,121	950	-	185	28,256	38,366
Receivables (L. 214/2011)	1,161,212	-	-	-	1,161,212	944,757
Other financial instruments	77,401	-	28,004	4	105,409	136,146
Goodwill deduction pursuant to Law decree 185/2008	1,365,044	-	362,223	-	1,727,267	2,511,949
Goodwill deduction pursuant to previous law provisions	153,485	2,728	44,786	657	201,656	327,310
Multi-annual costs	2	-	-	-	2	386
Tangible assets	9,258	-	1,673	-	10,931	12,664
Intangible assets	42,072	-	10,843	-	52,915	191
Intangible assets (Law 214/2011)	117,173	-	13,891	-	131,064	119,962
Corporate entertainment expenses	-	-	-	-	-	2
Personnel expenses	26,087	-	-	-	26,087	28,386
Tax losses	39,784	-	-	-	39,784	8,636
Tax losses (Law 214/2011)	-	-	-	-	-	216,036
Financial instruments - valuation reserves	-	1,173,760	-	228,817	1,402,577	2,218,528
Others	430,447	5,212	13,822	-	449,481	336,348
Deferred tax assets (gross)	**3,449,086**	**1,182,650**	**475,242**	**229,663**	**5,336,641**	**6,899,666**
Offsetting with deferred tax liabilities					(126,481)	(134,315)
Deferred tax assets (net)					**5,210,160**	**6,765,351**

**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 a result of regulatory changes in terms of transformation of deferred tax assets (DTA) into tax credits, pursuant to Law Decree 225/2010 – supplemented by Law Decree 201/2011, converted into Law 214/2011, and in accordance with the guidelines provided by the Bank of Italy with the letter of 7 August 2012 in order to integrate the information contained in this table, a more detailed statement of balances is provided compared to previous years, with the separate disclosure of items potentially convertible into tax credits. The items in question, therefore, are those identified by reference to Law 214/2011, in addition to those relating to goodwill.

Deferred tax assets registered a net decrease in fiscal year 2012.

This decrease is mainly due to the conversion into tax credits (cf. table 14.3, line 3.3 a) and 14.3.1, line 3.2) concerning deferred tax assets relating to goodwill and impairment losses/reversals on loans as a result of the statutory loss in 2011 for the Parent Company and Banca Antonveneta S.p.A.. This conversion has been in effect as of the date of approval of Financial statements as at 31 December 2011 by the Shareholders' Meeting.

As for impairment losses/reversals on loans, the decrease due to the conversion was more than offset by the 2012 deferred tax assets resulting from the significant value adjustments on receivables in excess of the limit set out under Art. 106 of the Consolidated Act on Income Tax (TUIR), which will be deductible in the following fiscal years on the basis of the straight-line (1/18th) method.

The conversion of deferred tax assets relating to goodwill and loan losses (reversals) has, for the purpose of determining current tax assets/liabilities, led to a corresponding derecognition of deductions to which the Parent Company and Banca Antonveneta S.p.A. would have been entitled for the year in which the conversion took place and for subsequent years, up to the amount of tax credit accrued. As for goodwill, the conversion was in place exclusively with reference to the IRES deferred tax assets in view of the fact that the ministerial circular no. 37/E of 28 September 2012 did not expressly clarify the issue of convertibility of IRAP deferred tax assets. Consequently, although IRAP deferred tax assets relating to goodwill were recognised, they have not been included in table 14.3.1.

The conversion into tax credits has also involved the deferred tax assets recognised on the Parent Company's tax loss for 2011. This conversion has been in effect from the date of submission of the tax return relating to the fiscal year 2011.

The line “Financial instruments – valuation reserves” includes tax assets relating to the valuation of cash flow hedge derivatives, financial instruments classified in portfolios of available-for-sale financial assets and those originally in the portfolio of financial assets available for sale which were reclassified as 'loans to customers' and 'loans to banks' in 2008 The decrease as compared with the 2011 balance is mainly attributable to positive fair value changes in Italian government securities, classified in the portfolio of 'available for sale assets' posted to equity.

The line “Other” includes tax assets relating to other cases, such as those recognised on provisions for risks and charges in respect of deductible costs expected for future periods.

14.2 Deferred tax liabilities: breakdown

Items/Amounts	IRES with offsetting entry to P&L	IRES with offsetting entry to Balance Sheet	IRAP with offsetting entry to P&L	IRAP with offsetting entry to Balance Sheet	Total 31 12 2012	Total 31/12/2011*
Capital gains to be divided into installments	34,421	-	-	-	34,421	59,821
Goodwill	-	-	-	-	-	9
Tangible and intangible assets	10,555	-	1,488	-	12,043	26,658
Financial instruments	7,313	14	837	55	8,219	21,037
Personnel expenses	4,884	-	-	-	4,884	5,231
Financial instruments - valuation reserves	-	37,234	-	33,667	70,901	78,584
Others	39,410	-	5,761	-	45,171	43,839
Deferred tax liabilities (gross)	**96,583**	**37,248**	**8,086**	**33,722**	**175,639**	**235,179**
Offsetting with deferred tax assets					(126,481)	(134,315)
Deferred tax liabilities (net)					**49,158**	**100,864**

**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.*

The lower taxes on “Capital gains to be divided into instalments” is attributable to the current year’s taxation of a fifth of the capital gain earned from the sale of branches by the Parent Company in 2009 and 2010, paid in instalments as per the option set out in art. 86, par. 4 of the Income Tax Act (TUIR).

The line “Financial instruments – valuation reserves” includes tax liabilities relating to the valuation of financial instruments classified in the portfolio of financial assets available for sale and those originally in the portfolio of available-for-sale financial assets and reclassified in 2008 in the "loans to customers" and "loans to banks" portfolios, as well as tax liabilities relating to cash flow hedge derivatives.

14.3 Deferred tax assets: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2012	Total 31/12/2011*
1. Opening balance	**4,646,371**	**3,869,467**
2. Increases	**728,310**	**1,220,204**
2.1 Deferred tax assets arising during the year	685,578	1,131,643
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) write-backs	-	-
d) other	685,578	1,131,643
2.2 New taxes or increases in tax rates	-	61,597
2.3) Other increases	42,732	26,964
3. Decreases	**1,450,353**	**443,300**
3.1 Deferred tax assets derecognised during the year	175,228	401,438
a) reversals	163,029	400,212
b) write-downs of non-recoverable items	-	-
c) changes in accounting principles	-	-
d) other	12,199	1,226
3.2 Reduction in tax rates	-	-
3.3 Other decreases	1,275,125	41,862
a) conversion into tax credits pursuant to Law no. 214/2011	1,204,749	-
b) others	70,376	41,862
4. Closing balance	**3,924,328**	**4,646,371**

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

The table illustrates the deferred tax assets that will be absorbed in subsequent periods with an offsetting entry to profit and loss.

Major "Deferred tax assets arising during the year" as reported in line 2.1 d) include those concerning loan writedowns exceeding the deductible threshold for the period, taxed provisions to the reserve for risks and charges made during the year and consolidated tax losses for fiscal year 2012.

"Deferred tax assets derecognised during the year" at line 3.1. lett. a) includes IRAP deferred tax assets relating to: the amortised portion of goodwill for the year for the Parent Company and for Banca Antonveneta S.p.A.; the use in 2012 of funds taxed in previous years; and the 2012 deductible portion of loan writedowns (in eighteenths) carried over from previous years (limited to the banks and financial companies of the group which did not convert them into tax credits).

14.3.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to profit and loss)

Items/Amounts	IRES	IRAP	Total 31 12 2012	Total 31 12 2011
1. Opening balance	3,631,060	-	3,631,060	3,064,464
2. Increases	447,550	-	447,550	876,877
3. Decreases	1,281,695	-	1,281,695	310,281
3.1 Reversals	31,379	-	31,379	293,099
3.2 Conversion into tax credits	1,204,749	-	1,204,749	-
a) arising from loss for the period	994,768	-	994,768	-
b) arising from tax losses	209,981	-	209,981	-
3.3 Other decreases	45,567	-	45,567	17,182
4. Closing balance	**2,796,915**	**-**	**2,796,915**	**3,631,060**

The table represents changes in deferred tax assets relating to writedowns on loans (in eighteenths) under Art. 106 of the Income Tax Act (TUIR), goodwill which was tax-relieved according to the various provisions (including the the more recent ones under art. 15 of Law Decree 185/2008 and art. 23 of Law decree 98/2011) as well as intangible assets resulting from the merger by absorption of former Banca Antonveneta S.p.A.

As already noted in the footnotes to table 14.1, these deferred tax assets have been partially converted into tax credits by reason of the statutory loss recognised in 2011 by the Parent Company and Banca Antonveneta S.p.A., pursuant to art. 2, para. 55, of Law Decree no. 225 of 29 December 2010 transposed, as amended, into law no. 10 of 26 February 2011. This conversion has been in effect as of the date of approval of the 31 December 2011 Financial statements, with the approval of the Shareholders.

The conversion also involved the deferred tax assets recognised in the Parent Company's tax loss for 2011 with effect as of submission of the 2011 tax return, as required by the provisions of art. 2, para. 56-bis of Law Decree 225/2010 introduced by art. 9 of Law Decree no. 201 of 6 December 2011 transposed, as amended, into law no. 214 of 22 December 2011.

The conversion also involved the deferred tax assets recognised by the Parent Company with offsetting entry to equity for a total of EUR 6.9 mln, accounted for in line 3.3 of table 14.5 relating to the portion of tax loss for 2011 and to the goodwill posted to equity relating to business combinations “under common control”.

The increases refer to the significant value adjustments on receivables in excess of the limit set by art. 106 of the Income Tax Act (TUIR), which will be deductible in the following fiscal years on the basis of the straight-line (1/18th) method.

Overall, deferred tax assets subject to conversion into tax credits amounted to EUR 1,211.6 mln (EUR 1,204.7 mln plus EUR 6.9 mln).

14.4 Deferred tax liabilities: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2012	Total 31 12 2011
1. Opening balance	**154,939**	**187,602**
2. Increases	**50,725**	**25,344**
2.1 Deferred tax liabilities arising during the year	27,133	5,526
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	27,133	5,526
2.2 New taxes or increases in tax rates	-	2,330
2.3 Other increases	23,592	17,488
3. Decreases	**100,995**	**58,007**
3.1 Deferred taxes derecognised during the year	65,000	54,818
a) reversals	64,819	54,146
b) due to changes in accounting principles	-	-
c) other	181	672
3.2 Reduction in tax rates	-	-
3.3 Other decreases	35,995	3,189
IFRS5 "Discontinuing operations"	-	-
4. Closing balance	**104,669**	**154,939**

This table illustrates tax liabilities which will be absorbed in subsequent years with an offsetting entry to profit and loss.

”Deferred tax liabilities derecognised during the year” in Line 3.1 a) are largely attributable to capital gains arising from Parent Company's branches sold to Banca Popolare Puglia e Basilicata in 2009 and to the Carige Group and the Cassa di Risparmio di Firenze in 2010 for the tranche taxable during the current year.

14.5 Deferred tax assets: annual changes (with offsetting entry to equity)

	Total 31 12 2012	Total 31/12/2011*
1. Opening balance	**2,253,295**	**491,964**
2. Increases	**52,124**	**1,820,596**
Business combinations	-	-
2.1 Deferred tax assets arising during the year	52,107	1,808,639
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	52,107	1,808,639
2.2 New taxes or increases in tax rates	-	11,393
2.3 Other increases	17	564
3. Decreases	**893,106**	**59,265**
Disposals and one-off transactions	**-**	**-**
3.1 Deferred tax assets derecognised during the year	814,713	58,702
a) reversals	814,713	58,697
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting principles	-	-
d) other	-	5
3.2 Reduction in tax rates	-	-
3.3 Other decreases	78,393	563
4. Closing balance	**1,412,313**	**2,253,295**

**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 chiefly relate to taxes recognised on changes in equity reserves relating to financial instruments classified in portfolios of "Financial assets available for sale", those originally in the portfolio of available-for-sale financial assets and reclassified in 2008 in the portfolio of loans to customers and loans to banks, as well as cash flow hedge derivatives.

Deferred tax assets derecognised during the year mainly refers to positive fair value changes posted to the reserve for Italian Government securities classified in portfolios of 'financial assets available for sale'.

With regard to line 3.3 "Other decreases" see comments provided in the footnotes to table 14.3.1 on conversion into tax credits.

14.6 Deferred tax liabilities: annual changes (with offsetting entry to equity)

	Total 31 12 2012	Total 31/12/2011*
1. Opening balance	**80,240**	**89,087**
2. Increases	**23,709**	**15,168**
2.1 Deferred tax liabilities arising during the year	23,709	8,813
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	23,709	8,813
2.2 New taxes or increases in tax rates	-	5,241
2.3 Other increases	-	1,114
3. Decreases	**32,979**	**24,015**
3.1 Deferred tax liabilities derecognised during the year	31,354	24,010
a) reversals	31,354	23,990
b) due to changes in accounting principles	-	-
c) other	-	20
3.2 Reduction in tax rates	-	-
3.3 Other decreases	1,625	5
IFRS5 discontinuing operations	-	-
4. Closing balance	**70,970**	**80,240**

**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 mainly relate to taxes recognised on changes in equity reserves relating to financial instruments classified in portfolios of financial assets'available for sale ', in addition to cash flow hedge derivatives.

Tax liabilities arising or derecognised during the year relates to shares, bonds and units in UCITS classified in portfolios of financial assets available for sale.

14.7 Other information

Current tax assets

Items/Amounts	Total 31 12 2012	Total 31 12 2011
Prepayments of corporate income tax (IRES and IRAP)	136,853	121,458
Other tax credits and withholdings	904,735	674,175
Gross current tax assets	**1,041,588**	**795,633**
Offsetting with current tax liabilities	(129,150)	(244,939)
Net current tax assets	**912,438**	**550,694**

Prepayments of corporate income tax (IRES) and regional tax on productivity (IRAP) refer to downpayments made in respect of taxes due for the period. In 2012 the Parent Company made no IRES downpayments since credit from the previous consolidated tax return (which can be used as a set-off) was higher than the dowpayment due for 2012.

"Other tax credits and withholdings" mostly consist of income tax credits claimed for refund, IRES/IRAP credits resulting from prior tax returns which can be used as a set-off, and withholdings incurred and deductible during the year.

The net increase occurring during the period in sub-item "Other tax credits and withholdings" is primarily attributable to the following reasons:

a) increase in tax credits by EUR 216.3 mln, not yet used as a set-off, arising from the transformation of deferred tax assets carried out by the Parent Company and Banca Antonveneta S.p.A;

b) increase in tax credits by EUR 104.3 mln arising from corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses (see Table 18.1, Section C): art. 4, parag. 12 of Law Decree no. 16/2012 (a.k.a. the Simplification Decree) has in fact extended deductibility to fiscal years prior to 2012 (for which the terms under art. 38 of Italian Presidential Decree no. 602/73 are still applicable).

c) decreases in the amount of EUR 89.3 mln primarily owing to the offsetting use of tax credits from previous statements and to the tax refund.

Current tax liabilities

Items/Amounts	31 12 2012			31/12/2011*		
	Booked to net equity	Booked to profit & loss	Total	Booked to net equity	Booked to profit & loss	Total
Corporate income tax (IRES IRAP) payables	59,846	194,567	254,413	219	457,625	457,844
Other current income tax payables	-	6,085	6,085	-	5,339	5,339
Gross current tax payables	**59,846**	**200,652**	**260,498**	**219**	**462,964**	**463,183**
Offsetting with current tax assets	32,939	96,211	129,150	711	244,228	244,939
Net current tax payables	**26,907**	**104,441**	**131,348**	**(492)**	**218,736**	**218,244**

**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 total amount of tax owed to the tax authority is represented by the algebraic sum of current taxes generated by fiscally significant entries carried through profit and loss and fiscally significant entries carried at equity.

The IRES-IRAP tax owed to the tax authority refers to IRES (corporate income tax) due by companies not adhering to fiscal consolidation, IRAP (regional productivity tax) due by Group companies for the current year, as well as IRES and IRAP relating to the positive taxable components that have emerged, for the Parent Company, as a result of the "*Restatement of prior period accounts under IAS 8 (Accounting policies, changes in accounting estimates and errors)*", in reference to prior periods. No IRES payables were recognised under fiscal consolidation since the taxable result for 2012 was negative.

The item "Other income tax payables" primarily includes provisions made against minor litigation instances with tax authorities, whose risk was deemed probable.

Section 15 – Non-current assets and groups of assets held for sale and discontinued operations and associated liabilities – Item 150 (assets) and 90 (liabilities)

15.1 Non-current assets and groups of assets held for sale and discontinued operations: breakdown

	Total 31 12 2012	Total 31 12 2011
A. Individual assets		
A.1 Financial assets	-	-
A.2 Equity investments	11,256	-
A.3 Tangible assets	1,205	2,158
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**12,461**	**2,158**
B. Asset groups (discontinued operations)		
B.1 Financial assets held for trading	-	-
B.2 Financial assets designated at fair value	-	-
B.3 Financial assets available for sale	-	-
B.4 Financial assets held to maturity	-	-
B.5 Loans to banks	-	-
B.6 Loans to customers	-	-
B.7 Equity investments	-	-
B.8 Property, planst and equipment	-	-
B.9 Intangible assets	-	-
B.10 Other assets	-	-
Total B	**-**	**-**
C. Liabilities associated with individual assets held for sale and discontinued operations		
C.1 Payables	-	-
C.2 Securities	-	-
C.3 Other liabilities	-	-
Total C	-	-
D. Liabilities included in disposal groups of assets held for sale and discontinued operations		
D.1 Deposits from banks	-	-
D.2 Depostis from customers	-	-
D.3 Debt securities issued	-	-
D.4 Financial liabilities held for trading	-	-
D.5 Financial liabilities designated at fair value	-	-
D.6 Provisions	-	-
D.7 Other liabilities	-	-
Total D	**-**	**-**

As at 31.12.2012, assets held for sale consist in real estate owned by subsidiary MPS Immobiliare as well as shareholdings in MP Venture Sgr Spa and Antonveneta Popolare Assicurazioni S.p.a.

15.2. Other information

No information to be disclosed for 2012 pursuant to paragraph 42 of IFRS 5.

15.3 Details of investments in companies subject to significant influence not valued at equity

No information to be disclosed for 2012 pursuant to paragraph 37 i) of IAS 28.

Section 16 – Other assets – Item 160

16.1 Other assets: breakdown

	Total 31 12 2012	Total 31/12/2011*
Tax credits from the Revenue and other tax levying authorities	159,010	273,797
Third party cheques held at the cashier's for collection	330,507	319,341
Cheques drawn on the Company held at the cashier's for collection	3,795	3,075
Gold, silver and precious metals	74	79
Property inventory	35,578	34,945
Items in transit between branches	36,266	105,266
Items in processing	1,515,821	1,126,232
Receivables associated with the provision of goods and services	28,055	35,057
Improvements and incremental costs on third party assets other than those included under tangible assets	79,634	79,467
Prepaid expenses and accrued income not attributable to a separate account	402,171	494,644
Biological assets	3,658	3,782
Other	1,080,234	1,635,904
Total	**3,674,803**	**4,111,589**

**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 lines “Items in processing” and “Other” include transactions which were completed during the first days of 2013.

LIABILITIES

Section 1 – Deposits from banks – Item 10

1.1 Deposits from banks: breakdown

Type of transaction / Group item	Total 31 12 2012	Total 31/12/2011*
1. Deposits from central banks	**32,629,223**	**33,701,358**
2. Deposits from banks	**10,693,733**	**13,419,406**
2.1 Current accounts and demand deposits	1,526,328	983,336
2.2 Time deposits	904,436	592,684
2.3 Loans	7,570,501	11,437,736
2.3.1. Repurchase agreements	5,101,926	7,798,689
2.3.2 Other	2,468,575	3,639,047
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	692,468	405,650
Total	**43,322,956**	**47,120,764**
Fair Value	**43,420,905**	**46,993,772**

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

"Deposits from central banks" include EUR 29,000 mln (EUR 32,000 mln in 2011) for long-term refinancing operations (LTROs). carried out as part of Eurosystem financing, guaranteed by securities pledged by the Parent Company (which include government-backed securities issued and simultaneously repurchased by the Parent Company for EUR 13,000 mln using the *pooling mechanism.*

Among the most significant changes in this item, whose balance saw a decrease by EUR 3,797.8 mln, a reduction by EUR 2,696.8 mln is noted in item 2.3.1 "Repurchase agreements"; the item includes financial liabilities arising from repo transactions (liabilities) with banks on both treasury securities and securities made available through repurchase agreements (assets) and securities lending transactions. The line includes long term repo transactions amounting to EUR 2,539.7 mln, of which EUR 2,489.7 relating to the "Santorini" transaction, subjected to restatement iunder IAS 8.

1.2 Details of Item 10 "Deposits from banks": subordinated liabilities

Type/Item	Issue Date	Maturity Date	Currency	Rate	Balance 31 12 2012	Balance 31 12 2011
ABN AMRO Bank Subordinated Loan A.	10/10/06	10/10/16	Eur	variabile	402,746	403,969
Total					**402,746**	**403,969**

For prudential purposes this borrowing, as an innovative capital instrument, counts as supplementary capital (see Section 2, Capital requirements and capital ratios in Part F of these notes to the financial statements).

1.3 Details of Item 10 "Deposits from banks": structured liabilities

This table was not completed as the Group has no such liabilities to report for either the current or the previous year.

1.4 Deposits from banks subject to micro-hedging

This table was not completed as the Group has no such liabilities to report for either the current or the previous year.

1.5 Finance lease payables

This table was not completed as the Group has no such liabilities to report for either the current or the previous year.

Section 2 – Deposits from customers – Item 20

2.1 Deposits from customers: breakdown

Type of transaction / Group item	Total 31 12 2012	Total 31/12/2011*
1. Current accounts and demand deposits	56,006,293	62,195,909
2. Time deposits	5,801,946	1,515,088
3. Loans	18,072,358	18,779,711
3.1 Repurchase agreements	13,838,635	14,636,112
3.2 Other	4,233,723	4,143,599
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	1,422,088	1,804,028
Total	**81,302,685**	**84,294,736**
Fair Value	**81,324,140**	**84,338,893**

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

Deposits from customers are valued at cost or at amortised cost, except for liabilities subject to micro-hedging of fair value as reported in Table 2.4 of this section, the amortised cost of which is adjusted proportionally to the fair value of the hedged item.

The item decreased by a total of EUR 2,992.1 mln; this was inclusive of item “1.Current accounts and demand deposits" which fell by EUR 6,189.6 mln while item “2. Time deposits” grew by EUR 4,286.9 mln.

The line “Repurchase agreements” contains the financial liabilities arising from repo transactions with customers on both treasury securities and securities made available through reverse repurchase agreements or securities lending transactions. The item, totalling EUR 13,838.6 mln, includes *long term repo* transactions in the amount of EUR 3,378.6 relating to the “Nomura” transaction, subjected to *restatement* under IAS 8.

2.2 Details of Item 20 "Deposits from customers": subordinated liabilities

This table was not completed as the Group has no such liabilities to report for either the current or the previous year.

2.3 Details of Item 20 "Deposits from customers": structured liabilities

This table was not completed as the Group has no such liabilities to report for either the current or the previous year.

2.4 Deposits from customers subject to micro-hedging

Type of transaction / Amount	Total 31 12 2012	Total 31 12 2011
1. Liabilities subject to micro-hedging of fair value:	77,862	77,515
a) interest rate risk	77,862	77,515
b) exchange risk	-	-
c) multiple risks	-	-
2. Liabilities subject to micro-hedging of cash flows:	-	-
a) interest rate risk	-	-
b) exchange risk	-	-
c) other	-	-
Total	**77,862**	**77,515**

This table contains a breakdown of Table 2.1 and shows the carrying amount of two borrowings subject to a fair value hedge on the interest-rate risk. The carrying amount corresponds to the amortised cost adjusted by changes in fair value for the specific risk hedged.

2.5 Finance lease payables

This table was not completed as the Group has no such liabilities to report for either the current or the previous year.

Section 3 – Debt securities issued – Item 30

3.1 Debt securities issued: breakdown

Type of Securities/ Amounts	Total 31 12 2012					Total 31 12 2011				
	Book value	Fair Value				Book value	Fair Value			
		Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total
A. Listed securities										
1 Bonds	37,687,277	16,192,940	21,061,396	-	37,254,336	37,766,342	14,288,876	21,721,204	-	36,010,080
1.1 Structured	-	-	-	-	-	-	-	-	-	-
1.2 Other	37,687,277	16,192,940	21,061,396	-	37,254,336	37,766,342	14,288,876	21,721,204	-	36,010,080
2, Other securities	2,252,347	-	394,134	1,900,000	2,294,134	2,048,307	-	2,090,259	-	2,090,259
2.1 Structured	-	-	-	-	-	-	-	-	-	-
2.2 Other	2,252,347	-	394,134	1,900,000	2,294,134	2,048,307	-	2,090,259	-	2,090,259
Total	39,939,624	16,192,940	21,455,530	1,900,000	39,548,470	39,814,649	14,288,876	23,811,463	-	38,100,339

The table shows funding represented by securities which, in addition to bonds, also includes certificates of deposit (outstanding and maturities).

Liabilities are net of bonds and repurchased CDs. On this connection it is noted that State-guaranteed bonds were issued and concurrently repurchased on 31 December 2012 for a nominal amount of EUR 13,000 mln, which were then pledged as collateral for financing transactions in the Eurosystem.

The amount EUR 2,252.3 mln recognised in line 2.2 "Other securities – others" includes EUR 1,900.0 mln relating to the financial instruments issued by the Parent Company and subscribed to by the MInistry of Economy and Finance (MEF) under article 12 of Law Decree no.185 of 29 November 2008 ("Tremonti Bonds"). At the end of 2012, these instruments were reclassifed out of item 150 "Equity instuments" where they were posted in the 2011 financial statements to item 30 "Debt securities issued" under liabilities of the balance sheet. Reclassification is a consequence of changes in the conditions for interest payable on these instruments as introduced by the Decree of the Ministry of Economy and Finance on 21 December 2012. The original conditions for interest payable on the Tremonti bonds provided for interest not to be paid if a loss is posted at the end of the year. The afore-mentioned decree introduced the obligation for the Parent Company to pay pro rata temporis interest of 9% of nominal value p.a. on 1 July 2013 for the period from 1 January to 31 December 2012, even if a loss is posted for financial year 2012. As a result of this amendment, the Tremonti Bonds were reclassified as liabilities, and not as equity instruments, in the financial statements and interest accrued in 2012 (EUR 171 mln) was posted to item 20 of the income statement "interest expense and similar charges"; for tax treatment of this component, see Part C of the Notes: Information on the income statement - Table 20.2 "Reconciliation of theoretical to actual tax charge".

The fair value column indicates the theoretical market value of the financial instruments at the balance sheet date.

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3.2 Details of Item 30 "Debt securities issued": subordinated securities

Type Regulatory	Name	Issue date	Maturity date	Currency	Interest rate	Book value	
						31 12 2012	31 12 2011
A) Tier I	Capital Preferred Securities I^ Tr.	21/12/00	(a)	EUR	floating	54,192	79,727
A) Tier I	Capital Preferred Securities II^ Tr.	27/06/01	(b)	EUR	floating	106,661	202,229
A) Tier I	F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid)	30/12/03	(c)	EUR	floating	27,414	27,113
A) Tier I	Tremonti Bond	30/12/09	(d)	EUR	fixed	1,900,000	-
Total A) Tier I						**2,088,267**	**309,069**
B) Tier II Upper	BMPS 4.875 SUB 2016	31/05/06	31/05/16	EUR	fixed	606,240	769,045
B) Tier II Upper	BMPS 5.75 SUB 2016	31/05/06	30/09/16	GBP	fixed	74,798	230,729
B) Tier II Upper	PASCHI SUB TV 08/18	15/05/08	15/05/18	EUR	floating	1,988,827	1,987,223
Total B) Tier II Upper						**2,669,865**	**2,986,997**
B) Tier II Upper	BC ANTONVE SUB TV 18	30/04/08	30/04/18	EUR	floating	1,281	2,320
B) Tier II Upper	BCA ANTONVE 02-12 TV	01/11/02	01/11/12	EUR	floating	-	13,585
B) Tier II Upper	BMPS 7,44 08/16	30/06/08	30/12/16	EUR	fixed	248,401	248,161
B) Tier II Upper	BMPS SUB 7 09/19	04/03/09	04/03/19	EUR	fixed	610,902	577,837
B) Tier II Upper	BMPS TV 05/17	30/11/05	30/11/17	EUR	floating	367,475	484,407
B) Tier II Upper	BMPS TV SUB 08/18	31/10/08	31/10/18	EUR	floating	123,761	143,203
B) Tier II Upper	BMPS/BAM 17 SUB TV	29/06/07	29/06/17	EUR	floating	4	5
B) Tier II Upper	BMPSBAM 17STCLSB S43	14/12/07	14/12/17	EUR	floating	48	70
B) Tier II Upper	MPS TV 05/18	20/12/05	15/01/18	EUR	floating	103,830	135,194
B) Tier II Upper	MPS 04/2020 FX 5 LT2 EUR	21/04/10	21/04/20	EUR	fixed	432,705	546,847
B) Tier II Upper	MPS 09/2020 FX 5,6 EUR	09/09/10	09/09/20	EUR	fixed	414,794	512,907
B) Tier II Upper	MPS Capital Services	30/09/03	30/09/13	EUR	floating	1,403	2,815
B) Tier II Upper	MPS Capital Services	30/09/03	30/09/13	EUR	floating	-	-
B) Tier II Upper	MPS Capital Services	22/12/03	22/12/13	EUR	floating	-	-
B) Tier II Upper	MPS Capital Services	30/06/05	30/06/15	EUR	floating	-	-
B) Tier II Upper	Banca Popolare di Spoleto	07/12/05	07/12/15	EUR	floating	-	7,805
B) Tier II Upper	Banca Popolare di Spoleto	15/04/08	15/04/18	EUR	floating	-	2,128
B) Tier II Upper	Banca Popolare di Spoleto	18/04/08	18/04/18	EUR	floating	-	2,822
Total C) Tier II Lower						**2,304,604**	**2,680,106**
Total						**7,062,736**	**5,976,172**

a) These instruments are non-redeemable. The Parent Company has decided not to exercise the call option on these instruments by 21/03/2011 and increase to 630 bps the 3M Euribor spread as of the same date (as announced on 18/01/2011);

b) These instruments are non-redeemable. The Parent Company has decided not to exercise the call option on these instruments by 27/09/2011 and increase to 630 bps the 3M Euribor spread as of the same date (as announced on 23/09/2011);

c) The amount relates to funding through issuance of the innovative equity instrument 'Floating Rate Equity-linked Subordinated Hybrid' (F.R.E.S.H.) by the vehicle "MPS Preferred Capital II LLC" . The amount is reported net of the embedded derivative component, posted to own equity instruments, which has been classified under balance sheet liabilities in item 50, "Equity instruments". For prudential purposes this issue, as an innovative capital instrument, counts as Tier 1 capital (see Section 2, Capital requirements and capital ratios in Part F of these notes to the financial statements).

d) The security is non-redeemable with the option of reimbursement by the Parent Company.

The amounts qualifying as regulatory capital are set out in Part F, Section 2 "Regulatory Capital".

3.3 Details of Item 30 "Debt securities issued": securities subject to micro-hedging

Type of transaction / Amount	Total 31 12 2012	Total 31 12 2011
1. Securities subject to micro-hedging of fair value:	**11,925,906**	**11,927,101**
a) interest rate risk	11,925,906	11,927,101
b) exchange risk	-	-
c) multiple risks	-	-
2. Securities subject to micro-hedging of cash flows:	**1,402,245**	**2,217,952**
a) interest rate risk	1,327,447	1,987,223
b) exchange risk	74,798	230,729
c) other	-	-
Total	**13,328,151**	**14,145,053**

The table shows outstanding securities which are subject to micro-hedging.

As a result of cash flow hedging, the fair value of derivative contracts is posted to a specific equity reserve.

Section 4 – Financial liabilities held for trading – Item 40

4.1. Financial liabilities held for trading: breakdown

Type of transaction/ Group item	Total 31/12/2012						Total 31/12/2011*					
	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	4,709,205	2,376,682	2,416,349	-	4,793,031	4,793,031	1,267,750	110,022	1,190,577	-	1,300,599	1,300,599
2. Deposits from customer	5,870,694	1,154,001	4,804,257	-	5,958,258	5,958,258	9,900,461	1,701,439	8,221,349	-	9,922,788	9,922,788
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
3.1.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
3.2.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
Total A	**10,579,899**	**3,530,683**	**7,220,606**	**-**	**10,751,289**	**10,751,289**	**11,168,211**	**1,811,461**	**9,411,926**	**-**	**11,223,387**	**11,223,387**
B. Derivatives	-	-	-	-	-	-	-	-	-	-	-	-
1. Financial derivatives	X	170,842	8,777,037	40,923	8,988,802	X	X	156,271	12,068,132	23,119	12,247,522	X
1.1 Trading	X	170,842	8,777,037	40,923	8,988,802	X	X	156,271	12,067,891	23,119	12,247,281	X
1.2 Fair value option (FVO)	X	-	-	-	-	X	X	-	241	-	241	X
1.3 Other	X	-	-	-	-	X	X	-	-	-	-	X
2. Credit derivatives	X	-	1,772,734	4,075	1,776,809	X	X	-	2,832,415	211,558	3,043,973	X
2.1 Trading	X	-	1,614,037	-	1,614,037	X	X	-	2,832,415	-	2,832,415	X
2.2 Fair value option (FVO)	X	-	-	-	-	X	X	-	-	-	-	X
2.3 Other	X	-	158,697	4,075	162,772	X	X	-	-	211,558	211,558	X
Total B	**X**	**170,842**	**10,549,771**	**44,998**	**10,765,611**	**X**	**X**	**156,271**	**14,900,547**	**234,677**	**15,291,495**	**X**
Total (A+B)	**X**	**3,701,525**	**17,770,377**	**44,998**	**21,516,900**	**X**	**X**	**1,967,732**	**24,312,473**	**234,677**	**26,514,882**	**X**

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

**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.*

Item 40, "Financial liabilities held for trading", includes:

a) a) on-balance-sheet liabilities mainly issued for short-term profit;

b) b) financial liabilities which originate from derivatives other than those formally designated as hedges.

Criteria adopted for classification of financial instruments in the three levels of the "fair value hierarchy" are reported in Section A.3, "Fair value disclosure" of Part A, "Accounting policies" of the notes to the financial statements.

Amounts in Line "1. Deposits from banks" and "2. Deposits from customers" are primarily correlated with those of lines "1. Debt securities" and "4. Loans" in Table 2.1 "Financial assets held for trading" and refer primarily to the repo business of subsidiary MPS Capital Services - Banca per le imprese S.p.a. in the amount of EUR 2,402.1 mln and 4,803.9 mln respectively; uncovered short positions of the Parent Company and subsidiary MPS Capital Services - Banca per le imprese S.p.a account for EUR 2,390.9 mln posted to deposits from banks and EUR 1,154.3 mln posted to deposits from customers.

Derivatives connected with fair value option instruments are also included in the trading book: these cover the risks of funding designated at fair value arising from possible interest rate fluctuations and from any embedded options in structured securities issued. The fair value of these derivatives is shown in the table in line "B1.2 - Fair value option", if made directly with Group's external counterparties, but is represented by a portion of the held-for-trading derivatives (line B1.1) whenever the FVO hedge originally carried out with the subsidiary MPS Capital Services required risk externalisation.

For FVO derivatives arranged by Group companies with the subsidiary MPS Capital Services, it is worth noting that the relevant internal units responsible for risk management perform suitable tests at consolidated level in order to periodically test the effectiveness of the hedge established from the perspective of a 'natural hedge'.

Column "Level 3", line B.2.3, "Credit derivatives – other" includes the fair value of a 'sale of protection' agreement embedded in bonds classified in the loan book, bifurcated and separately recognised at fair value in the trading book.

4.2 Details of Item 40 "Financial liabilities held for trading": structured liabilities

The Group has issued no subordinated liabilities classified in the trading book.

4.3 Details of item 40 "Financial liabilities held for trading": structured liabilities

The Group has issued no structured liabilities classified in the trading book.

4.4 On-balance-sheet financial liabilities (other than short-selling) held for trading: annual changes

	Deposits from banks	Deposits from customers	Debt securities issued	Total 31 12 2012
A. Opening balance	**1,183,821**	**8,211,015**	**-**	**9,394,836**
B. Increases	**178,926,934**	**866,771,765**	**-**	**1,045,698,699**
B.1 Issues	-	-	-	-
B.2 Sales	178,887,053	866,759,455	-	1,045,646,508
B.3 Increases in fair value	-	-	-	-
B.4 Other increases	39,881	12,310	-	52,191
C. Decreases	**177,708,647**	**870,178,902**	**-**	**1,047,887,549**
C.1 Purchases	177,691,361	870,148,566	-	1,047,839,927
C.2 Redemptions	-	-	-	-
C.3 Decreases in fair value	-	-	-	-
C.4 Other decreases	17,286	30,336	-	47,622
D. Closing balance	**2,402,108**	**4,803,878**	**-**	**7,205,986**

For the “Deposits from banks” and “Deposits from customers” columns, changes in the item do not include short selling.

4.4.a Derivatives payable - Fair Value Option method

Items/Amounts	31 12 2012			31 12 2011		
	Natural Hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis of fair value	Natural Hedges	Other types of accounting mismatches	Financial asset portfolios managed internally on the basis of fair value
Financial derivatives	-	-	-	241	-	-
Credit derivatives	-	-	-	-	-	-
Total	**-**	**-**	**-**	**241**	**-**	**-**

This table adds details to table 4.1 above and shows the carrying amount (fair value) of hedging derivatives under the fair value option, broken down by methods of use.

As at 31 December 2012, all fair value option derivatives recognised in the trading book are attributable to the natural and systematic hedging of fixed-rate and structured bonds issued by the Group.

By convention, such derivatives are classified in the trading book. However, in terms of their representation in the profit and loss statement, they comply with rules similar to the rules applicable to hedging derivatives: positive and negative spreads or margins settled or accrued until the balance sheet date are recorded under interest income and expense, while valuation profits and losses are posted under item 110 of the profit and loss statement, “Net profit (loss) from financial assets and liabilities designated at fair value”, in compliance with representations used for funding instruments which adopted the fair value option.

Section 5 – Financial liabilities designated at fair value – Item 50

5.1 Financial liabilities designated at fair value: breakdown

Type of transaction / Amount	Total 31/12/2012						Total 31/12/2011					
	NV	Fair value				FV*	VN	Fair value				FV*
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
1.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
2. Deposits from customers	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	X	-	-	-	-	-	X
2.2 Other	-	-	-	-	-	X	-	-	-	-	-	X
3. Debt securities issued	14,008,997	-	14,427,858	-	14,427,858	14,560,446	21,860,456	-	22,498,694	-	22,498,694	22,528,577
3.1 Structured	438,000	-	468,444	-	468,444	X	503,952	-	534,925	-	534,925	X
3.2 Other	13,570,997	-	13,959,414	-	13,959,414	X	21,356,504	-	21,963,769	-	21,963,769	X
Total	**14,008,997**	**-**	**14,427,858**	**-**	**14,427,858**	**14,560,446**	**21,860,456**	**-**	**22,498,694**	**-**	**22,498,694**	**22,528,577**

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.
VN = nominal or notional value

The table shows the financial liabilities represented by fixed-rate and structured bonds which have been classified at fair value and are systematically subject to hedging. Hedging occurs through derivative contracts and is used to cover the risk of interest rate fluctuations and the risk resulting from embedded options.

The fair value option has been adopted systematically for fixed-rate and structured debt securities issued by the Group companies, for which the risk of fair value changes has been hedged by derivatives upon issuance, with the aim of maintaining the hedge for the contractual duration of the hedged securities; derivatives used under the fair value option are classified in the trading book. Hedge accounting is used for securities issued by the Parent Company for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Funding subject to hedging with derivative instruments under the fair value option is thus designated at fair value, in accordance with all the relative hedging derivatives which , for the purposes of the financial statements, have been classified under specific sub-items in the trading book.

Positive and negative spreads or margins in relation to derivative contracts settled or accrued until the balance sheet date are recorded in the profit and loss statement under interest income and expense, while valuation profits and losses are posted under Item 110, “Net profit (loss) from financial assets and liabilities designated at fair value”, in compliance with reporting used for funding instruments for which the fair value option was used.

5.1.a Financial liabilities designated at fair value: the Fair Value Option approach

Items/Amounts	31 12 2012			31 12 2011		
	Deposits from banks	Deposits from customers	Debt securities issued	Deposits from banks	Deposits from customers	Debt securities issued
Natural hedges through derivatives	-	-	14,427,858	-	-	22,498,694
Natural hedges through other financial instruments	-	-	-	-	-	-
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally on the basis of fair value	-	-	-	-	-	-
Structured financial instruments	-	-	-	-	-	-
Total	**-**	**-**	**14,427,858**	**-**	**-**	**22,498,694**

This table adds details to table 5.1 above and shows the carrying amount (fair value) of liabilities for which the fair value option was adopted, broken down by methods of use.

5.2 Details of item 50 "Financial liabilities designated at fair value": subordinated liabilities

Type Regulatory	Name	Issue date	Maturity date	Currency	Rate	Book value	
						31 12 2012	31 12 2011
A) Tier I	PASCHI 01/31 7,59 SUB - Preferred Capital I LLC	07/02/01	07/02/31	EUR	fixed (a)	156,837	316,519
					Total A) Tier I Lower	**156,837**	**316,519**
C) Tier II Lower	PASCHI 22/2015 INDEX	07/07/00	07/07/15	EUR	floating	37,163	39,121
C) Tier II Lower	PASCHI 00/15 IND.	20/07/00	20/07/15	EUR	floating	29,293	30,430
					Total C) Tier II Lower	**66,456**	**69,551**
						223,293	**386,070**

(a) As of 7/2/2011 the rate is 3m Euribor + 630 bp (as communicated on 18/1/2011),

The table shows subordinated financial liabilities designated at fair value, with main technicalities. For the purpose of quantifying regulatory capital, subordinated liabilities are not designated at fair value, but on the basis of the amount which was actually collected (see Part F, Section 2, “Regulatory capital”).

In 2012 no new issues were finalised as part of the portfolio of financial liabilities designated at fair value.

5.3 Financial liabilities designated at fair value: annual changes

	Deposits from banks	Deposits from customers	Debt securities issued	Total 31 12 2012
A. Opening balance	**-**	**-**	**22,498,694**	**22,498,694**
B. Increases	**-**	**-**	**1,224,241**	**1,224,241**
B.1 Issues	-	-	292,561	292,561
B.2 Sales	-	-	-	-
B.3 Increases in fair value	-	-	137,141	137,141
B.4 Other increases	-	-	794,539	794,539
C. Decreases	**-**	**-**	**9,295,077**	**9,295,077**
C.1 Purchases	-	-	2,924,853	2,924,853
C.2 Redemptions	-	-	4,874,831	4,874,831
C.3 Decreases in fair value	-	-	119,987	119,987
C.4 Other decreases	-	-	1,375,406	1,375,406
D. Closing balance	**-**	**-**	**14,427,858**	**14,427,858**

The table shows changes in the main types of liabilities of the fair-valued portfolio during the year.

Line B3, "Increases in fair value", shows the increase in liabilities, resulting in the recognition of a corresponding capital loss in the profit and loss statement (Section 7, Table 7.1 of the profit and loss statement). Line C3, "Decreases in fair value", shows a decrease in liabilities, and thus the recognition of a corresponding capital gain in the profit and loss statement (Section 7, Table 7.1 of the profit and loss statement).

Lines B4 and C4 respectively include gains and losses from repurchase, in addition to accruals on issue discounts and coupon interest and effects of exchange rate fluctuations.

5.3.a Financial liabilities designated at fair value: structured liabilities

Item/Amount	Total 31 12 2012	Total 31 12 2011
Commodity Linked	9,105	11,282
Equity Linked	5,739	14,208
Fund Linked	15,772	20,138
Index Linked	150,999	163,196
Inflation Linked	58,936	70,486
Step - up, Step down	227,893	255,615
Others	-	-
Total	**468,444**	**534,925**

The table reports the main types of structured bonds issued by the Group and measured at fair value. Since bonds are measured at fair value as an offset to profit or loss, embedded derivatives are not reported separately.

Section 6 – Hedging derivatives – Item 60

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

	Fair Value 31 12 2012				NV	Fair Value 31 12 2011				NV
	Level 1	Level 2	Level 3	Total	31 12 2012	Level 1	Level 2	Level 3	Total	31 12 2011
A. Financial derivatives	**-**	**5,574,567**	**-**	**5,574,567**	**23,707,220**	**-**	**4,359,400**	**-**	**4,359,400**	**26,261,265**
1) Fair value	-	5,217,699	-	5,217,699	22,059,706	-	3,911,309	-	3,911,309	23,806,236
2) Cash flows	-	356,868	-	356,868	1,647,514	-	448,091	-	448,091	2,455,029
3) Foreign investments	-	-	-	#RIF!	-	-	-	-	-	-
B. Credit derivatives	**-**	**231**	**-**	**231**	**26,400**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	231	-	231	26,400	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-	-	-
Total	**-**	**5,574,798**	**-**	**5,574,798**	**23,733,620**	**-**	**4,359,400**	**-**	**4,359,400**	**26,261,265**

Key

NV = Nominal or Notional Value

The table displays the negative book value (fair value) of hedging derivatives for hedges carried out through hedge accounting. Hedge accounting is used for the accounting of hedges of financial instruments posted to balance sheet items which do not provide for measurement at fair value as an offset to profit or loss: in particular, hedges of all financial assets and liabilities other than those represented by securities are managed through hedge accounting.

Hedges of financial liabilities represented by securities are normally managed through the fair value option.

Information on the underlying strategies and objectives of hedge transactions can be found in Section 2 "Market risks" of Part E "Risks and hedging policies".

6.2 Hedging derivatives: breakdown by hedged portfolio and type of hedging

Transaction/Type of hedge	Fair Value						Cash flow hedge		Foreign investments	Total 31 12 2012
	Micro Hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	4,656,505	-	163	-	-	x	-	x	x	4,656,668
2. Loans and receivables	424,838	-	69	x	-	x	-	x	x	424,907
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	128,511	x	-	x	128,511
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**5,081,343**	**-**	**232**	**-**	**-**	**128,511**	**-**	**-**	**-**	**5,210,086**
1. Financial liabilities	7,844	-	-	x	-	x	356,868	x	x	364,712
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**7,844**	**-**	**-**	**#RIF!**	**-**	**-**	**356,868**	**-**	**#RIF!**	**364,712**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**5,089,187**	**-**	**232**	**-**	**-**	**128,511**	**356,868**	**-**	**-**	**5,574,798**

The table shows the negative fair values of hedging derivatives, classified by hedged assets or liabilities and type of hedging implemented.

In particular, on the assets side, fair value micro-hedging was used to hedge against interest-rate risk on fixed-rate and capped mortgages and bonds classified in the available-for-sale portfolio or among receivables, in order to protect them from unfavourable interest rate changes.

Fair value micro-hedging of the interest-rate risk on financial liabilities refers primarily to hedges of liabilities represented by securities for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Fair value macro-hedging was applied to fixed-rate mortgage portfolios.

Cash flow hedges were implemented in the case of some specific floating-rate bond issues, for the purpose of stabilising their flows through interest rate swaps.

Prospective and retrospective tests performed in 2012 in accordance with IAS 39 confirmed the effectiveness of hedging relationships.

More information on hedged assets and liabilities can be found in the tables contained in Part B of the notes for each section of the balance-sheet items to which the hedged items are posted.

Transaction/Type of hedge	Fair Value						Cash flow hedge		Foreign investments	Total 31 12 2011
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	3,482,565	-	-	-	-	x	-	x	x	3,482,565
2. Loans and receivables	333,956	-	-	x	-	x	-	x	x	333,956
3. Financial assets held to maturity	x	-	-	x	-	x	-	x	x	-
4. Portfolio	x	x	x	x	x	87,596	x	-	x	87,596
5. Other transactions	-	-	-	-	-	x	-	x	-	-
Total assets	**3,816,521**	**-**	**-**	**-**	**-**	**87,596**	**-**	**-**	**-**	**3,904,117**
1. Financial liabilities	7,192	-	-	x	-	x	448,091	x	x	455,283
2. Portfolio	x	x	x	x	x	-	x	-	x	-
Total liabilities	**7,192**	**-**	**-**	**#RIF!**	**-**	**-**	**448,091**	**-**	**-**	**455,283**
1. Expected transactions	x	x	x	x	x	x	-	x	x	-
2. Financial assets and liabilities portfolio	x	x	x	x	x	-	x	-	-	-
Total	**3,823,713**	**-**	**-**	**-**	**-**	**87,596**	**448,091**	**-**	**-**	**4,359,400**

Section 7 – Changes in value of macro-hedged financial liabilities – Item 70

This item was left blank since no macro-hedges have been established on financial liabilities.

Section 8 – Tax liabilities – Item 80

See Section 14 of the Assets.

Section 9 – Liabilities associated with non-current assets held for sale and discontinued operations – Item 90

See Section 15 of the Assets.

Section 10 – Other liabilities – Item 100

10.1 Other liabilities: breakdown

	Total 31 12 2012	Total 31/12/2011*
Due to the Revenue and other tax levying authorities	170,856	199,827
Due to social security authorities	116,401	177,578
Amounts available to customers	253,955	298,628
Other amounts due to employees	136,440	96,335
Items in transit between branches	46,225	83,449
Items undergoing processing	226,519	159,426
Payables in relation to the payment of supplies of goods and services	960,778	697,023
Irrevocable commitments to disburse funds	53,117	59,486
Accrued expenses and unearned revenues not attributable to a separate account	157,775	380,829
Payables for consolidated income tax return	2,288	-
Other	2,355,996	2,064,032
Total	**4,480,350**	**4,216,613**

**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 lines “Items in processing” and “Other” include transactions which were completed during the first days of 2013.

Section 11 – Provision for employee severance pay – Item 110

11.1 Provision for employee severance pay: annual changes

	Total 31 12 2012	Total 31 12 2011
A. Opening balance	**265,905**	**287,476**
B. Increases	**6,563**	**8,218**
B.1 Provision for the year	6,518	7,789
B.2 Other increases	45	429
C. Decreases	**30,835**	**29,789**
C.1 Severance payments	9,280	27,686
C.2 Other decreases	21,555	2,103
IFRS5 "Discontinuing operations"	-	-
D. Closing balance	**241,633**	**265,905**

11.2 Other information

While staff severance pay is considered as a defined benefit fund for the purpose of international accounting standards, any changes in relation to actuarial valuations are detailed under Section 12.3 of the liabilities side, in addition to changes in the Group's defined benefit pension funds.

The provision for the year, as clarified by the Bank of Italy, does not include amounts which, as a result of the reform introduced by Legislative Decree no. 252 of 5 December 2005, are paid directly by the Group, depending on the various employee options, to complementary pension schemes or to the treasury fund managed directly by the the Italian National Social Security Institute, INPS. These items are recognised in personnel expenses, as"contributions to external pension funds: defined contribution".

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 31 12 2012	Total 31/12/2011*
1. Pensions and other post retirement benefit obligations	39,658	192,596
2. Other provisions for risks and charges	1,400,592	1,015,672
2.1 legal disputes	387,846	329,227
2.2 personnel charges	291,887	28,595
2.3 other	720,859	657,850
Total	**1,440,250**	**1,208,268**

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

The amount of EUR 720.9 mln included in item 2.2 "Other provisions for risks and charges – personnel expenses" includes the provision for the Solidarity Fund, amounting to EUR 256.0 mln.

12.2 Provisions for risks and charges: annual changes

Item/Amount	Total 31/12/2012			Total 31/12/2011*		
	Pensions and other post retirement benefit obligations	Other provisions	Total	Pensions and other post retirement benefit obligations	Other provisions	Total
A. Opening balance	**192,596**	**1,015,672**	**1,208,268**	**435,919**	**882,443**	**1,318,362**
B. Increases	**14,514**	**557,093**	**571,607**	**11,725**	**263,444**	**275,169**
B.1 Provision for the year	8,804	540,078	548,882	4,345	246,739	251,084
B.2 Changes due to the time value of money	5,710	4,352	10,062	7,380	9,704	17,084
B.3 Changes due to discount rate changes	-	12,512	12,512	-	6,461	6,461
B.4 Other increases	-	151	151	-	540	540
C. Decreases	**167,452**	**172,173**	**339,625**	**255,048**	**130,215**	**385,263**
C.1 Use during the year	20,132	147,628	167,760	22,968	74,945	97,913
C.2 Changes due to discount rate changes	-	-	0	1,261	8,854	10,115
C.3 Other decreases	147,320	24,545	171,865	230,819	46,416	277,235
IFRS5 "Discontinuing operations"	-	-	-	-	-	-
D. Closing balance	**39,658**	**1,400,592**	**1,440,250**	**192,596**	**1,015,672**	**1,208,268**

**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.*

Under increases, in Item B2, "Changes due to the time value of money", the "Other provisions" column shows the amount of "time value" accrued during the year due to the expected imminent maturity of the estimated liability (EUR 5.7 mln for post-retirement funds and EUR 4.3 for the other funds).

12.3 Defined benefit company pension funds

12.3.1 Introduction to the funds

The sections below report disclosure required by IAS 19 for defined benefit plans, in which the Group substantially assumes the actuarial and investment risks, including those relating to staff severance pay provisions.

For supplementary defined benefit pension funds, the actuarial values required by IAS 19, "Employee Benefits", are determined by an independent actuary using the Projected Unit Credit Method as described in detail in "Part A – Accounting Policies" of the notes to the financial statements.

The defined benefit funds in which the Group has a joint and several obligation are either internal funds or external complementary pension funds.

Internal funds

- Supplementary pension provision for staff in the former tax collection division of Banca Monte dei Paschi di Siena S.p.A. This is a supplementary pension fund designed to provide staff in retirement with supplementary pension in the form of a defined benefit (annuity). Banca Monte dei Paschi S.p.A. contributes to the fund for staff who are members of the defined benefit plan.
- National insurance (INPS) for ex-Banca Operaia di Bologna staff. The fund is intended to supplement and replace benefits paid out under compulsory pension schemes for ex-employees – active and retired – of former Banca Operaia di Bologna. The fund regulations allow INPS benefits to be supplemented based on a percentage of the final salary, calculated using specific coefficients for each grade.
- Pension provision for employees of former Banca di Credito Popolare e Cooperativo di Reggio Emilia. The sole aim of the fund is to supplement compulsory schemes in order to guarantee higher levels of insurance coverage for ex-employees of former Banca di Credito Popolare and Cooperativo di Reggio Emilia, as the direct beneficiaries of a life annuity or as the surviving spouse of a former employee.
- Pension provision for employees of former Banca Popolare Veneta. The fund is intended to supplement INPS pensions for employees already in retirement as of 7 December 1989 and their beneficiaries, in accordance with the legislation and agreements of 4 February 1956 and 1 January 1982 (for management personnel). The fund, to which only the parent company contributes, provides comprehensive coverage for retired personnel indexed to the "current" salary of an employee of the same grade.
- Pension provision for employees of former Banca Nazionale Agricoltura. This is an accumulation fund designed to supplement the INPS pension for employees already in retirement as of 1 October 2000, the date on which BNA merged with Antonveneta, or who will retire after that time, not having exercised their right, under the agreements of 12 September 2000, to transfer their contributions to Banca Antonveneta's corporate pension scheme (FAP).
- Supplementary pension provision for employees of former Banca Toscana. This is a complementary or additional defined benefit pension fund reserved for personnel already in retirement as of 01/01/1999 and for active employees hired before 27/04/1993 who have expressed an interest in remaining with this plan. The Parent company's contribution is determined based on the mathematical reserve calculated by an independent actuary at the end of each financial year.
- Supplementary pension provision for employees of former Mediocredito Toscano and former Istituto Nazionale di Credito Agrario (now included in MPS Capital Services Banca per le Imprese S.p.a.). This is a complementary or additional defined-benefit pension fund reserved for personnel in retirement as of 01/01/1999 and for active employees hired before 27/04/1993 who have expressed an interest in remaining with this plan. The company's contribution is determined based on the mathematical reserve calculated by an independent actuary at the end of each financial year.
- Supplementary pension scheme for personnel of former MPS Capital Services Banca per l'imprese S.p.A. This is a defined-benefit pension fund having separate assets but not an independent legal status.

Based on the mathematical reserve calculated by an independent actuary, the value of the afore-mentioned funds was proved adequate for ensuring payments to fund members.

External funds

- "Cassa di Previdenza Aziendale per il Personale del Monte dei Paschi di Siena" (the company pension scheme for employees of Monte dei Paschi di Siena), an independent legal entity with separate assets and asset management. The fund, reserved for current and retired employees of the Parent Bank hired prior to 31/12/1990, is divided into two separate and independent plans: a defined contribution and a defined benefit plan. Information about the defined benefit plan can be found in the tables below.

- Pension Fund for personnel of former Banca Agricola Mantovana S.p.A. -Defined-benefit complementary pension fund. The sole aim of the fund is to supplement compulsory schemes in order to guarantee higher levels of insurance coverage to fund members. The fund value is consistent with the mathematical reserve calculated by the independent actuary, necessary to cover the present value of future obligations towards pensioners who have remained with the defined benefit scheme.
- The defined-benefit pension funds for Parent Company's personnel of the branches in London (BMPS UK Pension Fund) and New York (Retirement Plan) are designed to pay for the employees' benefits on retirement. The value of funds required to meet future payment obligations was proven to be in line with the mathematical reserve calculated by the independent actuary.

As required by the Bank of Italy, the internal fund statements can be found in the annexes to the financial statements.

12.3.2 Changes in pension funds and employee severance pay provisions during the year

Items/Amounts	Total 31/12/2012			Total 31/12/2011		
	Defined-benefit company pension funds		Provision for staff severance pay	Defined-benefit company pension funds		Provision for staff severance pay
	Internal pension plan	External pension plan		Internal pension plan	External pension plan	
Opening balance	**184,636**	**454,018**	**334,588**	**195,305**	**428,724**	**347,251**
Increases	**10,747**	**27,305**	**15,334**	**11,053**	**70,267**	**24,558**
Current service cost	198	2,677	723	60	2,864	1,431
Financial charges	5,710	18,547	2,906	7,380	18,211	4,397
Participants' contributions to plan	-	163	-	-	182	-
Actuarial losses	4,839	1,676	4,786	1,624	6,067	18,301
Negative exchange differences	-	952	-	-	-	-
Past service cost	-	-	-	289	-	-
Other increases	-	3,290	6,919	1,700	42,943	429
Decreases	**40,835**	**49,039**	**32,570**	**21,722**	**44,973**	**37,221**
Benefits paid	16,067	35,553	9,275	19,208	35,416	27,686
Past service cost	-	-	-	-	-	-
Actuarial gains	2,815	13,091	1,879	2,514	9,557	7,432
Positive exchange differences	-	165	-	-	-	-
Effect of any plan curtailments	-	-	-	-	-	-
Effect of any plan settlements	-	-	-	-	-	-
Other decreases	21,953	230	21,416	-	-	2,103
IFRS5 "Discontinuing operations"	-	-	-	-	-	-
Closing balance	**154,548**	**432,284**	**317,352**	**184,636**	**454,018**	**334,588**

The table shows movements for the year in internal funds, external funds and staff severance pay provisions which, according to international accounting standards, come under the heading of defined contribution funds. The closing balance represents the theoretical gross liabilities in relation to the fund, taking account of actuarial profits and losses which have not been accounted for due to the application of the “corridor” method.

12.3.2a Defined-benefit obligations: breakdown

Items/Amounts	31 12 2012		
	Internal pension plans	External pension plans	Provision for staff severance pay
a) Unfunded plans	40,521	-	317,352
b) Funded plans	114,027	432,284	-
Total	**154,548**	**432,284**	**317,352**

Items/Amounts	31 12 2011		
	Internal pension plans	External pension plans	Provision for staff severance pay
a) Unfunded plans	63,645	-	334,588
b) Funded plans	120,991	454,018	-
Total	**184,636**	**454,018**	**334,588**

The table highlights the distinction made in defined benefit funds between funded and unfunded plans.

Plans are funded when separate assets exist to cover liabilities.

12.3.3 Changes to plan assets during the year and other information

Items/Amounts	31 12 2012		31 12 2011	
	Defined-benefit company pension funds		Defined-benefit company pension funds	
	Internal pension plans	External pension plans	Internal pension plans	External pension plans
Opening balance	**128,950**	**462,121**	**136,022**	**443,615**
Increases	**8,686**	**54,701**	**6,795**	**67,946**
Expected return of plan-servicing assets	5,380	19,681	5,578	18,632
Actuarial gains	3,306	29,111	450	-
Positive exchange differences	-	873	-	-
Group contributions to plan	-	4,867	767	6,189
Participants' contributions to plan	-	163	-	182
Other decreases	-	6	-	42,943
Decreases	**12,269**	**45,127**	**13,867**	**49,440**
Actuarial losses	-	-	1,168	14,024
Negative exchange differences	-	119	-	-
Benefits paid	12,269	35,553	12,699	35,416
Effect of any plan settlements	-	-	-	-
Other decreases	-	9,455	-	-
Closing balance	**125,367**	**471,695**	**128,950**	**462,121**

The table illustrates the total assets servicing funded defined benefit plans and movements during the year. These mainly consist of assets relating to the pension fund for employees of former Banca Agricola Mantovana S.p.A., the pension fund for employees of former Banca Toscana S.p.A., the pension fund for employees of former Banca Antonveneta and the company pension scheme for employees of Monte dei Paschi di Siena (defined benefit plan), which on the whole are surplus in relation to obligations at year-end.

12.3.3.a Fair value of plan assets: breakdown

Items/Amounts	31 12 2012				31 12 2011			
	Internal pension plans		External pension plans		Internal pension plans		External pension plans	
	Own financial instruments /Assets used by the Group	Overall	Own financial instruments /Assets used by the Group	Overall	Own financial instruments /Assets used by the Group	Overall	Own financial instruments /Assets used by the Group	Overall
Equity instruments		-		22,191		-		2,628
of which: own instruments	-		1,744		-		1,372	
Debt instruments		41,715		289,843		38,231		265,509
of which: own instruments	-		14,382		-		15,375	
Property		-		65,725		-		68,437
of which: immovables used by the Group	-		-		-		-	
Insurance management		-		736		-		734
of which: own instruments	-		-		-		-	
Other assets		83,653		93,200		90,719		124,813
of which: other assets used by the Group	83,653		-		90,719		-	
Total		**125,368**		**471,695**		**128,950**		**462,121**
of which: own instruments/assets used by the Group	83,653		16,126		90,719		16,747	

This table provides a detailed illustration of plan assets at year-end, and thus of the assets of the funds indicated in Table 12.3.3, by major asset classes (financial and non-financial). Other assets mainly consist of investments in mutual funds and open-end collective investment schemes (Sicavs)

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12.3.4 Reconciliation of present value of staff pension and severance pay provisions to present value of plan assets and to assets and liabilities recognised in the balance sheet

Items/Amounts	Total 31/12/2011		
	Defined-benefit pension and other post retirement plans		Provision for staff severance pay
	Internal pension plans	External pension plans	
Fair value of plan assets (-)	184,636	454,018	334,588
Fund status	128,950	462,121	-
Unrecognised cumulative actuarial gains/losses (+/-)	**55,686**	**(8,103)**	**334,588**
Unrecognised past service cost (-)	-	-	-
Unrecognised past service cost (-)	-	-	(68,683)
Unrecognized past service cost	-	-	-
Effect of asset ceiling	7,960	8,103	-
Fair value of assets refundable by third parties (-)	-	-	-
Assets recognised in the Balance Sheet	**192,596**	**-**	**265,905**
Liabilities recognised in the Balance Sheet	**128,950**	**-**	**-**

This table enables a reconciliation between the present value of the funds, as per the independent actuary's estimate, and the present value of liabilities recognised in the financial statements. As a result of the application of the "corridor" method, actuarial gains and losses are posted to the balance sheet only when they exceed the higher of 10% of the present value of the defined benefit obligation and 10% of the fair value of any assets servicing the plan.

For internal plans in particular, the line "Fair value of plan assets" shows assets relating to the pension fund for employees of former Banca Agricola Mantovana S.p.A. and the fund for employees of former Banca Toscana S.p.A..

12.3.5 Main actuarial assumptions used

Main actuarial assumptions / Discount rates	Total 31/12/2012			Total 31/12/2011		
	Defined-benefit pension and other post retirement plans		Provision for staff severance pay	Defined-benefit pension and other post retirement plans		Provision for staff severance pay
	Internal pension plans	External pension plans		Internal pension plans	External pension plans	
Discount rates	4.20%	4.20%	3,58-3,88%	4.20%	4.20%	2,31-2,63%
Expected return on plan-servicing assets	4.20%	4.20%		4.20%	4.20%	x
Expected remuneration increase rate	1.50%	2.60%		1.50%	2.60%	

The discount rate for pension funds was set at 4.20%, determined on the basis of the Articles of Association of leading external funds, which require the rate to be updated every two years. The profit & loss and balance sheet effects resulting from this approach are substantially comparable to those which would have been produced if use had been made of the rate curve corresponding to high-quality corporate securities, by reason of both the surplus of actuarial assets over liabilities in the main funds (which are not recognised in the balance sheet because resources are not within control), and of the effects arising from application of the corridor method.

12.4 - Provisions for risks and charges - Other provisions

Items/Amounts	Total 31 12 2012	Total 31/12/2011*
2.1 legal disputes	387,846	329,227
2.2 personnel charges	291,887	28,595
2.3 other	720,859	657,850
- clawback actions	170,216	241,531
- charges arising from contractual obligations	71,800	70,135
- customer claims	29,872	46,662
-other	448,971	299,522
Total	**1,400,592**	**1,015,672**

**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.*

Provisions to the fund for legal disputes primarily includes appropriations to cover the cost of actions filed against the Bank.

Provisions for charges arising from contractual obligations consist in appropriations for charges deriving from contracts and agreements associated with the disposal of investments and/or business segments, completed in previous years.

The amount of EUR 291.9 mln included in item 2.2 “Personnel expenses” includes the provision for the Solidarity Fund, amounting to EUR 246.2 mln.

Section 13 – Insurance reserves – Item 130

The tables in this section have not been completed as no data is present for either current or previous year.

Section 14 – Redeemable shares – Item 150

The tables in this section were not completed as no data is present for either current or previous year.

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

15.1 "Share capital" and "Treasury shares": breakdown

15.1.a "Share capital": breakdown

Items/Amounts	31 12 2012		31 12 2011	
	Implied par value share (a)	Par value of fully paid shares	Par value per share	Par value of fully paid shares
Ordinary shares	0.6407	7,484,508,171	0.5703	6,262,748,320
Preferred shares		-	0.6700	456,859,237
Savings shares		-	0.6700	12,639,108
Total share capital		**7,484,508,171**		**6,732,246,665**

a) On 6 June 2011, the Bank's Extraordinary Shareholders' Meeting resolved that indication of the par value of the three classes of shares be eliminated; accordingly, as at 31.12.2011, the so-called "non-expressed par value" is indicated, which is obtained by dividing the total share capital amount by the number of shares in the same category, outstanding at the reference date.

Ordinary shares are registered and indivisible. Each share entitles to one vote.

Information on the number of fully paid-up shares can be found in the notes to Table 15.2, "Share capital – number of shares: annual changes".

15.1.b Treasury shares: breakdown

Items/Amounts	31 12 2012		31 12 2011	
	Implied par value share	Book Balance	Par Value	Book Balance
Ordinary shares	34,915,189	(24,532,421)	30,947,662	(26,460,508)
Preferred shares	-	-	-	-
Savings shares	-	-	-	-
Total share capital	**34,915,189**	**(24,532,421)**	**30,947,662**	**(26,460,508)**

Under international accounting standards, any repurchase of treasury shares is treated as capital repayment. For this reason, the consideration recognised for share repurchase is deducted directly from equity.

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

Item/Type	31 12 2012			31 12 2011		
	Ordinary	Preferred	Savings	Ordinary	Preferred	Savings
A. Shares outstanding as at the beginning of the year	10,980,795,908	681,879,458	18,864,340	5,569,271,362	1,131,879,458	18,864,340
- fully paid	10,980,795,908	681,879,458	18,864,340	5,569,271,362	1,131,879,458	18,864,340
- not fully paid	-	-	-	-	-	-
A.1 Treasury shares (-)	54,232,440	-	-	21,911,474	-	-
A.2 Shares outstanding: opening balance	**10,926,563,468**	**681,879,458**	**18,864,340**	**5,547,359,888**	**1,131,879,458**	**18,864,340**
B. Increases	708,980,860	-	-	5,448,397,815	-	-
B.1 New issues	-	-	-	4,961,524,546	-	-
- against payment:	-	-	-	4,961,524,546	-	-
- business combinations	-	-	-	-	-	-
- bonds converted	-	-	-	136,698,112	-	-
- warrants exercised	-	-	-	-	-	-
- other	-	-	-	4,824,826,434	-	-
- without payment:	-	-	-	-	-	-
- to employees	-	-	-	-	-	-
- to directors	-	-	-	-	-	-
- other	-	-	-	-	-	-
B.2 Sale of treasury shares	8,237,062	-	-	36,873,269	-	-
B.3 Other increases	700,743,798	-	-	450,000,000	-	-
C. Decreases	**8,500,000**	**681,879,458**	**18,864,340**	**69,194,235**	**450,000,000**	**-**
C.1 Cancellation	-	-	-	-	-	-
C.2 Purchase of treasury shares	8,500,000	-	-	69,194,235	-	-
C.3 Business transferred	-	-	-	-	-	-
C.4 Other decreases	-	681,879,458	18,864,340	-	450,000,000	-
D. Shares outstanding: closing balance	**11,627,044,328**	**-**	**-**	**10,926,563,468**	**681,879,458**	**18,864,340**
D.1 Treasury shares (+)	54,495,378	-	-	54,232,440	-	-
D.2 Shares outstanding as at the end of the year	11,681,539,706	-	-	10,980,795,908	681,879,458	18,864,340
- fully paid	11,681,539,706	-	-	10,980,795,908	681,879,458	18,864,340
- not fully paid	-	-	-	-	-	-

Share capital consists of 11,681,539,706 ordinary shares.

On 1 February 2012, the Extraordinary Shareholders' Meeting and the Savings Shareholders' Meeting approved the conversion of 18,864,340 savings shares into a corresponding number of ordinary shares. Additionally, the sale of 681,879,458 million preferred shares by the shareholder, Monte dei Paschi di Siena Foundation in the first quarter of 2012 resulted in the automatic conversion of all preferred shares into a corresponding number of ordinary shares pursuant to art. 6, para. 4, of the Articles of Association of Banca MPS, according to which "....The transfer of preference shares shall be notified promptly to the Company by the selling shareholder and shall determine the automatic conversion at par of preference shares into ordinary shares". The reductions in preference and savings shares due to the aforesaid conversions are included in line “C.4 Other decreases”, while the corresponding increase in ordinary shares are posted under the column “Ordinary” in line “B.3 Other increases”.

15.3 Share capital - other information

Of the 295,236,070 ordinary shares representing a total nominal value of € 197,808,166.90, a restriction exists on the payout of dividends since the Parent Bank has acquired usufruct in these shares.

15.3a Equity instruments: breakdown and annual changes

	31 12 2012			31 12 2011		
	Equity component of convertible bonds	Other equity instruments	Total	Equity component of convertible bonds	Other equity instruments	Total
A. Opening balance	**3,002**	**1,900,000**	**1,903,002**	**49,365**	**1,900,000**	**1,949,365**
B. Increases	**-**	**-**	**-**	**-**	**-**	**-**
B.1 New issues	-	-	**-**	-	-	-
B.2 Sales	-	-	**-**	-	-	-
B.3 Other increases	-	-	**-**	-	-	-
C. Decreases	**-**	**1,900,000**	**1,900,000**	**46,363**	**-**	**46,363**
C.1 Redemptions	-	-	**-**	-	-	-
C.2 Repurchases	-	-	**-**	15,963	-	15,963
C.3 Other decreases	-	1,900,000	**1,900,000**	30,400	-	30,400
D. Closing balance	**3,002**	**-**	**3,002**	**3,002**	**1,900,000**	**1,903,002**

The Item "Equity instruments" includes, in the "Equity component of convertible bonds" column, the equity component of bonds issued and convertible into treasury shares. This mainly concerns the value determined upon issue of the Convertible Preferred Securities in relation to the embedded option which, according to IAS 32, must be separated from the bond instrument since it is considered as an equity instrument.

In 2011, the column "Other equity instruments" included EUR 1,900 mln worth of Tremonti bonds issued in 2009. These instruments were aimed at improving the Bank's supervisory capital and sustaining economic growth with a special focus on small-medium sized companies. In 2012, these instruments were reclassified to item 30 "Securities issued" of liabilities; the notes to table "3.1 Securities issued: breakdown and annual changes" illustrate the reasons underlying this reclassification.

15.4 Retained earnings: other information

See Section F, "Information on consolidated equity" of these notes to the financial statements.

15.5 Other information

See Section F, "Information on consolidated equity" of these notes to the financial statements.

Section 16 – Non-controlling interests - Item 210

16.1 Non-controlling interests: breakdown

Items/Amounts	Total 31 12 2012	Total 31 12 2011
1) Share capital	830	50,274
2) Share premium reserve	211	13,406
3) Reserves	22,173	69,636
4) (Treasury shares)	-	-
5) Valuation reserves	1,226	87,351
6) Equity instruments	-	-
7) Profit (loss) for the year - Non-controlling interests	(21,584)	(3,465)
Total	**2,856**	**217,202**

With respect to 2011, non-controlling interests were down by EUR 214.3 mln primarily on account of disposal of subsidiary Biverbanca.

Other information

1 Guarantees and commitments

Transactions		Amount 31 12 2012	Amount 31 12 2011
1)	Financial guarantees given to	3,357,718	3,920,759
	a) Banks	560,430	589,794
	b) Customers	2,797,288	3,330,965
2)	Commercial guarantees given to	4,996,210	5,777,022
	a) Banks	293,858	312,963
	b) Customers	4,702,352	5,464,059
3)	Irrevocable commitments to disburse funds	7,014,949	8,295,093
	a) Banks	258,012	433,037
	i) usage certain	257,451	428,168
	ii) usage uncertain	561	4,869
	b) Customers	6,756,937	7,862,056
	i) usage certain	3,323,118	3,047,092
	ii) usage uncertain	3,433,819	4,814,964
4)	Underlying commitments on credit derivatives: sales of protection	28,280,183	39,902,955
5)	Assets pledged as collateral for third-party commitments	7,519	6,365
6)	Other commitments	1,274,158	1,498,217
	Total	**44,930,737**	**59,400,411**

2 Assets pledged as collateral for liabilities and commitments

Portfolios	31 12 2012	31 12 2011
1. Financial assets held for trading	3,155,972	6,947,446
2. Financial assets designated at fair value	-	-
3. Financial assets available for sale	22,924,294	20,015,336
4. Financial assets held to maturity	-	-
5. Loans to banks	10,764,293	9,684,953
6. Loans to customers	30,347,094	29,665,405
7. Property, plant and equipment	-	-

3 Operating leases

3.1 Future minimum operating lease payables

Items/Amounts	31 12 2012
Up to 1 year	102,357
From 1 to 5 years	407,223
Over 5 years	1,576,970
Future minimum lease payments due	**2,086,550**
Non-cancellable future minimum lease payments receivable	26,555

The amounts in the table mainly include the fees to be paid toPerimetro Gestione Proprietà Immobiliari S.C.P.A.

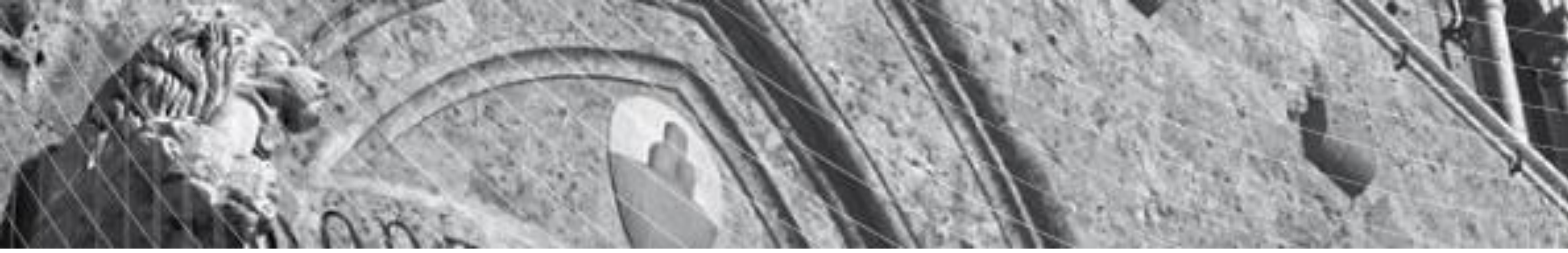
The fees, under the agreements entered into with the Counterparty, have been updated to take into account the inflation adjustment at a fixed rate of 2.5% per annum.

4 Investments in unit-linked and index-linked policies: breakdown

No data to report for the current or the previous year.

5 Asset management and trading on behalf of third parties

Type of services		Amounts 31 12 2012
1.	**Trading of financial instruments on behalf of third parties**	
	a) Purchases	21,661,042
	1. Settled	21,564,141
	2. Unsettled	96,901
	b) Sales	20,455,348
	1. Settled	20,376,315
	2. Unsettled	79,033
2.	**Asset management accounts**	
	a) individual	4,489,558
	b) collective	1,811,138
3.	**Custody and administration of securities**	
	a) third party securities on deposit associated with custodian bank transactions (excluding asset management)	-
	1. Securities issued by companies included in consolidation	-
	2. Other securities	-
	b) Other third party securities on deposit (excluding asset management)	104,318,856
	1. Securities issued by companies included in consolidation	32,660,570
	2. Other securities	71,658,286
	c) third party securities deposited with third parties	98,257,517
	d) own securities deposited with third parties	96,304,936
4.	**Other transactions**	
	4.1 Credit collection on behalf of third parties: debit and credit adjustments	
	a) Debit adjustments	13,997,049
	1. current accounts	52,161
	2. banking book	12,036,177
	3. cash	2,404
	4. other accounts	1,906,307
	b) Credit adjustments	14,713,283
	1. current accounts	147,526
	2. transfer of bills and notes	14,565,757
	4.2 Other transactions	
	a) Third party portfolios for collection	2,176,961
	b) Other	13,679,044



Part C – Information on the consolidated income statement

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

1.1 Interest income and similar revenues: breakdown

Item/Type	Debt securities	Loans	Other transactions	Total 31 12 2012	Total 31/12/2011*
1. Financial assets held for trading	141,632	55,556	171,842	369,030	575,405
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	815,120	-	-	815,120	766,913
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	46,978	58,648	1,671	107,297	192,508
6. Loans to customers	81,186	5,309,473	18,455	5,409,114	5,679,526
7. Hedging derivatives	x	x	-	-	-
8. Other assets	x	x	10,452	10,452	18,404
Total	**1,084,916**	**5,423,677**	**202,420**	**6,711,013**	**7,232,756**

**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.*

Line “1. Financial assets held for trading”, in the “Other transactions” column, includes the positive net total of spreads relating to derivatives connected with financial liabilities designated at fair value (fair value option), for an amount of EUR 171.8 mln.

Lines 4 and 5, “Loans to banks” and “Loans to customers”, in the “Debt securities” column, include interest income on treasury securities not listed in active markets and classified in these portfolios.

Line “7. Hedging derivatives”, “Other transactions” column: the amount indicated is zero because the difference between positive and negative spreads concerning derivatives classified as hedging derivatives according to hedge accounting rules is negative. Therefore, this difference was accounted for in Table 1.4, “Interest expense and similar charges: breakdown”, with details given in Table 1.5, “Interest expense and similar charges: spreads on hedging transactions” in this section.

Line “8. “Other assets”, in the “Other transactions” column, shows interest accrued on tax credits and other residual assets.

Interest other than that recognised in item 130 “Net impairment losses/reversals” and accrued during the year for positions that are classified as “non-performing”as at balance-sheet date totalled € 743 mln. This interest is calculated for financial assets measured at amortised costunder the effective interest rate method and is entered in different columns based on the original 'technical form'. Interest on arrears accrued during the year is posted to interest income only for the portion actually recovered. The portion of interest on arrears not recovered is written down and deducted directly from interest accrued. Any amounts recovered in subsequent years are treated as a write-back on receivables and recognised in Item 130 of the profit and loss statement, “Net impairment losses/reversals on loans”.

1.1.a Interest income and similar revenues: spreads on hedging derivatives under the fair value option

Items	Total 31 12 2012	Total 31 12 2011
Spreads	169,490	240,925

1.2 Interest income and similar revenues: spreads on hedging transactions

Information on spreads relating to hedging transactions is provided in Table 1.5.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in foreign currency

Items/Amounts	Total 31 12 2012	Total 31 12 2011
Interest income from financial assets denominated in foreign currency	67,298	60,837

1.3.2 Interest income from finance leases

Items/Amounts	Total 31 12 2012	Total 31 12 2011
Interest income from financial leasing	154,696	174,775

1.4 Interest expense and similar charges: breakdown

Item/Type	Deposits	Securities	Other transactions	Total 31 12 2012	Total 31/12/2011*
1. Deposits from central banks	(300,181)	x	-	(300,181)	(153,127)
2. Deposits from banks	(196,792)	x	(5,868)	(202,660)	(268,589)
3. Deposits from customers	(1,027,577)	x	-	(1,027,577)	(957,327)
4. Debt securities issued	x	(1,555,162)	(154)	(1,555,316)	(1,421,409)
5. Financial liabilities held for trading	(31,221)	-	-	(31,221)	(151,930)
6. Financial liabilities designated at fair value	-	(430,279)	-	(430,279)	(595,492)
7. Other liabilities	x	x	(7,625)	(7,625)	(37,212)
8. Hedging derivatives	x	x	(371,529)	(371,529)	(271,274)
Total	**(1,555,771)**	**(1,985,441)**	**(385,176)**	**(3,926,388)**	**(3,856,360)**

**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.*

Lines 2, "Deposits from banks" and 3, "Deposits from customers", in the "Deposits" column, include:

1. interest on payables under repurchase agreements on: treasury securities; securities obtained through repo transactions or securities lending; and securities from self-securitisations not recognised in the balance-sheet;
2. the expense relating to liabilities arising from the assignment of tax credits not derecognised in accordance with IAS 39 on derecognition of financial assets;

Line 4, "Securities in issue", indicates the interest expense accrued during the year on bonds and certificates of deposit valued at amortised cost. In particular, interest on Tremonti Bonds accrued in 2012 was posted to this item; for further information see table 3.1 Securities issued: breakdown and annual changes.

Line "6. "Financial liabilities designated at fair value", includes interest expense accrued on structured fixed-rate bonds issued and systematically hedged by derivative contracts under the fair value option.

1.4.a Interest expense and similar charges: spreads on hedging derivatives under the fair value option

Information on spreads on hedging derivatives used under the fair value option is provided in Table 1.1.a.

1.5 Interest expense and similar charges: spreads on hedging transactions

Items	Total 31 12 2012	Total 31 12 2011
A. Positive spreads on hedging transactions	911,727	1,045,711
B. Negative spreads on hedging transactions	(1,283,256)	(1,316,985)
C. Balance (A+B)	**(371,529)**	**(271,274)**

Total net spreads as at the end of 2012 were -EUR 371.5 mln, compared with EUR 271.2 mln as at the end of 2011. In line with its hedging objectives and consequent minimisation of risks in the banking book, the Group carries out both fair value and cash flow hedging transactions.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currency

Item/Amount	Total 31 12 2012	Total 31 12 2011
Interest expense on financial liabilities denominated in foreign currency	(37,599)	(78,379)

1.6.2 Interest expense on liabilities from finance leases

No values are shown in this table as no data is to be reported for either the current or the previous year.

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

2.1 Fee and commission income: breakdown

Type of service / Amount	Total 31 12 2012	Total 31 12 2011
a) guarantees issued	85,416	81,753
b) credit derivatives	-	-
c) management, brokerage and advisory services:	742,811	692,993
1. trading of financial instruments	16,150	13,631
2. currency trading	5,861	6,542
3. asset management	48,219	48,176
3.1 individual accounts	48,219	48,176
3.2. collective investment schemes	-	-
4. custody and administration of securities	9,607	11,221
5. custodian bank	1,588	1,737
6. placement of securities	52,539	45,903
7. client instructions	66,115	61,688
8. advisory on	15,463	20,873
8.1 investments	4,290	3,428
8.2 financial structure	11,173	17,445
9. distribution of third-party services	527,269	483,222
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	236,678	197,026
9.3 other products	290,591	286,196
d) collection and payment services	169,497	206,945
e) servicing of securitisations	650	1,053
f) factoring transaction services	20,661	22,072
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	695,050	693,237
j) other services	337,483	378,546
Total	**2,051,568**	**2,076,599**

An increase by EUR 39.6 mln was registered in fees on placement of insurance products from third parties (line 9.2).

Line i), "current-account keeping", contains the 'fee on the credit line amount granted' introduced pursuant to Article 2 bis of Legislative Decree no. 185 of 29.11.2008 transposed, as amended, into law no. 2 of 28.01.2009.

2.2 Fee and commission expense: breakdown

Type of service / Amount	Total 31 12 2012	Total 31 12 2011
a) guarantees received	(102,251)	(3,407)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(123,380)	(123,154)
1. trading of financial instruments	(22,068)	(22,450)
2. currency trading	(183)	(256)
3. asset management:	(1,518)	(1,363)
3.1 own portfolio	(12)	-
3.2 third-party portfolios	(1,506)	(1,363)
4. custody and administration of securities	(14,297)	(16,759)
5. placement of financial instruments	(29,233)	(31,955)
6. off-site marketing of financial instruments, products and services	(56,081)	(50,371)
d) collection and payment services	(18,251)	(18,133)
e) other services	(174,868)	(169,432)
Total	**(418,750)**	**(314,126)**

The EUR 98.8 mln increase in line "a) guarantees received" is attributable to fees and commissions paid by the Parent Company for the guarantee pledged by the Italian Government on bonds issued by the Bank (see notes to table "3.1 Debt securities issued: product breakdown".

Line “c) 6 “off-site marketing of financial instruments, products and services” includes fees and commissions paid to Financial Advisors.

Section 3 – Dividends and similar income – Item 70

3.1 Dividends and similar income: breakdown

Item/Income	31 12 2012			31 12 2011		
	Dividends	Income from units in UCITS	Total	Dividends	Income from units in UCITS	Total
A. Financial assets held for trading	53,376	337	53,713	84,879	129	85,008
B. Financial assets available for sale	5,207	3,938	9,145	14,983	5,706	20,689
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	-	x	-	-	x	-
Total	**58,583**	**4,275**	**62,858**	**99,862**	**5,835**	**105,697**

The table shows the amount of dividends received on shares traded within the trading book and non-controlling interest classified in the available-for-sale asset portfolio.

Conversely, dividends relating to the Group's subsidiaries and associates, consolidated line-by-line or under the equity method, are excluded.

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

4.1 Net profit (loss) from trading: breakdown

Transactions / P&L items	Capital Gains (A)	Trading Profit (B)	Capital Losses (C)	Trading Losses (D)	Net Profit (Loss) (A+B)-(C+D) 31.12.2012	Net Profit (Loss) (A+B)-(C+D) 31.12.2011
1. Financial assets held for trading	**408,494**	**332,206**	**(102,873)**	**(197,907)**	**439,920**	**(426,872)**
1.1 Debt securities	381,589	255,233	(80,070)	(79,584)	477,168	(219,401)
1.2 Equity instruments	9,607	54,518	(18,830)	(102,273)	(56,978)	(178,311)
1.3 Units of UCITS	13,542	11,073	(3,973)	(4,959)	15,683	(24,611)
1.4 Loans	3,756	463	-	(302)	3,917	(4,716)
1.5 Other	-	10,919	-	(10,789)	130	167
2. Financial liabilities held for trading	**3,287**	**65,089**	**(237,004)**	**(116,682)**	**(285,310)**	**167,288**
2.1 Debt securities	1,679	61,414	(231,992)	(111,314)	(280,213)	164,759
2.2 Deposits	-	-	-	-	-	-
2.3 Other	1,608	3,675	(5,012)	(5,368)	(5,097)	2,529
3. Other financial assets and liabilities: exchange differences	**x**	**x**	**x**	**x**	**23,930**	**27,863**
4. Derivatives	**5,484,747**	**13,449,681**	**(5,118,436)**	**(13,946,191)**	**(119,225)**	**28,781**
4.1 Financial derivatives:	4,051,985	11,810,919	(3,621,841)	(12,262,063)	(10,026)	15,548
- on debt securities and interest rates	3,939,488	10,422,315	(3,500,969)	(10,891,721)	(30,887)	(94,247)
- on equity instruments and stock indices	91,495	1,073,099	(100,962)	(1,064,698)	(1,066)	136,120
- on currency and gold	x	x	x	x	10,974	(46,269)
- other	21,002	315,505	(19,910)	(305,644)	10,953	19,944
4.2 Credit derivatives	1,432,762	1,638,762	(1,496,595)	(1,684,128)	(109,199)	13,233
Total	**5,896,528**	**13,846,976**	**(5,458,313)**	**(14,260,780)**	**59,315**	**(202,940)**

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

The table shows the profit and loss attributable to the portfolio of financial assets and liabilities held for trading, except for derivative contracts hedging financial instruments under the fair value option, whose valuation results are indicated in Part C, Section 7, "Net profit (loss) on financial assets and liabilities designated at fair value – Account 110" in these notes to the financial statements.

In line "3. Other financial assets and liabilities: exchange differences", the positive or negative balance of any changes in value of financial assets and liabilities denominated in currencies other than the trading currencies has been indicated in accordance with standard practice. For trading instruments, the effect resulting from any changes due to foreign exchange is not reported separately.

Section 5 – Net profit (loss) from hedging – Item 90

5.1 Net profit (loss) from hedging: breakdown

P&L items/Values	Total 31 12 2012	Total 31 12 2011
A. Gains on:		
A.1 Fair value hedging instruments	335,215	478,033
A.2 Hedged financial assets (fair value)	1,380,483	2,682,917
A.3 Hedged financial liabilities (fair value)	828	283
A.4 Cash-flow hedging derivatives	1,847	-
A.5 Assets and liabilities denominated in foreign currency	-	-
Total gains on hedging activities (A)	**1,718,373**	**3,161,233**
B. Losses on:		
B.1 Fair value hedging instruments	(1,505,206)	(2,812,308)
B.2 Hedged financial assets (fair value)	(21,841)	(27,240)
B.3 Hedged financial liabilities (fair value)	(185,431)	(353,852)
B.4 Cash-flow hedging derivatives	(2,841)	-
B.5 Assets and liabilities denominated in foreign currency	-	-
Total losses on hedging activities (B)	**(1,715,319)**	**(3,193,400)**
C. Net profit (loss) from hedging activities (A - B)	**3,054**	**(32,167)**

The table shows net profit/loss from hedging. It therefore includes the realised income components posted to the profit and loss statement resulting from the valuation of both assets and liabilities subject to hedging, and the relative hedging derivative contracts, including any foreign exchange differences. During the year, other hedging transactions were carried out against adverse changes in interest rate risk, exchange risk and credit risk, mainly for bonds classified in the available-for-sale asset portfolio and debt securities issued by the Group and posted to Item 30 of the Liabilities, “Debt securities issued”.

For information on hedging derivatives, the gains and losses on which are indicated in lines A.1 and A.4, B.1 and B.4 of this table, see Section 8, “Hedging derivatives – Item 80” of the Assets and Section 6, “Hedging derivatives – item 60” of the Liabilities in Part B of the notes to the financial statements.

More information on hedged assets and liabilities can be found in the tables in Part B of the notes for each section of the accounts to which hedges are posted.

Prospective and retrospective tests performed in 2012 in accordance with IAS 39 confirmed the effectiveness of hedging relationships.

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

6.1 Gains (losses) on disposal / repurchase: breakdown

Items / P&L items	Total 31/12/2012			Total 31/12/2011		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
1. Financial assets						
1. Loans to banks	8,372	(10,088)	(1,716)	23,995	(3,976)	20,019
2. Loans to customers	6,006	(37,951)	(31,945)	19,797	(28,406)	(8,609)
3. Financial assets available for sale	84,888	(22,494)	62,394	108,463	(37,366)	71,097
3.1 Debt securities issued	19,010	(14,001)	5,009	35,473	(19,965)	15,508
3.2 Equity instruments	30,493	(1,023)	29,470	65,839	(5,507)	60,332
3.3 Units of UCITS	35,385	(7,470)	27,915	7,151	(11,894)	(4,743)
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**99,266**	**(70,533)**	**28,733**	**152,255**	**(69,748)**	**82,507**
1. Financial liabilities						
1. Deposits from banks	3,216	-	3,216	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	212,125	(43,717)	168,408	79,515	(13,213)	66,302
Total liabilities	**215,341**	**(43,717)**	**171,624**	**79,515**	**(13,213)**	**66,302**

The table shows the net profit/loss arising on the disposal of financial assets other than those held for trading and those designated at fair value, and the net profit/loss arising on the repurchase of own financial liabilities.

With regard to financial liabilities, the repurchase of own liabilities is treated as advance repayment with derecognition of the financial instrument and subsequent realisation of gains or losses on repurchase.

The amount of EUR 168.4 mln posted to line "1. Financial liabilities – 3 Debt securities issued" represents the imbalance in gains (EUR 212.1 mln) and losses (EUR 43.7 mln) arising from the repurchase, in whole or in part, of fixed and floating rate issuances completed in the course of 2012 and recognised in item "30 - Debt securities issued" of the liabilities.

Section 7 – Net profit (loss) from financial assets and liabilities designated at fair value – Item 110

7.1 Net changes in financial assets and liabilities designated at fair value: breakdown

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)	Net Profit (Loss) (A + B)- (C + D)
					31 12 2012	31 12 2011
1. Financial assets	**-**	**-**	**-**	**-**	**-**	**-**
1.1 Debt securities issued	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Units of UCITS	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
2. Financial liabilities	**119,987**	**47,579**	**(137,141)**	**(8,717)**	**21,708**	**(30,845)**
2.1 Debt securities issued	119,987	47,579	(137,141)	(8,717)	21,708	(30,845)
2.2. Deposits from banks	-	-	-	-	-	-
2.3. Deposits from customers	-	-	-	-	-	-
3. Financial assets and liabilities	x	x	x	x	-	-
4. Credit and financial derivatives	**180,911**	**165,256**	**(82,043)**	**(168,496)**	**95,628**	**35,565**
Total	**300,898**	**212,835**	**(219,184)**	**(177,213)**	**117,336**	**4,720**

This item includes capital gains and losses originating from the fair-value measurement of financial liabilities classified in the fair value option portfolio and related hedging derivative contracts.

7.1.a Net profit (loss) from financial assets and liabilities designated at fair value under the fair value option

Type/Item	Capita Gains	Gains following disposal	Capital Losses	Losses following disposal	Net Profit (Loss)	
					31 12 2012	31 12 2011
Assets	-	-	-	-	-	-
Natural hedges through derivatives	-	-	-	-	-	-
Natural hedges through other financial instruments	-	-	-	-	-	-
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally on a fair value basis	-	-	-	-	-	-
Structured financial instruments	-	-	-	-	-	-
	-	-	-	-	-	-
Liabilities	**119,987**	**47,579**	**(137,141)**	**(8,717)**	**21,708**	**(30,845)**
Natural hedges through derivatives	119,987	47,579	(137,141)	(8,717)	21,708	(30,845)
Natural hedges through other financial instruments	-	-	-	-	-	-
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally	-	-	-	-	-	-
Structured financial instruments	-	-	-	-	-	-
	-	-	-	-	-	-
Financial derivatives	**180,911**	**165,256**	**(82,043)**	**(168,496)**	**95,628**	**35,565**
Natural hedges	180,911	165,256	(82,043)	(168,496)	95,628	35,565
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally	-	-	-	-	-	-
	-	-	-	-	-	-
Credit derivatives	-	-	-	-	-	-
Natural hedges	-	-	-	-	-	-
Other types of accounting mismatches	-	-	-	-	-	-
Financial asset portfolios managed internally	-	-	-	-	-	-
	-	-	-	-	-	-
Total	**300,898**	**212,835**	**(219,184)**	**(177,213)**	**117,336**	**4,720**

7.1.b Changes in fair value of financial liabilities (FVO) arising from changes in own creditworthiness

31 12 2012

Type/Item	In the year			Cumulative		
	Capital Losses	Capital Gains	Net Profit (Loss)	Capital Losses	Capital Gains	Net Profit (Loss)
Changes in fair value of fair valued financial liabilities due to changes in own credit risk	-	99,532	99,532	-	129,415	129,415

Changes in the fair value of liabilities issued due to changes in own creditworthiness are 'immunised' for the purpose of regulatory capital quantification.

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

8.1 Net impairment losses (reversals) on loans: breakdown

Transactions / P&L items	Value adjustments			Write-back				Total	Total
	Specific		Portfolio	Specific		Portfolio			
	Write-off	Others		A	B	A	B	31 12 2012	31 12 2011
A. Loans to banks	-	(633)	(10,547)	114	87	-	211	(10,768)	1,071
- Loans	-	(633)	(1,441)	114	87	-	211	(1,662)	3,966
- Debt securities	-	-	(9,106)	-	-	-	-	(9,106)	(2,895)
B. Loans to customers	(52,217)	(3,209,580)	(108,460)	384,479	229,208	-	100,790	(2,655,780)	(1,296,861)
Non-performing loans purchased	-	-		-	-	-		-	-
- Loans	-	-	X	-	-	-	X	-	-
- Debt securities	-	-	X	-	-	-	X	-	-
Other receivables	(52,217)	(3,209,580)	(108,460)	384,479	229,208	-	100,790	(2,655,780)	(1,296,861)
- Loans	(52,217)	(3,209,580)	(102,251)	384,479	229,208	-	100,252	(2,650,109)	(1,278,976)
- Debt securities	-	-	(6,209)	-	-	-	538	(5,671)	(17,885)
C. Total	**(52,217)**	**(3,210,213)**	**(119,007)**	**384,593**	**229,295**	**-**	**101,001**	**(2,666,548)**	**(1,295,790)**

Key

A = From interest

B = Other reversals

This item includes losses and reversals recognised for the impairment of financial instruments allocated to the portfolios of loans to customers and loans to banks. In particular, the "Write-offs" column shows losses recorded in relation to the derecognition of financial instruments, whereas the "Other" column includes specific write-downs on non-performing loans subject to analytical valuation. Portfolio value adjustments were quantified with reference to 'performing' financial instruments.

Column A (specific reversals) incorporates the reversals represented by interest released on non-performing positions valued at amortised cost and interest on arrears recovered and written down in the year in which it was accrued.

The increase in value adjustments to "Other loans to customers – loans", amounting to EUR 1,290.9 mln, is primarily due to the increase in specific write-downs on doubtful and substandard positions. The persisting impact of the crisis and uncertainties over the prospects for recovery in the demand for loans have in fact been accompanied by the application of particularly prudential criteria for the assessment of bad debt recoverability, in accordance -inter alia- with the Bank of Italy's recommendations for the Banking System.

For further information on loans to banks and customers, see Section 1, "Credit risk" in Part E of the notes to the financial statements.

8.2 Net impairment losses (reversals) on financial assets available for sale: breakdown

Transactions / P&L items	Value Adjustments		Write-backs		Total	Total
	Specific		Specific		31 12 2012	31 12 2011
	Write-offs	Others	A	B		
A. Debt securities issued	-	(6,570)	-	1,164	(5,406)	(3,243)
B. Equity instruments	-	(143,607)	X	X	(143,607)	(63,098)
C. Units in UCITS	-	(58,727)	X	-	(58,727)	(55,378)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(208,904)**	**-**	**1,164**	**(207,740)**	**(121,719)**

Key

A = From interest

B = Other reversals

8.3 Net impairment losses (reversals) on financial assets held to maturity: breakdown

This table was not filled out as these value adjustments were not present in 2012 or in the year of comparison for the Group.

8.4 Net impairment losses (reversals) on other financial transactions: breakdown

Transactions / P&L items	Value adjustments			Write-backs				Total	Total
	Specific		Portfolio	Specific		Portfolio		31 12 2012	31 12 2011
	Write-offs	Others		A	B	A	B		
A. Guarantees issued	-	(5,197)	(3,394)	-	1,947	-	2,417	(4,227)	(10,872)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	(241)	(626)	-	16	-	16	(835)	839
D. Other transactions	-	(719)	-	-	-	-	-	(719)	(4,445)
E. Total	**-**	**(6,157)**	**(4,020)**	**-**	**1,963**	**-**	**2,433**	**(5,781)**	**(14,478)**

This item shows impairment losses/reversals (against expected loss) on guarantees issued, if executed.

Section 9 – Net premiums – Item 150

The tables in this section were not completed since the Group has no net premiums to report for either the current or previous year.

Section 10 – Other net insurance income/expense – Item 160

The tables in this section were not completed since the Group has no insurance management activities to report or either the current or previous year.

Section 11 – Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Type of Expense / Area	Total 31 12 2012	Total 31/12/2011*
1. Employees	(2,274,775)	(2,140,844)
a) wages and salaries	(1,413,735)	(1,479,084)
b) social-welfare charges	(392,938)	(434,774)
c) severance pay	(72,824)	(102,450)
d) social security expenses	-	(1)
e) provision for staff severance pay	(6,518)	(7,789)
f) pension fund and similar obligations:	(2,370)	(2,706)
- defined contribution	(637)	(822)
- defined benefit	(1,733)	(1,884)
g) contributions to external pension funds:	(43,505)	(43,726)
- defined contribution	(38,638)	(37,537)
- defined benefit	(4,867)	(6,189)
h) costs related to share-based payments	-	-
i) other employee benefits	(342,885)	(70,314)
2. Other staff	(1,583)	(2,159)
3. Directors and Statutory Auditors	(6,057)	(7,430)
4. Retired personnel	(7,221)	(7,235)
Total	**(2,289,636)**	**(2,157,668)**

**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.*

Linef) "pension fund and similar obligations" includes amounts set aside for internal funds, while line g) "contributions to external pension funds" includes contributions paid and adjustments made to external pension funds.

Line i) "Other employee benefits" includes employee incentives for employment termination for an amount of EUR 304.9 mln.

11.2 Average number of employees by category

Category / Average Number	31 12 2012	31 12 2011
Employees:	30,266	31,542
a) executives	440	519
b) middle managers	11,714	11,946
c) remaining staff	18,112	19,077
Other personnel	116	8
Total	**30,382**	**31,550**

The Parent Company and the Trade Unions (FABI, FIBA, UGL e UILCA), in implementing the agreement on the Business Plan reached between the same parties on 19 December 2012, determined the acceptance of all applications from the employees for admission to the Solidarity Fund. Further to the determinations by the Board of Directors of the Parent Company, a total of 1,660 employees will leave employment earlier in 2013 with support from the social scheme for the banking industry, thereby benefitting from the incentives provided for by the Union Agreement.

11.3 Defined-benefit pension funds: total cost

Items/Amounts	31 12 2012			31 12 2011		
	Defined-benefit company pension funds		Provision for staff severance pay	Defined-benefit company pension funds		Provision for staff severance pay
	Internal pension plans	External pension plans		Internal pension plans	External pension plans	
Current service cost (+)	(198)	(2,677)	(723)	(60)	(2,864)	(1,431)
Financial charges (+)	(5,710)	(18,547)	(2,906)	(6,221)	(18,211)	(4,397)
Expected return on plan assets (-)	5,380	19,680	-	5,578	18,632	-
Third party reimbursements (-)	-	-	-	-	-	-
Actuarial gains and losses (±)	-	(4,067)	(2,889)	(1,210)	(10,534)	(1,961)
Social security cost in relation to past employment service (+)	-	-	-	(289)	-	-
Effect of any plan curtailments (±)	-	-	-	-	-	-
Effect of any plan settlements (±)	-	-	-	-	-	-
Effect of recognition of assets (+)	(1,205)	744	-	318	-	-
Total	**(1,733)**	**(4,867)**	**(6,518)**	**(1,884)**	**(12,977)**	**(7,789)**

11.4 Other employee benefits

No information to report pursuant to sections 131, 141 and 142 of IAS 19.

11.5 Other administrative expenses: breakdown

Items/Amounts	31 12 2012	31 12 2011
Stamp duties	(182,442)	(180,336)
Indirect taxes and duties	(35,790)	(50,797)
Municipal immovable property tax	(8,989)	(3,711)
Subscription and purchase of publications	(894)	(1,059)
Property rentals	(267,655)	(265,041)
Cleaning service contracts	(24,946)	(25,289)
Insurance	(22,419)	(28,084)
Rentals	(45,403)	(50,508)
Remuneration of external professionals	(105,951)	(106,419)
Third-party data processing	(77,468)	(63,026)
Title searches and land registry surveys	(7,418)	(8,135)
Lease of equipment	(65,126)	(52,580)
Utilities	(49,918)	(45,709)
Maintenance of movable and immovable properties (used in the business)	(30,282)	(35,800)
Data transmission rental	(25,877)	(32,022)
Postage	(55,032)	(56,769)
Advertising, sponsorships and promotions	(42,669)	(57,691)
Membership dues	(6,238)	(7,464)
Reimbursement of employee car and travel expenses	(26,482)	(18,620)
Security services	(49,079)	(53,656)
Software	(81,706)	(66,086)
Corporate entertainment expenses	(4,630)	(8,006)
Expenses for non-rented investment real estate	(1,496)	(1,688)
Printing and stationery	(9,197)	(11,072)
Telephone, telefax and telegraph	(11,171)	(14,046)
Transportation	(47,663)	(49,604)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(6,659)	(8,465)
Others	(84,822)	(73,747)
Total	**(1,377,422)**	**(1,375,430)**

Line “Advertising, sponsorships and promotions" for an amount of EUR 42.7 mln includes advertising, events and printing (EUR 13.3 mln), sponsorships and promotions (EUR 28,6 mln) and other communication expenses (EUR 0.7 mln).

Section 12 – Net provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

Items/Amounts	31 12 2012				31 12 2011			
	Legal disputes	Personnel costs	Others	Total	Legal disputes	Personnel costs	Others	Total
Provisions for the year	(64,662)	(7,822)	(228,537)	(301,021)	(71,542)	(876)	(189,209)	(261,627)
Write-backs	5,779	-	10,318	16,097	3,962	8,154	2,592	14,708
Total	**(58,883)**	**(7,822)**	**(218,219)**	**(284,924)**	**(67,580)**	**7,278**	**(186,617)**	**(246,919)**

The line "Provisions for risks and charges" is negative by EUR 301.0 mln; of this, EUR 64.7 mln relates to legal disputes.

Changes due to the time value of money are included in "Provisions for the year" and show the amount of “time value” accrued during the year due to the expected imminent maturity of the estimated liability.

Section 13 – Net losses (reversals) on property, plant and equipment – Item 200

13.1 Net losses (reversals) on property, plant and equipment: breakdown

Assets / P&L items	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net Profit (loss) (a+b-c) 31 12 2012	Net Profit (loss) (a+b-c) 31 12 2011
Tangible assets					
A.1 Owned	(72,797)	(3,309)	190	(75,916)	(81,730)
- used in the business	(68,279)	(1,660)	190	(69,749)	(68,722)
- held for investment	(4,518)	(1,649)	-	(6,167)	(13,008)
A.2 Leased	-	-	-	-	-
- used in the business	-	-	-	-	-
- held for investment	-	-	-	-	-
Total	**(72,797)**	**(3,309)**	**190**	**(75,916)**	**(81,730)**

Property and equipment with a finite life is tested for impairment.

Section 14 – Net adjustments to (recoveries on) intangible assets – Item 210

14.1 Net adjustments to (recoveries on) intangible assets: breakdown

Assets / P&L items	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (loss) (a+b-c) 31 12 2012	Net profit (loss) (a +b-c) 31 12 2011
Intangible assets					
A.1 Owned	(152,222)	(167,476)	-	(319,698)	(486,294)
- generated internally by the company	(38,899)	(49,563)	-	(88,462)	(37,847)
- other	(113,323)	(117,913)	-	(231,236)	(448,447)
A.2 Leased	-	-	-	-	-
Total	**(152,222)**	**(167,476)**	**-**	**(319,698)**	**(486,294)**

Amortisation mainly relates to software held by the MPS Group Operating Consortium and finite life intangible assets identified during the PPA process for subsisiary Biverbanca and former subsidiary Banca Antonveneta.

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

15.1 Other operating expenses: breakdown

Items/Amounts	Total 31/12/12	Total 31/12/2011*
Costs of robberies	(6,847)	(7,094)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(23,591)	(28,833)
Other expenses on real estate (real estate inventory)	(583)	(43)
Cost of financial lease transactions	(17,537)	(13,637)
Other	(98,761)	(211,692)
Total	**(147,319)**	**(261,299)**

**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 12 2012	Total 31 12 2011
Rents from investment real estate	15,967	16,521
Other revenues from real estate (real estate inventory)	3,801	136
Recovery of taxes	186,246	189,967
Recovery of insurance premiums	11,925	24,178
Income from financial lease transaction	8,211	6,132
Other	142,747	114,583
Total	**368,897**	**351,517**

The amount EUR 142.7 mln classified under “Other” includes the “fast-track facility fee” introduced by Law Decree 201/2011 (“Save Italy Decree”) amountiing to EUR 39.5 mln.

Section 16 – Gains (losses) on investments – Item 240

16.1 Gains (losses) on investments: breakdown

P&L items/Sectors	Total 31 12 2012	Total 31 12 2011
1) Jointly owned companies		
A. Income	-	-
1. Revaluations	-	-
2. Gains on disposal	-	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	-	-
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**-**	**-**
2) Companies subject to significant influence		
A. Income	93,061	90,992
1. Revaluations	92,102	90,279
2. Gains on disposal	824	-
3. Write-backs	-	-
4. Other income	135	713
B. Expense	(93,865)	(81,228)
1. Write-downs	(13,748)	(6,502)
2. Impairment losses	(80,117)	(74,726)
3. Losses on disposal	-	-
4. Other expenses	-	-
Net Profit (Loss)	**(804)**	**9,764**
3) Subsidiaries		
A. Income	8	-
1. Revaluations	-	-
2. Gains on disposal	8	-
3. Write-backs	-	-
4. Other income	-	-
B. Expense	(3)	(4,580)
1. Write-downs	-	-
2. Impairment losses	-	-
3. Losses on disposal	(3)	(4,580)
4. Other expenses	-	-
Net Profit (Loss)	**5**	**(4,580)**
Total	**(799)**	**5,184**

As for item "2) Companies subject to significant influence", it is noted that: line 2 "Impairment losses" contains write-downs on stakes in associates. Write-downs recognised in 2012 include those relating to Banca Popolare di Spoleto for EUR 33.1 mln, Asset Management Holding S.p.a. for EUR 14.3 mln, Antoniana Veneta Popolare Vita S.p.a. for EUR 9.4 mln, Sansedoni Siena S.p.a. for EUR 6.2 mln and MP Venture for EUR 5.5 mln.

For further information on the methodology for determining impairment losses, please see section 10.3, part B, of these notes to the financial statements.

Section 17 – Net gains (losses) on tangible and intangible assets measured at fair value – Item 250

The tables for this section were not completed since the Group has no tangible and intangible assets carried at fair value to report for either the current or previous year.

Section 18 – Impairment on goodwill – Item 260

18.1 Impairment on goodwill: breakdown

Items/Amounts	Total 31 12 2012	Total 31 12 2011
Impairment on goodwill	(1,528,000)	(4,034,832)

Owing to its indefinite or unlimited useful life, goodwill is tested at the end of each year to asses whether its carrying value is fairly stated or recoverable. The test resulted in an impairment loss of EUR 1,528 mln being reported for goodwill allocated to the various CGUs (cash generating units). For additional information concerning the methods for conducting impairment tests, see the appropriate section in Part B of the Notes to the Financial Statements – Information on the Balance Sheet – Section 12.1 of Assets – Intangible Assets: breakdown by type.

Section 19 – Gains (losses) on disposal of investments – Item 270

19.1 Gains (losses) on disposals of investments: breakdown

P&L items/Sectors	Total 31 12 2012	Total 31 12 2011
A. Property	7,261	34,457
- Gains on disposal	7,261	34,457
- Losses on disposal	-	-
B. Other assets	4	176
- Gains on disposal	39	177
- Losses on disposal	(35)	(1)
Net Profit (Loss)	**7,265**	**34,633**

Section 20 – Tax expense (recovery) on income from continuing operations – Item 290

20.1 Tax expense (recovery) on income from continuing operations: breakdown

P&L items/Sectors	Total 31 12 2012	Total 31/12/2011*
1. Current tax (-)	(198,073)	(604,956)
2. Adjustments to current tax of prior years (+/-)	135,064	(167,123)
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	1,204,749	-
4. Changes in prepaid taxes (+/-)	(690,432)	791,820
5. Changes in deferred taxes (+/-)	13,225	16,187
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**464,533**	**35,928**

**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.*

Line 2 "Adjustment to current tax of prior years" was positively impacted by the recognition of EUR 125,3 mln in tax credits following a request for reimbursement under art. 2 of Law Decree 201/2011, which recognised the corporate income tax (IRES) deductibility of the regional productivity tax (IRAP) due on the taxable share of personnel expenses.

Line 3.bis "Reduction in current tax for the period due to tax credits under Law 214/2011" represents the positive component corresponding to the tax credit generated by the conversion of deferred tax assets, following the recognition of loss for 2011 for the Parent Company and Banca Antonveneta S.p.A. and the Parent Company's fiscal loss for 2011.

Line 4 "Changes in deferred tax assets" was affected by the reduction of EUR 1,204.7 mln in deferred tax assets owing to the conversion referred to in point 3bis above, partially offset by the deferred tax assets for the year relating primarily to the loan loss provisions and taxed provisions to the reserve for risks and charges.

20.2 Reconciliation of theoretical to actual tax charge

Items/Amounts	31 12 2012	31/12/2011*
(A) Pre-tax profit (loss) from continuing operations	(3,667,259)	(4,521,835)
(B) Pre-tax profit (loss) from groups of assets held for sale	15,205	(207,370)
(A+B) Pre-tax profit (loss)	**(3,652,054)**	**(4,729,205)**
Current rate of corporate income tax (IRES)	27.5	27.5
Theoretical tax rate	**1,004,315**	**1,300,531**
Permanent differences	(465,802)	(1,287,122)
Other	61,599	24,523
Regional tax on productivity (IRAP) - ordinary rate	(139,977)	(6,530)
Income taxes for the year	**460,135**	**31,402**
of which:		
Taxes on income from continuing operations	464,533	35,927
Taxes on the income of groups of assets held for sale	(4,398)	(4,525)

**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 "Permanent differences" reflects the effect of changes made to the profit (loss) in the income statement to determine IRES taxable income .

- With respect to increases, the amount refers primarily to: the impairment loss provision taken on goodwill in 2012; nondeductible interest expense (Art. 96 of the Income Tax Act, TUIR); and losses from disposal or valuation of PEX equity investments;
- With respect to decreases, the amount relates mainly to the portion of dividends exempt from taxation (Art. 89 of the Income Tax Act), tax exemption of capital gains arising from the disposal of existing PEX equity investments (Art. 87 of the Income Tax Act) and deduction of IRAP. In this regard, it should be noted that the interest expense accrued in 2012 on the Tremonti Bonds issued by the Parent Company and included in item 20 "Interest expense and similar charges" in the consolidated income statement (see Section 3 "Debt securities issued – item 30") was considered significant for IRES and IRAP purposes, within the limits provided by art. 96 of the Income Tax Act (TUIR) and art. 6 of Law Decree 446/1997, in view of the revised interest payment terms which led to their classification as debt instruments according to art. 44 para. 2 of the Income Tax Act.

The line "Other" mainly reflects the positive effect from the recognition of EUR 125.3 mln in tax credits following the request for reimbursement, pursuant to art. 2 of Law Decree 201/2011.

Section 21 – Profit (loss) after tax from groups of assets held for sale and discontinued operations – Item 310

21.1 Profit (loss) after tax from groups of assets / liabilities held for sale and discontinued operations: breakdown

P&L items/Sectors	Total 31 12 2012	Total 31 12 2011
1. Income	215,626	286,549
2. Expense	(200,536)	(508,462)
3. Profit (loss) from valuation of groups of assets and related liabilities	-	-
4. Profit (loss) from disposal	115	14,543
5. Taxes and duties	(4,398)	(4,525)
Profit (Loss)	**10,807**	**(211,895)**

No groups of assets/liabilities held for sale were classified during the year.

21.2 Breakdown of income taxes on groups of assets/liabilities held for sale and discontinued operations

	Total 31 12 2012	Total 31 12 2011
1. Current taxes (-)	(9,862)	(17,884)
2. Changes in prepaid taxes (+/-)	2,032	495
3. Changes in deferred taxes (+/-)	3,432	12,864
4. Income taxes for the period (-1 +/-2 +/-3)	**(4,398)**	**(4,525)**

Section 22 – Profit (loss) for the period attributable to non-controlling interests – Item 330

The tables for this section have not been completed since for the current year and year of comparison, there was no profit (loss) for the period attributable to non-controlling interests for the Group.

Section 23 – Other information

No additional disclosure to that presented in accordance with the international accounting standards and Circular letter no. 262 of the Bank of Italy is required.

Section 24 – Earnings per Share (EPS)

24.1 Reconciliation of weighted average number of ordinary shares outstanding

Items/Amounts	31 12 2012	31 12 2011
Weighted average number of ordinary shares outstanding (+)	11,462,827,047	8,137,196,950
Dilutive effect from put options sold (+)	-	-
Dilutive effect from ordinary shares to be assigned as a result of treasury share-based	-	-
Dilutive effect from convertible liabilities (+)	-	-
Dilutive effect from convertible liabilities (+)	-	-
Weighted average number of ordinary shares outstanding by diluted earnings per share	**11,462,827,047**	**8,137,196,950**

The table reports the effects from disposal of the 60.42% shareholding in Cassa di Risparmio di Biella e Vercelli S.p.A. to Cassa di Risparmio di Asti completed on 28 December 2012. These effects include both the 2012 profit and loss of Biverbanca and the profit from disposal; as required by IFRS 5 the comparative P&L data was also restated.

24.2.a Reconciliation of net profit (loss) for the period – numerator for basic earnings per share

Item/Amount	31 12 2012			31/12/2011*		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Net Profit (Loss)	(3,202,088)	31,753	(3,170,335)	(4,572,997)	(121,342)	(4,694,339)
Profit (loss) attributable to other types of shares	-	-	-	274,322	7,279	281,601
Net profit (loss) attributable to ordinary shares - numerator for basic earnings per share	**(3,202,088)**	**31,753**	**(3,170,335)**	**(4,298,675)**	**(114,063)**	**(4,412,738)**

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

24.2.b Reconciliation of net profit (loss) for the period – numerator for diluted earnings per share

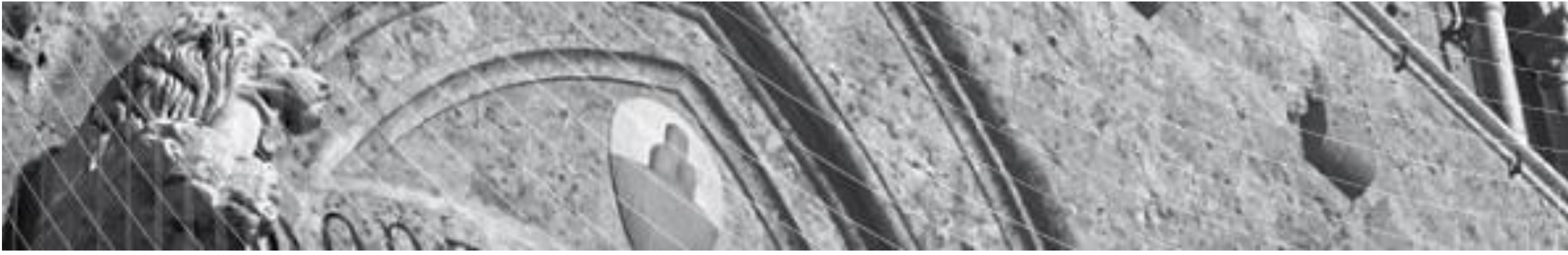
Item/Amount	31 12 2012			31/12/2011*		
	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company	Relating to continuing operations and pertaining to the Parent Company	Relating to discontinued operations and pertaining to the Parent Company	Total pertaining to the Parent Company
Net Profit (Loss)	(3,202,088)	31,753	(3,170,335)	(4,572,997)	(121,342)	(4,694,339)
Dilutive effect from convertible liabilities	-	-	-	-	-	-
Profit (loss) attributable to other types of shares	-	-	-	274,322	7,279	281,601
Interest expenses on convertible instruments (+)	-	-	-	-	-	-
Other (+/-)	-	-	-	-	-	-
Net profit (loss) attributable to ordinary shares - numerator for diluted earnings per share	**(3,202,088)**	**31,753**	**(3,170,335)**	**(4,298,675)**	**(114,063)**	**(4,412,738)**

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

24.2.c Basic and diluted earnings per share

Item/Amount	31 12 2012			31/12/2011*		
	Relating to continuing operations and pertaining to the Parent Company	**Relating to discontinued operations and pertaining to the Parent Company**	**Total pertaining to the Parent Company**	**Relating to continuing operations and pertaining to the Parent Company**	**Relating to discontinued operations and pertaining to the Parent Company**	**Total pertaining to the Parent Company**
Basic Earnings per Share	(0.279)	0.003	(0.276)	(0.528)	(0.014)	(0.542)
Diluted Earnings per Share	(0.279)	0.003	(0.276)	(0.528)	(0.014)	(0.542)

**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.*



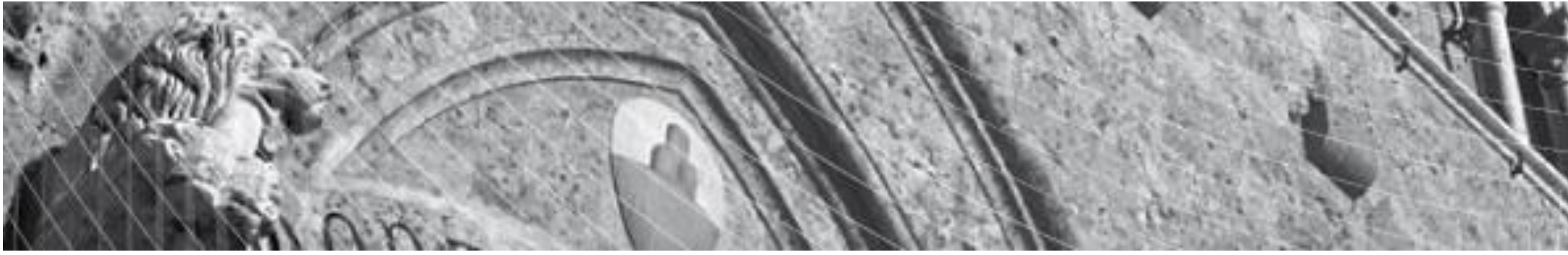
Part D – Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

31.12 2012

	Items	Gross	Income Tax	Net
10	**Profit (loss) for the period**	**(3,652,054)**	**460,135**	**(3,191,919)**
	Other income components			
20	Financial assets available for sale:	2,305,954	(778,704)	1,527,250
	a) changes in fair value	2,336,996	(729,231)	1,607,765
	b) reversal to profit and loss	311,106	(70,318)	240,788
	- impairment provisions	208,904	(36,048)	172,856
	- realised net gains/losses	102,202	(34,270)	67,932
	c) other changes	(342,148)	20,845	(321,303)
30	Tangible assets	-	-	-
40	Intangible assets	-	-	-
50	Hedges of foreign investments:	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit and loss	-	-	-
	c) other changes	-	-	-
60	Cash flow hedges:	(62,428)	20,472	(41,956)
	a) changes in fair value	(1,735)	515	(1,220)
	b) reversal to profit and loss	-	-	-
	c) other changes	(60,693)	19,957	(40,736)
70	Exchange differences:	(1,604)	597	(1,007)
	a) changes in fair value	-	-	-
	b) reversal to profit and loss	-	-	-
	c) other changes	(1,604)	597	(1,007)
80	Non-current assets classified as held for sale	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit and loss	-	-	-
	c) other changes	-	-	-
90	Actuarial gains (losses) on defined benefit plans	-	-	-
100	Share of valuation reserves of equity investments valued at equity:	74,621	(27,203)	47,418
	a) changes in fair value	79,041	(28,486)	50,555
	b) reversal to profit and loss	(5,785)	1,743	(4,042)
	- impairment provisions	351	(120)	231
	- realised net gains/losses	(6,136)	1,863	(4,273)
	c) other changes	1,365	(460)	905
110	**Other income components**	**2,316,543**	**(784,838)**	**1,531,705**
120	**Total comprehensive income (Account 10 + 110)**	**(1,335,511)**	**(324,703)**	**(1,660,214)**
130	Consolidated comprehensive income attributable to non-controlling interests	(114,322)	6,613	(107,709)
140	**Consolidated comprehensive income attributable to Parent Company**	**(1,221,189)**	**(331,316)**	**(1,552,505)**

Compared to the P&L result for the year, the comprehensive income benefitted from the positive change in the AFS reserve, mostly due to the reduction in credit spreads on Italian government bonds.



Part E – Information on risks and hedging policies

As required by law (BoI Circular no. 263 of 27 December 2006, Title IV), the Pillar 3 (of Basel 2) public disclosure will be published on the Montepaschi Group's website www.mps.it/Investor+Relations.

Section 1 – Credit Risk

Qualitative Information

1. General

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.

2. Credit risk management policies

2.1 Organisational aspects

During the year, 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 Large Corporate clients, 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.

As its distinctive mission, the "new" 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.

The Credit Division is organised into the following units:

- Credit Performance Monitoring staff;
- 'Credit Facilities' Area, which comprises the 'Loan Granting' service, 'Distressed Credit Risk Management" service and 'Credit Quality" service.
- 'Specialised Credit Processes and Services' Area, made up of the 'Special-purpose Loans and Securitisations' service and the 'Credit Policies and Rating Agencies Coordination' service.
- Group Risk and Loan Restructuring Area, including the "Special Intervention Staff", "Groups and Country Risk Monitoring service" and "Loan Restructuring service".

The setting up of the Credit Facility Area allows for an easier transmission of credit-related input to the branches and centralised control over loans granted.

The Specialised Credit Processes and Systems continued to upgrade the customer loan disbursement and monitoring processes.

Within the Group Risk and Restructuring Area, in 2012 the specific Loan Restructuring service continued its strong commitment to following up on the restructuring of corporate clients in financial difficulty. Particular focus was given to the operational consequences of new debt crisis solution tools for companies which were introduced by the bankruptcy law amendments adopted during the year.

The processes outlined by the Parent Company are rolled out to all banks (whose organisation includes a special Function for loan disbursement and management) through well defined units which are duly delegated through a discretionary limit system authorised by the Board of Directors and adopted by the individual banks in accordance with current regulations on this matter.

All units involved, within their areas of competence as defined on the basis of customer segmentation and customer risk profiles, are called to grant/manage credit and monitor credit risk, using appropriate procedures (based on the internal rating system) to determine the borrower's creditworthiness, file the credit facility application, follow up on changes in the account over time and predict any emerging non-performing situations.

Credit quality, which is determined in accordance with Supervisory guidance, is constantly monitored by central and outer units. Additionally, in order to obtain an increasingly more precise monitoring and introduce appropriate actions in this area, 'Distressed Credit Quality and Risk' task forces were put in place in the second part of 2012, to carry out operational management activities in the branch network for credit positions that are characterised by specific vulnerabilities.

The management and recovery of positions transferred to the doubtful loans portfolio are assigned by the banks to the Group company specialising in this area (MPS Gestione Crediti Banca S.p.A.).

2.2. 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 Group to adopt the following credit risk measures needed to calculate regulatory capital (AIRB approach): Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The new methodology with the greatest impact on risk measurements is "Probability of Default", which is a reflection of the borrower's rating, meaning its ability to meet obligations assumed over a time horizon of one year. Thus, a rating is a probability-based approach to risk assessment, and represents a projection of portfolio quality that forms a part of daily processes of credit facility assessment, loan management and pricing, as well as of the procedures used to determine loan loss provisions and reports used by management

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

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

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

2.2.1 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.

In particular, for each geo-sectoral business grouping, the following is assessed:

- the level of "attractiveness" based on the growth and risk prospects estimated from system data, which is then used to determine the allocation to the various business sectors of the expected net growth flows (as defined during the budgeting process for each individual business unit);
- the "positioning" of the Group in terms of market risk and market shares with respect to the banking system; on this basis, the operating practices are set out which are needed to obtain the expected growth level (re-qualification required, internal or external development);
- the geographical breakdown of prospective customers, for risk levels to be in line with the credit policies put in place to support lending.

The process culminates in the approval of the credit policy guidelines by the Board of Directors and consequent review of the internal regulatory framework of reference.

In the course of 2012, the loan portfolio growth forecasts -both "trend" (i.e. non-guided) and "target" (i.e. guided by credit policies)- for 2013 were set out and formalised in collaboration with the Planning Area, within the framework of the overall budgeting process.

2.2.2 Disbursement processes

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

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

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

The assessment and approval methods implemented in the P.E.F. reflect the principles and rules of the internal rating system. Thus, methods differ depending on whether the customer is an individual/consumer (retail) or a business (a corporation with revenues under € 2.5 million, or a corporation with revenues over € 2.5 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 2012, modifications were made to credit risk assumption processes in order to support the organisational changes affecting both network and head office units.

The network was in fact involved in the centralisation of credit units in the Regional Areas, while the Head Office was affected by the centralisation of credit-related functions under a single credit division (until 2012, central credit offices were instead subdivided by markets o reference).

2.2.3 Monitoring processes

As to post-disbursement management and monitoring of the loan book, the branch network uses the "Credit Monitoring" process, which replaced the “Loan Performance Management” process at the beginning of 2012. Replacement was accompanied by a training programme for over 5,000 employees.

The Credit Monitoring process 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 factors in and is reflective of a set of critical elements including the worsening of certain leading indicators, ratings, information on related counterparties and days past due (with thresholds being differentiated by customer segments and amounts used).

'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:

1. a 'Mass Retail' procedure for 'Retail Family' and 'Small Business' clients: for certain positions of a relatively low amount without sales targets, it is possible to control the recovery process externally by mandating this task to a specialised credit collection bureau managed by MPS Gestione Crediti;
2. a 'Standard Retail' procedure for Retail, Affluent and Private customers, as well as small-sized businesses with limited exposure which, by reason of their type of exposure, cannot be managed by the external credit collector and need to be followed by the branch;
3. a dedicated Corporate procedure for corporate customers.

In addition, the process integrates the algorithms for simplified (automatic) renewal of loan files that do not show any increase in risk levels.

2.3 Credit risk mitigation techniques

The loan book forecasts for 2012 ('development over time' and 'targets') have been developed. These estimates are the result of a well-established model which is subject to regular methodological fine-tuning and upgrading cycles by the Credit Policies and Planning Area and is organised into the following phases:

- analysis of the current portfolio, which has the aim of singling out the main factors that contribute to risk and identifying the most effective measures to contain expected loss. In addition, the portfolio's "degree of rigidity" is assessed; this is affected by the level of medium and long-term exposure and the existence of sectoral concentrations which could affect portfolio quality;
- estimate of the loan book trend and cost of credit for 2012 given certain sales and risk targets in the absence of credit policies;
- definition of credit policy measures deemed necessary to contain cost of credit and future risk; thus, the determination of credit policy actions is guided by the need to reconcile the portfolio's projected risk trends with the restrictions of Economic Capital and Expected Loss assigned to credit risk as part of the Capital Allocation process. In operational terms, for the allocation of new disbursements and the management of existing credit facilities, guidance is formulated on the basis of the assigned rating, customer segment, business sector, geographical area and type of facility.

2.4 Non-performing financial assets

The Credit Division oversees the process for the definition, updating and usage of non-performing loan assessment criteria, availing itself of the Loan Performance Monitoring Staff. 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.

On a monthly basis, the Staff proceeds with calculation of collective impairment and validation of analytical impairment of doubtful, substandard and restructured loans of the Group's networks and companies.

It is further noted that the MPS Group does not purchase any non-performing loans, and management of "captive" loans transferred to the doubtful loans portfolio is a service assigned to MPS Gestione Crediti Banca Spa.

On 27 December 2012, non-performing loans were purchased from Cassa di Risparmio di Biella e Vercelli (Biverbanca) by the Parent Company, as part of wider agreements concerning shareholding disposal to Cassa di Risparmio di Asti.

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 companies		Total
	Doubtful loans	Substandard loans	Restructured	Past-due	Other assets	Impaired	Other	
1. Financial assets held for trading	3,294	42,632	16,758	16,551	23,059,822	-	-	23,139,057
2. Financial assets available for sale	1,008	2,550	6,296	-	24,268,161	-	-	24,278,015
3. Financial assets held to maturity	-	-	-	-	-	-	-	-
4. Loans to banks	1,703	2,527	-	-	11,220,759	-	-	11,224,989
5. Loans to customers	7,298,571	5,962,916	1,398,655	2,736,597	124,618,422	-	-	142,015,161
6. Financial assets designated at fair value	-	-	-	-	-	-	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	-	551,093	-	-	551,093
Total 31/12/2012	**7,304,576**	**6,010,625**	**1,421,709**	**2,753,148**	**183,718,257**	**-**	**-**	**201,208,315**
Total 31/12/2011*	**6,455,452**	**4,485,080**	**1,464,974**	**1,149,487**	**206,471,796**	**-**	**-**	**220,026,789**

**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 various portfolios of financial assets, the table provides a breakdown by credit quality using the definition of non-performing exposure set out by the Bank of Italy and adopted for the purposes of the financial statements.

Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that the items “Loans and advances to banks” and “Loans and advances to customers” include not only loans but also other types of assets (securities, etc.). All amounts are book values, and thus, net of any related doubtful amounts.

A.1.2 Breakdown of credit exposure by portfolios 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	109,633	30,398	79,235	x	x	23,059,822	23,139,057
2. Financial assets available for sale	27,199	17,345	9,854	24,268,161	-	24,268,161	24,278,015
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	40,929	36,699	4,230	11,238,828	18,069	11,220,759	11,224,989
5. Loans to customers	29,505,190	12,108,451	17,396,739	125,333,520	715,098	124,618,422	142,015,161
6. Financial assets designated at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	551,093	551,093
Total A	29,682,951	12,192,893	17,490,058	160,840,509	733,167	183,718,257	201,208,315
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	x	x	-	-
2. Financial assets available for sale	-	-	-	-	-	-	-
3. Financial assets held to maturity	-	-	-	-	-	-	-
4. Loans to banks	-	-	-	-	-	-	-
5. Loans to customers	-	-	-	-	-	-	-
6. Financial assets designated at fair value	-	-	-	x	x	-	-
7. Financial assets held for sale	-	-	-	-	-	-	-
8. Hedging derivatives	-	-	-	x	x	-	-
Total B	-	-	-	-	-	-	-
Total 31/12/2012	**29,682,951**	**12,192,893**	**17,490,058**	**160,840,509**	**733,167**	**183,718,257**	**201,208,315**
Total 31/12/2011*	**23,156,922**	**9,601,929**	**13,554,993**	**175,323,425**	**790,556**	**206,471,796**	**220,026,789**

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

The table provides a breakdown of the various portfolios of financial assets by credit quality using the definition of non-performing exposure set out by the Bank of Italy and adopted for the purposes of the financial statements.

Since the entire portfolio of financial assets is subject to classification by credit quality, it should be noted that the items “Loans to banks” and “Loans to customers” include not only loans but also other types of assets (e.g. securities).

All amounts are book values, before and after any doubtful amounts.

Pursuant to Bank of Italy's requirements set out in its communication of 16 February 2011, the following table reports performing loans to customers (line 5 of previous table, "performing" column), broken down into exposures whose terms were renegotiated in collective agreements and other exposures. For both groups, past-due positions are reported by months behind schedule (the amounts of past due loans to be repaid in instalments includes both the amount past due and the amount becoming due and payable).

Portfolio / quality	5. Performing loans to customers (net exposure)
Exposures renegotiated under collective agreements:	**8,672,290**
a) not past due	**7,414,642**
b) past due:	**1,257,648**
up to 3 months	713,177
3 to 6 months	215,103
6 months to 1 year	297,682
over 1 year	31,686
Other exposures:	**115,946,132**
a) not past due	**108,108,889**
b) past due:	**7,837,243**
up to 3 months	5,829,008
3 to 6 months	706,140
6 months to 1 year	998,450
over 1 year	303,645
Total net exposure of performing loans to customers	**124,618,422**

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

31.12.2012

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	27,255	25,441	x	1,814
b) Substandard loans	19,260	14,182	x	5,078
c) Restructured loans	-	-	x	-
d) Past due	-	-	x	-
e) Other assets	13,543,669	x	18,069	13,525,600
Total A	**13,590,184**	**39,623**	**18,069**	**13,532,492**
B. Off-balance-sheet exposure				
a) Non performing	2,235	156	x	2,079
b) Other	10,914,962	x	1,838	10,913,124
Total B	**10,917,197**	**156**	**1,838**	**10,915,203**
Total (A+B)	**24,507,381**	**39,779**	**19,907**	**24,447,695**

The table provides a breakdown of dealings with banks by credit quality, using the definition of non-perfroming loans set out by the Bank of Italy and adopted for the purposes of the financial statements.

Thus, all balance-sheet exposure amounts are stated at book values, before and after any doubtful amounts. In particular, balance-sheet exposures encompass all financial assets related to banks arising from financial statement Item 20 "Financial assets held for trading," Item 30 "Financial assets designated at fair value," Item 40 "Financial assets available for sale and Item 60 "Loans to banks" with the exception of derivative contracts which are considered as off-balance-sheet in this section.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

A.1.4 Banking Group - Balance-sheet exposure to banks: changes in gross non-performing loans

31.12.2012

Source / Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**33,372**	**16,725**	**-**	**-**
- of which: sold but not derecognised	-	-	-	-
B. Increases	**13**	**2,642**	**-**	**-**
B.1 transfers from performing loans	-	2,440	-	-
B.2 transfers from other impaired loans	-	-	-	-
B.3 other increases	13	202	-	-
C. Other decreases	**6,130**	**107**	**-**	**-**
C.1 transfers to performing loans	-	-	-	-
C.2 write-offs	6,000	-	-	-
C.3 collections	85	107	-	-
C.4 amounts realised upon disposal of positions	-	-	-	-
C.5 transfers to other categories of impaired exposure	-	-	-	-
C.6 other decreases	45	-	-	-
D. Gross exposure, closing balance	**27,255**	**19,260**	**-**	**-**
- of which: sold but not derecognised	-	-	-	-

With regard to balance-sheet exposures to banks, the table shows changes in non-performing exposures that were subject to country risk.

Since the entire portfolio of financial asset exposures to banks is subject to classification by credit quality, exposures include not only loans but also other types of assets (e.g. securities). Balance-sheet exposures are expressed at book value.

A.1.5 Banking Group - Balance-sheet exposure to banks: changes in overall value adjustments

Source / Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Opening balance of overall adjustments	**31,238**	**13,215**	**-**	**-**
- of which: sold but not derecognised	**-**	**-**	**-**	**-**
B. Increases	**391**	**1,021**	**-**	**-**
B.1 value adjustments	391	1,021	-	-
B.1bis loss from disposal	-	-	-	-
B.2 transfers from other categories of impaired exposures	-	-	-	-
B.3 other increases	-	-	-	-
C. Other decreases	**6,188**	**54**	**-**	**-**
C.1 write-backs from valuation	146	54	-	-
C.2 write-backs from collection	-	-	-	-
C.2bis profit from disposal	-	-	-	-
C.3 write-offs	6,000	-	-	-
C.4 transfers to other categories of impaired exposure	-	-	-	-
C.5 other decreases	42	-	-	-
D. Closing balance of overall adjustments	**25,441**	**14,182**	**-**	**-**
- of which: sold but not derecognised	-	-	-	-

With regard to balance-sheet exposures to banks, the table shows changes in overall value adjustments on non-performing exposure during the year.

Since the entire portfolio of financial assets is subject to classification by credit quality, value adjustments shown refer not only to loans but also to other types of assets (e.g. securities). Balance-sheet value adjustments are expressed at book value

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

31.12.2012

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	17,330,160	10,028,862	x	7,301,298
b) Substandard loans	7,636,816	1,673,900	x	5,962,916
c) Restructured loans	1,637,954	233,003	x	1,404,951
d) Past due	2,923,704	187,108	x	2,736,596
e) Other assets	158,096,607	x	715,098	157,381,509
Total A	**187,625,241**	**12,122,873**	**715,098**	**174,787,270**
B. Off-balance-sheet exposure				
a) Non performing	394,359	56,739	x	337,620
b) Other	40,256,392	x	53,247	40,203,145
Total B	**40,650,751**	**56,739**	**53,247**	**40,540,765**
Total (A+B)	**228,275,992**	**12,179,612**	**768,345**	**215,328,035**

The table provides a breakdown by credit quality using the definition of non-performing exposure set forth by the Bank of Italy and adopted for the purposes of the financial statements.

Please see the report on operations for quantification of and reporting on capital ratios for coverage of lending relationships.

Thus, all balance-sheet exposures are stated at book values, before and after any doubtful amounts. In particular, balance-sheet exposure summarises all financial assets related to customers arising from financial statement Item 20 "Financial assets held for trading," Item 30 "Financial assets designated at fair value," Item 40 "Financial assets available for sale" and Item 70 "Loans to customers" with the exception of derivative contracts which are considered as off-balance-sheet in this section.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

Balance-sheet exposure also includes loans sold but not derecognised in relation to performing and non-performing securitisation transactions.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 31 December 2012. 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.

(EUR/mln)

COUNTRY	DEBT SECURITIES					L&R	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
Argentina	5.05	3.09	-	-	-	-	-
Austria	(30.38)	(33.44)	-	-	-	-	0.01
Belgio	0.27	0.31	64.25	73.41	-	-	(0.01)
Bosnia	0.03	0.01	-	-	-	-	-
Brasile	0.39	0.57	-	-	-	-	-
Cina	-	-	-	-	-	-	(3.30)
Croazia	6.40	6.38	10.00	11.60	-	-	-
Danimarca	-	-	-	-	-	-	(0.01)
Ecuador	0.03	-	-	-	-	-	-
Filippine	0.06	0.08	-	-	-	-	-
Finlandia	-	-	-	-	-	-	0.01
Francia	(16.51)	(17.92)	-	-	-	-	(0.01)
Germania	(53.24)	(61.91)	-	-	-	-	(0.01)
Grecia	0.01	0.01	-	-	-	-	-
Irlanda	0.00	0.00	-	-	-	-	(0.01)
Italia	3,044.53	3,162.16	21,734.83	22,729.93	462.06	3,931.79	1,384.94
Lettonia	-	-	10.00	10.80	-	-	-
Lituania	4.00	3.00	10.00	12.45	-	-	-
Messico	1.40	1.75	-	-	-	-	-
Norvegia	-	-	-	-	-	-	(0.01)
Olanda	(1.95)	(2.71)	-	-	-	-	(0.01)
Polonia	2.00	1.53	10.00	11.41	-	-	-
Portogallo	-	-	165.00	162.82	-	-	0.01
Regno Unito	0.11	0.16	-	-	-	-	0.01
Romania	0.05	0.05	10.00	11.05	-	-	-
Russia	(0.14)	(0.37)	-	-	5.80	-	-
Slovacchia	0.50	0.56	-	-	-	-	-
Spagna	(7.49)	(9.30)	255.00	266.82	-	-	2.29
Stati Uniti	0.43	0.38	-	-	-	-	-
Svezia	-	-	-	-	-	-	(0.01)
Turchia	2.61	3.08	10.00	11.40	-	-	-
Ukraina	0.10	0.08	-	-	-	-	-
Ungheria	5.52	5.96	10.00	10.67	5.00	-	-
Venezuela	1.06	0.81	-	-	-	-	-
Total 31/12/2012	**2,964.84**	**3,064.32**	**22,289.08**	**23,312.36**	**472.86**	**3,931.79**	**1,383.94**
Total 31/12/2011*	**4,165.59**	**4,194.86**	**21,944.66**	**19,268.54**	**479.82**	**3,711.45**	**529.64**

**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..*

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

In particular, securities classified as "Financial assets available for sale - AFS" and "Financial assets held for trading - HFT" were measured at the fair value of the consideration receivable as at 31 December 2012. Loans and securities included in the L&R portfolio are recognised at amortised cost.

The overall exposure consists almost entirely in Italian debt and is concentrated under the AFS accounting category.

The Group has no exposure to Cyprus.

All exposures to Italy and Spain are level 1, except for EUR 201,0,5 mln in stripped BTPs and EUR 225.2 mln in debt instruments issued by local institutions (muncipal, provincial and regional).

Exposures to Ireland, Portugal and Spain reported in the accounting portfolios "Financial assets available for sale" and "L&R" were not written down as it was determined that there was no objective evidence of impairment strictly associated, in this specific case, with the issuer's capacity to meet its obligations. Exposures to these countries have been reduced as compared to their level as at 31 December 2011.

As far as the exposure with Greece is concerned, it should be noted that the Group joined the agreement finalised on 21 February with the Greek authorities, providing for the issuance of new securities and warrants pegged to Greece's Gross Domestic Product. The swap-induced effects were negligible.

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

AFS securities: Italy	31 12 2012	31/12/2011*
Book value	22,729.9	18,761.7
AFS reserve (after tax)	(2,529.7)	(4,183.0)
of which: hedging effect (after tax)	(2,933.1)	(2,205.0)

Credit derivatives - Italy	31 12 2012	31/12/2011*
Purchase of protection		
Nominal	(3,932.5)	(2,695.0)
Positive fair value	873.9	540.3
Negative fair value	-	25.6
Sale of protection		3,408.6
Nominal	5,317.4	3,414.7
Positive fair value	-	-
Negative fair value	(1,317.5)	(692.4)

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

A.1.7 Banking Group - Balance-sheet exposure to customers: changes in gross non-performing loans

31.12.2012

Source / Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Gross exposure, opening balance	**14,508,933**	**5,728,844**	**1,588,891**	**1,223,763**
- of which: sold but not derecognised	471	2,271	-	4,397
B. Increases	**3,896,645**	**4,636,901**	**435,203**	**3,800,809**
B.1 transfers from performing loans	1,082,547	3,061,999	273,048	3,170,818
B.2 transfers from other impaired loans	2,082,290	1,108,088	76,152	47,151
B.3 other increases	731,808	466,814	86,003	582,840
C. Other decreases	**1,075,418**	**2,728,929**	**386,140**	**2,100,868**
C.1 transfers to performing loans	1,016	88,439	46,155	302,810
C.2 write-offs	124,898	103,015	13,173	1,922
C.3 collections	506,961	519,298	122,295	572,533
C.4 amounts realised upon disposal of positi	179,945	250	4,067	-
C.5 transfers to other categories of impaired exposure	1,731	1,934,027	177,810	1,200,113
C.6 other decreases	260,867	83,900	22,640	23,490
D. Gross exposure, closing balance	**17,330,160**	**7,636,816**	**1,637,954**	**2,923,704**
- of which: sold but not derecognised	4,477	4,328	-	12,593

With regard to balance-sheet exposures to customers, the table shows changes in non-performing exposures during the year. In particular, write-offs include reductions due to loan redemptions. Since the entire portfolio of financial asset exposures to customers is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (e.g. securities). Balance-sheet exposures are expressed at book value.

Item C.2 “Write-offs” also includes write-offs of positions that have been completely amortised.

A.1.8 Banking Group - Balance-sheet exposure to customers: changes in overall value adjustments

31.12.2012

Source / Categories	Doubtful loans	Substandard loans	Restructured loans	Past-due
A. Opening balance of overall adjustmen	**8,058,412**	**1,269,762**	**144,058**	**79,308**
- of which: sold but not derecognised	83	290	-	236
B. Increases	**2,923,153**	**1,177,621**	**163,966**	**229,981**
B.1 value adjustments	2,260,829	1,036,142	138,003	138,492
B.1bis loss from disposal	3,208	-	9,521	-
B.2 transfers from other categories of impaired exposures	437,832	70,120	11,206	1,113
B.3 other increases	221,284	71,359	5,236	90,376
C. Other decreases	**952,703**	**773,483**	**75,021**	**122,181**
C.1 write-backs from valuation	435,600	189,339	25,465	43,794
C.2 write-backs from collection	76,153	17,384	3,634	9,851
C.2bis profit from disposal	1,105	323	-	-
C.3 write-offs	124,696	103,015	13,174	1,922
C.4 transfers to other categories of impaired exposures	237	443,049	13,476	63,509
C.5 other decreases	314,912	20,373	19,272	3,105
D. Closing balance of overall	**10,028,862**	**1,673,900**	**233,003**	**187,108**
- of which: sold but not derecognised	1,036	369	-	627

With regard to balance-sheet exposures to customers, the table shows changes in overall value adjustments on non-performing exposure subject to country risk during the year.

Since the entire portfolio of financial asset exposures to customers is subject to classification by credit quality, exposure includes not only loans but also other types of assets (e.g. debt securities, etc.). Balance-sheet exposures are expressed at book value.

Item C.3 "Write-offs" also includes write-offs of positions that have been completely amortised.

Exposures sold but not derecognised, under captions "A" and "D - of which: sold but not derecognised" refer to non-performing assets in performing securitisations.

A.2 Classification of exposure by external and internal ratings

A.2.1 Banking Group - Breakdown of balance sheet and off-balance sheet exposures by external ratings (book values)

31 12 2012

Esposures	External rating classes						No rating	Total
	Class 1	Class 2	Class 3	Class 4	Class 5	Class 6		
A. Balance-sheet exposure	**1,843,985**	**32,088,498**	**13,803,552**	**14,650,332**	**641,852**	**165,473**	**125,854,859**	**189,048,551**
B. Derivatives	**2,543,728**	**8,449,404**	**5,938,263**	**658,735**	**228,225**	**13,608**	**15,149,122**	**32,981,085**
B.1 Financial derivatives	467,335	498,527	521,495	27,519	29,845	-	3,751,770	5,296,491
B.2 Credit derivatives	2,076,393	7,950,877	5,416,768	631,216	198,380	13,608	11,397,352	27,684,594
C. Guarantees issued	**11,989**	**419,228**	**760,682**	**118,714**	**41,871**	**2,344**	**7,238,868**	**8,593,696**
D. Commitments to disburse f	**14,829**	**59,202**	**1,108,879**	**1,302**	**1,360**	**2**	**5,755,991**	**6,941,565**
E. Others	**2,121**	**193,685**	**82,992**	**-**	**-**	**-**	**2,660,824**	**2,939,622**
Total	**4,416,652**	**41,210,017**	**21,694,368**	**15,429,083**	**913,308**	**181,427**	**156,659,664**	**240,504,519**

class 1 = AAA/AA- class 2 = A+/A- class 3 = BBB+/BBB- class 4 = BB+/BB- class 5 = B+/B- class 6 = lower than B-

The external rating categories used to complete the table are from Standard & Poor's. The exposures shown are those reported in Table A.1.3 (exposures to banks) and A.1.6 (exposures to customers) above. If multiple external ratings are assigned, the rating is selected based on Bank of Italy's criteria (when two ratings are available, the lower of the two is used, and when three or more ratings are assigned, the second highest rating is selected). To ensure relevance of information, internal cross-reference tables were used to convert classification by various rating agencies into classification by Standard & Poor's.

External ratings cover about 35% of total exposure. 54% of exposure covered by external ratings is with customers having a credit rating equivalent to S&P classes between AAA and A-.

From a combined analysis of internal ratings (thus, limited only to portfolios that are subject to possible validation) and external ratings, it was shown that about 80% of total exposures are covered by an external rating or a rating from an internal model, 8% are defaulted, while the remaining 12% is not rated.

A.2.2 Banking Group – Breakdown of balance-sheet and off-balance sheet exposures by internal ratings (book values)

(in thousands of EUR)

Esposures	Internal rating classes							No rating	Total
	High quality	Average quality	Fair quality	Mediocry quality	Poor quality	Default	Group administrative default		
A. Balance-sheet exposure	**13,950,378**	**26,640,144**	**34,404,082**	**18,438,511**	**3,648,210**	**11,927,797**	**6,923,062**	**74,088,368**	**190,020,552**
B. Derivatives	**404,556**	**303,613**	**372,059**	**160,938**	**80,676**	**73,430**	**14,825**	**31,570,988**	**32,981,085**
B.1 Financial derivatives	73,852	125,454	356,888	160,938	80,676	73,430	14,825	4,410,428	5,296,491
B.2 Credit derivatives	330,704	178,159	15,171	-	-	-	-	27,160,560	27,684,594
C. Guarantees issued	**1,337,374**	**2,188,999**	**2,079,457**	**750,113**	**69,838**	**149,953**	**46,438**	**1,971,524**	**8,593,696**
D. Commitments to disburse fu	**613,403**	**601,508**	**1,716,406**	**788,380**	**198,669**	**22,353**	**276,672**	**2,724,174**	**6,941,565**
E. Others	-	-	-	-	-	-	-	**2,939,622**	**2,939,622**
Total	**16,305,711**	**29,734,264**	**38,572,004**	**20,137,942**	**3,997,393**	**12,173,533**	**7,260,997**	**113,294,676**	**241,476,520**

The table provides a breakdown of customers of the MPS Group by risk categories assigned on the basis of ratings arising from internal models. For this purpose, account is given only of exposures (borrowers) for which an internal rating is periodically recorded for models/legal entities/portfolios which have been subject to a validation process with the regulatory authorities without any cross-reference from official ratings to internal ratings especially with regard to the following customer segments: "Banks," "Non-banking financial institutions," and "Governments and Public Administration". Thus, based on this proviso, exposures related to the latter segments, even if covered by official ratings, were reported as "unrated"
in the internal rating models. The table shows that 12.7% of exposures rated internally come from High Quality customers (Master Scale categories AAA, A1), 23.2% from
Standard Quality Customers (Master Scale categories A2, A3 and B1), 30.1% from Average Quality customers (Master Scale categories B2, B3, C1 and C2), 15.7% from Below-Average Quality customers (Master Scale categories C3, D1, D2 and D3) and 3.1% from Low Quality customers (Master Scale categories E1, E2 and E3). Customers rated as Investment Grade (Master Scale categories AAA-B1) accounted for 35.9% of total
internally rated exposures.

Unrated exposures totalled approx. EUR 114 bln, or 47 % of the total portfolio amount.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Banking Group - Secured exposures to banks

31 12 2012

	Amount of Net Exposure	Real guarantees				Personal guarantees									Totale real and personal guarantees
						Credit derivatives					Unsecured signature loans				
							Other derivatives								
		Real estate mortgages	Real estate leasing	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	2,467,449	18,500	-	3,928,971	393,000	-	-	-	-	-	-	-	-	300	4,340,771
1.1 totally secured	2,467,225	18,500	-	3,928,971	393,000	-	-	-	-	-	-	-	-	258	4,340,729
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	224	-	-	-	-	-	-	-	-	-	-	-	-	42	42
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures:	661,258	-	-	4,832	623,755	-	-	-	-	-	-	-	175	-	628,762
2.1 totally secured	164,783	-	-	-	182,956	-	-	-	-	-	-	-	35	-	182,991
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	496,475	-	-	4,832	440,799	-	-	-	-	-	-	-	140	-	445,771
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The table shows the amount of balance-sheet exposures to banks that are partially or fully secured. Thus, the table does not correspond to total balance-sheet exposures since it excludes the unsecured portion. As in the tables above, balance-sheet exposures to banks include not only loans but all financial assets, except for derivative contracts. As regards personal guarantees, the economic segments to which guarantors and sellers of protection belong (in the case of unsecured loans and credit derivatives, respectively) are identified making reference to the classification criteria provided for in the brochure "classification of customers by segments and groups of economic activity" published by the Bank of Italy. The column "Amount of exposure" posts the amount of net exposure. The exposure amount includes performing and non-performing securitisation transactions, the loans of which have not been derecognised.

The fair value of collaterals estimated as at balance sheet date is shown in the column "Real guarantees" and "Personal guarantees"; if such information is not available, the contractual value is reported.

A.3.2 Banking Group - Secured exposures to customers

31.12.2012

	Amount of Net Exposure	Real guarantees				Personal guarantees									Totale real and personal guarantees
						Credit derivatives					Unsecured signature loans				
							Other derivatives								
		Real estate mortgages	Real estate leasing	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	98,138,312	159,594,842	6,789,921	8,599,663	2,677,254	-	-	-	-	-	8,965	168,121	370,041	88,041,457	266,250,264
1.1 totally secured	93,810,981	159,303,867	6,789,921	8,087,048	2,616,869	-	-	-	-	-	7,772	157,419	289,215	86,596,176	263,848,287
- of which non perfrorming	12,179,860	20,471,106	1,295,215	262,021	359,604	-	-	-	-	-	6,815	23,233	52,070	12,826,128	35,296,192
1.2 partially secured	4,327,331	290,975	-	512,615	60,385	-	-	-	-	-	1,193	10,702	80,826	1,445,281	2,401,977
- of which non perfrorming	901,769	150,249	-	147,595	5,100	-	-	-	-	-	55	71	6,839	439,716	749,625
2. Secured off-balance sheet exposures:	4,859,020	1,441,433	-	301,658	844,864	-	-	-	-	-	-	1,403	86,669	5,809,245	8,485,272
2.1 totally secured	4,076,875	1,437,324	-	261,690	694,246	-	-	-	-	-	-	680	84,417	5,536,617	8,014,974
- of which non perfrorming	178,604	101,939	-	8,043	4,380	-	-	-	-	-	-	-	91	312,441	426,894
2.2 partially secured	782,145	4,109	-	39,968	150,618	-	-	-	-	-	-	723	2,252	272,628	470,298
- of which non perfrorming	34,326	-	-	2,686	3,155	-	-	-	-	-	-	381	-	11,550	17,772

The table shows the amount of off-balance-sheet exposures to customers, including derivative contracts, which are fully or partially secured. As regards personal guarantees, the economic segments to which guarantors and sellers of protection belong (in the case of unsecured loans and credit derivatives, respectively) are identified making reference to the classification criteria provided for in the brochure "classification of customers by segments and groups of economic activity" published by the Bank of Italy.

B. BREAKDOWN / CONCENTRATION OF CREDIT EXPOSURE

B.1 Banking Group - Breakdown of on- and off-balance sheet exposures to customers by business segment (book values)

31 12 2012

Exposure/Customers	Governments			Other public entities			Financial companies			Insurance companies			Non financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance-sheet exposure																		
A.1 Doubtful loans	-	32	X	789	932	X	26,302	110,098	X	3	4	X	6,124,400	8,339,797	X	1,149,804	1,577,999	X
A.2 Substandard loans	-	-	X	-	-	X	39,396	84,143	X	-	-	X	5,207,647	1,331,037	X	655,873	198,720	X
A.3 Restructured loans	-	-	X	-	-	X	-	-	X	-	-	X	1,402,025	232,556	X	2,926	447	X
A.4 Past due	45	2	X	4	-	X	58,320	2,563	X	-	-	X	2,142,345	132,161	X	535,882	52,382	X
A.5 Other exposures	30,702,911	X	1,044	3,253,636	X	3,083	12,837,022	X	20,502	915,425	X	509	69,045,631	X	555,354	40,626,884	X	134,606
Total A	30,702,956	34	1,044	3,254,429	932	3,083	13,021,040	196,804	20,502	915,428	4	509	83,922,048	10,035,551	555,354	42,971,369	1,829,548	134,606
B. Off-balance-sheet exposures																		
B.1 Doubtful loans	-	-	X	-	-	X	-	-	X	-	-	X	68,165	26,629	X	301	24	X
B.2 Substandard loans	-	-	X	-	-	X	957	1,504	X	-	-	X	111,255	13,767	X	2,255	33	X
B.3 Other non performing asset	-	-	X	-	-	X	-	-	X	-	-	X	151,340	14,698	X	3,347	83	X
B.4 Other exposures	11,856,294	X	4	394,825	X	55	4,465,615	X	1,229	1,504,087	X	24	21,060,033	X	49,152	433,720	X	2,783
Total B	11,856,294	-	4	394,825	-	55	4,466,572	1,504	1,229	1,504,087	-	24	21,390,793	55,094	49,152	439,623	140	2,783
Total (A-B) 31 12 2012	42,559,250	34	1,048	3,649,254	932	3,138	17,487,612	198,308	21,731	2,419,515	4	533	105,312,841	10,150,645	604,506	43,410,992	1,829,688	137,389
Total (A-B) 31 12 2011	36,398,650	17,369	474	3,857,226	505	1,725	20,758,876	193,680	16,896	4,238,676	95	198	114,166,485	7,883,224	648,467	46,821,167	1,497,673	140,146

**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..*

Balance-sheet exposures reported in the table below are the same as those reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy. The business segments to which borrowers and collateral providers belong are identified making reference to the classification criteria provided for in the brochure "Classification of customers by segments and groups of economic activity" published by the Bank of Italy.

B.2 Banking Group - Breakdown of on- and off-balance-sheet exposures to customers by geographic area (book values)

Exposure / Geographic Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure										
A.1 Doubtful loans	7,226,510	9,892,035	68,331	107,860	6,126	24,084	85	3,418	246	1,465
A.2 Substandard loans	5,950,120	1,668,755	10,736	3,742	1,150	134	762	1,169	148	100
A.3 Restructured loans	1,404,951	233,003	-	-	-	-	-	-	-	-
A.4 Past due	2,717,980	181,287	8,453	5,058	25	1	10,130	762	8	-
A.5 Other exposures	146,138,415	697,653	10,434,453	13,560	413,912	2,122	244,765	1,234	149,964	529
Total A	163,437,976	12,672,733	10,521,973	130,220	421,213	26,341	255,742	6,583	150,366	2,094
B. Off-balance-sheet exposures										
B.1 Doubtful loans	68,174	26,324	-	256	292	73	-	-	-	-
B.2 Substandard loans	113,767	15,304	700	-	-	-	-	-	-	-
B.3 Other non performing as	154,349	14,782	338	-	-	-	-	-	-	-
B.4 Other exposures	22,220,750	52,107	15,282,422	783	1,861,182	80	160,375	52	189,845	225
Total B	22,557,040	108,517	15,283,460	1,039	1,861,474	153	160,375	52	189,845	225
Total (A+B) 31 12 2012	185,995,016	12,781,250	25,805,433	131,259	2,282,687	26,494	416,117	6,635	340,211	2,319
Total (A+B) 31 12 2011	191,683,306	10,217,163	31,572,443	140,881	2,766,524	34,864	412,834	5,691	405,973	1,853

**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..*

Balance-sheet exposures reported in the table below are the same as those reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

Amounts are stated before and after any doubtful amounts.

Exposures are broken down geographically by the country of residence of the borrower.

B.3 Banking Group - Breakdown of on- and off-balance-sheet exposures to banks by geographic area (book values)

31 12 2012

Exposure / Geographic Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure										
A.1 Doubtful loans	-	-	567	4,804	1,158	20,490	-	-	89	147
A.2 Substandard loans	2,115	-	2,963	14,182	-	-	-	-	-	-
A.3 Restructured loans	-	-	-	-	-	-	-	-	-	-
A.4 Past due	-	-	-	-	-	-	-	-	-	-
A.5 Other exposures	6,628,084	14,410	5,823,612	3,186	929,275	222	115,990	164	28,639	87
Total A	6,630,199	14,410	5,827,142	22,172	930,433	20,712	115,990	164	28,728	234
B. Off-balance-sheet exposures										
B.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2 Substandard loans	-	-	-	-	-	-	2,078	156	-	-
B.3 Other non performing asse	-	-	-	-	-	-	-	-	-	-
B.4 Other exposures	1,103,835	64	5,780,509	1,420	663,628	13	119,124	191	103,833	150
Total B	1,103,835	64	5,780,509	1,420	663,628	13	121,202	347	103,833	150
Total (A+B) 31 12 2012	7,734,034	14,474	11,607,651	23,592	1,594,061	20,725	237,192	511	132,561	384
Total (A+B) 31 12 2011	22,314,799	18,223	14,874,837	20,931	1,095,647	20,301	313,455	381	185,479	231

Balance-sheet exposures reported in the table below are the same as those reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

Amounts are stated before and after any doubtful amounts.

Exposures are broken down geographically by the country of residence of the borrower.

B.4 Large exposures

Item/Amount	31 12 2012	31 12 2011
a) Amount	43,410,122	45,052,208
b) Weighted value	7,564,153	6,785,408
c) Number	6	8

Regulations provide for positions to be defined as "large exposures" by making reference to credit-risk unweighted exposures.

An exposure is deemed as a "large exposure" when its amount is equal to or greater than 10% of regulatory capital.

Pursuant to the afore-mentioned regulations, exposures in government securities were also included.

C. ASSET SECURITISATION AND DISPOSAL TRANSACTIONS

C.1 Securitisation transactions

Qualitative Information

Structures, processes and goals

In keeping with the organisational model established at Group level for the governance and management of risks, securitisation risk is governed by a specific Group directive.

The Parent Company's Group ALM & Capital Management Service establishes general practices and coordinates activities in relation to securitisation transactions. The criteria and rules for managing securitisation transactions are instead determined by the Parent Company's "Specialised Credit Processes and Services" Area. More specifically, the Special-purpose Loans and Securitisations service within this Area is responsible for establishing operational guidelines and general practices for the securitisation of performing loans. For this purpose, it looks after related aspects and obligations associated with servicing activities and monitors the performance of existing transactions through monthly and quarterly reports on collections of remaining principal, positions in arrears and disputed positions arising from securitisation transactions.

In coordination with other originator banks in the Group, the Special-purpose Loans and Securitisations service prepares summary reports on portfolios sold ("total reports"). In addition, as part of critical situation management, this service notifies cases that may pose potential risks for noteholders to the relevant functions in the organisation.

In its capacity as third-level control body, the Internal Audit Area uses sampling procedures to periodically validate:

- whether the degree of recoverability of loans sold is accurate and, as a result, whether the fair value of securities issued is appropriate;
- whether line checks assigned to the various units have been carried out and roles and responsibilities properly identified; it also verifies:
- the compliance of reporting/accounting procedures with current regulations in collaboration with other units, as necessary;
- the existence of any conflicts of interest with respect to noteholders; and compliance, on a sampling basis, with the obligations of Law 197/91, as amended.

Non-performing securitisations are managed by a specific unit of the subsidiary MPS Gestione Crediti SpA, whereas securitisations of consumer loans are taken care of by the subsidiary Consum.it Spa.

Securitisation transactions of performing assets were structured with the aim of deriving economic advantages from the optimisation of credit portfolio management, diversification of funding sources, reduction in funding costs and matching the maturities of assets and liabilities.

Securitisations remained stable, an opinion also shared by the rating agencies.

The portfolio securitised through the Siena Mortgages S.r.l. vehicles comprises real estate-backed loans issued by both the Parent Company and by other banks within the Group.

Mantegna Finance II S.r.l. was established by former Banca Agricola Mantovana SpA. (now merged into the Parent Company).

Redemption of securitisations

In January 2012, the Mantegna Finance Srl securitisation was redeemed, with subsequent repurchase of residual receivables consisting in real estate-backed loans issued by former Banca Agricola Mantovana SpA. The repurchase transaction contributed EUR 2.5 mln in profit to the Banks financial results.

Banca Popolare di Spoleto S.p.a.changed from being a jointly controlled entity to an associate: consequently, the Spoleto Mortgages Srl securitisation is no longer a self-securitisation and Ulisse 4, for the share held by MPS Capital Services, has become a third-party securitisation.

Securitisations originated in previous financial years, outstanding as at 31.12.2012

Following is an outline of the Group's *performing* securitisation transactions originated in previous financial years, outstanding as at 31.12.2012, all of which qualifiying for derecognition of the underlying assets, except for Siena Mortgages 10-7 S.r.l.:

Mantegna Finance II S.r.l.

Originated by former Banca Agricola Mantovana S.p.a., now merged into the Bank, this securitisation consists in residential mortgages and is characterised by derecognition of the underlying assets

Mantegna Finance II S.r.l. is a transaction that was completed in 2002 and has a remaining debt balance of EUR 32.0 mln.

Gonzaga Finance S.r.l.

Banca Agricola Mantovana S.p.A. originated the Gonzaga Finance S.r.l. securitisation of securities in 2000, which has a remaining debt balance of EUR 15 mln .

Siena Mortgages 10-7 S.r.l.

On 30 September 2010, a pool of 34,971 performing residential mortgages was sold for an amount of approx. EUR 3.5 bn.

As at the date of the financial statements, the remaining debt balance amounted to EUR 2,946.5 mln.

The vehicle financed purchasing of the portfolio by issuing RMBS (Residential Mortgage-Backed) securities. Classes A1 and A2 were placed with market investors, whereas the remaining classes of notes issued by the vehicle were underwritten by the Parent Company. Market placement of classes A1 and A2 did not entail the derecognition of the underlying assets from the balance sheet of the Parent Company (transferor), which has substantially retained all risks and rewards associated with the property of the assets sold. Consequently, an offsetting entry for the cashflows arising from the disposal of tranche A1 and A2 was posted on the liabilities side of the balance sheet.

Casaforte S.r.l.

This securitisation was carried out in 2010 and consisted in the transfer to vehicle Casaforte Srl of a pool of receivables arising from a mortgage loan granted to the consortium company, Perimetro Gestione Proprietà Immobiliari. The remaining debt balance as at balance sheet date amounts to EUR 1,509.7 mln.

Securitisation transactions completed in 2012

In the course of 2012, the Group did not complete any new securitisations but, for the purpose of optimising its liquidity management, it continued with its covered bond issuance programme (as described in detail in section C.3).

Quantitative Information

C.1.1 Banking Group - Exposures arising from securitisation transactions broken down by quality of underlying assets

31 12 2012

Quality of underlying assets/ Exposures	Balance-sheet exposure						Guarantee issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. With own underlying assets:	122,208	122,208	2,518,129	2,554,539	161,632	160,770	-	-	-	-	-	-	-	-	-	-	-	-
a) Non -performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	122,208	122,208	2,518,129	2,554,539	161,632	160,770	-	-	-	-	-	-	-	-	-	-	-	-
B. With third-party underlying assets:	512,266	507,831	22,584	22,126	5,523	4,658	-	-	-	-	-	-	-	-	-	-	-	-
a) Non-performing	49,938	49,835	619	165	1,526	1,098	-	-	-	-	-	-	-	-	-	-	-	-
b) Other	462,328	457,996	21,965	21,961	3,997	3,560	-	-	-	-	-	-	-	-	-	-	-	-

In relation to securitisation transactions with own and third-party underlying assets, the table indicates balance-sheet exposures, unsecured exposures, and other forms of 'credit enhancement'.

'Third-party' securitised exposures exclusively include balance-sheet exposures and consist in securities issued by third parties' vehicles. –

C.1.2 Banking Group - Exposures arising from major own securitisation transactions broken down by type of securitised assets and exposures

31 12 2012

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credits					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs
A. Fully derecognised																		
A.1 Mantegna Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.1 Mantegna Finance II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	411	-	-	-	7,832	(862)	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Gonzaga Finance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- bonds and credit derivatives	-	-	-	-	4,212	-	-	-	-	-	-	-	-	-	-	-	-	-
A.81 Spoleto Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- landed mortgage loans secured by 1st mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.5 Ulisse 4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.3 CASAFORTE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	121,728	-	31,956	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partially derecognised																		
C. Not derecognised																		
C.1 SIENA MORTGAGES 10-7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	70	-	2,522,582	-	148,726	-	-	-	-	-	-	-	-	-	-	-	-	-

In relation to securitisation transactions with own and third-party underlying assets, the table indicates balance-sheet exposures, unsecured exposures, and other forms of 'credit enhancement'.

C.1.3 Banking Group - Exposures arising from major 'third-party' securitisation transactions broken down by type of securitised asset and type of exposure

31.12.2011

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs
A.11 ATLAN TV JA36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	1,108	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.13 AyT CEDULAS CAJAS GLOBAL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Bond	42,644	(37)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.14 BCC M T TV SE19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	3,334	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.16 BERICA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	10,798	14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.19 CCS TV JN43	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	10,527	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.20 CLARF-TV 11/60 A2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	16,344	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.22 COLOMBO Srl	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	-	-	16,706	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.24 CORDUSIO TVDE23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	2,646	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.25 CREDF3 A1TVMR15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Bond	7,412	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs
A.31 EMPYR TV AP13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Bond	461	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.32 ENTASI Srl	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonperforming loans	49,835	(103)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.35 FIPFD 05/23 TV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential mortgages	21,588	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.40 GRANITE MASTER ISSUER P.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	2,383	-	815	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.43 GREYL TV MR14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Bond	2,896	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.46 ITALFIN TV JA26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Equipment Leases/IT	1,889	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.50 LUDGATE FUNDING P.l.c.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	2,795	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.51 MONTE 2008 B.V.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	255,197	(4,325)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.52 PATAG ZC DE16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Bond	72,875	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.53 PATAGONIA FINANCE s.a.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Bond	-	-	-	-	3,560	(437)	-	-	-	-	-	-	-	-	-	-	-	-
A.56 PHARM TV OC32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Leasing	722	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Type of securitised asset/Exposure	Balance-sheet exposure						Guarantees issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Book value	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs	Net exposure	Write-downs/ write-backs
A.61 PTRMO1A TV DE12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential mortgages	339	-	1,102	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.64 RUTLNDRY TV JN13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Bond	512	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.67 SANTANDER FINANCIACION 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	-	-	165	(454)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.70 SEMPER FINANCE 2007-1G.M.B.H	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	-	-	2,187	(3)	1,098	(428)	-	-	-	-	-	-	-	-	-	-	-	-
A.77 TDA 28 FONDO DE TITULIZACI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	-	-	317	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.78 TITAN TV AP17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential mortgages	-	-	834	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.80 VELA HOME S.r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- residential mortgages	746	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.81 Spoleto Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
first mortgage real estate loan	779	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	######	(4,434)	22,126	(458)	4,658	(865)	-	-	-	-	-	-	-	-	-	-	-	-

The table indicates the exposures assumed by the Group in relation to each third-party securitisation transaction, and also reports the contractual type of assets sold. The column "Write-downs/write-backs" indicates the amount of any write-downs or write-backs during the year as well as depreciations and revaluations posted to profit and loss or directly to equity reserves, in the case of AFS securities.

The only exposure to non-performing securitisations for an amount of EUR 49.8 mln is in the case of Entasi S.r.l.
Exposures to third parties represented by junior notes include: Patagonia Finance for an amount of EUR 3.6 mln and Semper Finance 2007-1 for an amount of EUR 1.1 mln.

C.1.4 Banking Group - Exposures arising from securitisation transactions broken down by portfolio and type

Exposure/portfolio	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Loans	Total 31/12/2012	Total 31/12/2011
1. Balance-sheet exposure	**314,237**	**-**	**16,847**	**-**	**369,739**	**700,823**	**850,417**
- Senior	274,509	-	14,911	-	340,619	630,039	735,076
- Mezzanine	31,956	-	1,936	-	20,190	54,082	81,975
- Junior	7,772	-	-	-	8,930	16,702	33,366
2. Off-balance-sheet exposures	**4,570**	**-**	**-**	**-**	**-**	**4,570**	**-**
- Senior	4,570	-	-	-	-	4,570	-
- Mezzanine	-	-	-	-	-	-	-
- Junior	-	-	-	-	-	-	-

The table indicates the Group's exposures in relation to each of its own and third-party securitisation transactions, and also reports balance-sheet portfolios to which these assets were allocated.

C.1.5 Banking Group – Total amount of securitised assets underlying junior securities or other forms of credit enhancement

31 12 2012

Asset / Amount	Traditional securitisations	Synthetic secularisations
A. With own underlying assets:	**2,989,014**	**-**
A.1 Fully derecognised	40,358	
1.Doubtful loans	3,761	x
2. Substandard loans	649	x
3. Restructured loans	-	x
4. Past-due	-	x
5. Other assets	35,948	x
A.2 Partially derecognised	-	
1.Doubtful loans	-	x
2. Substandard loans	-	x
3. Restructured loans	-	x
4. Past-due	-	x
5. Other assets	-	x
A.3 Not derecognised	2,948,656	-
1.Doubtful loans	3,441	-
2. Substandard loans	3,959	-
3. Restructured loans	-	-
4. Past-due	11,966	-
5. Other assets	2,929,290	-
B. With third-party underlying assets:	**324,451**	**-**
1.Doubtful loans	-	-
2. Substandard loans	-	-
B.3 Restructured loans	-	-
B.4 Past due	-	-
B.5 Other assets	324,451	-

The table indicates, in terms of junior securities and other forms of credit enhancement held, the amount of the existing portfolio of securitised assets on reporting date broken down by quality of securitised assets and origin (own or third-party assets).

Line “A.1Fully recognised” includes assets underlying the performing junior notes of the Mantegna Finance II securitisation.

Line “A.3 Not derecognised" comprises the underlying assets recognised under assets in the balance sheet, broken down by quality of receivables, in relation to the performing securitisation of residential mortgage loans, Siena Mortgages 10-7.

Line “B. Third-party underlying assets" includes the underlying assets of Patagonia Finance and Semper Finance.

C.1.6 Banking Group - Stakes in special purpose vehicles

Name	Registered Office	Stake %
Mantegna Finance II Srl	Mantova - Corso V. Emanuele 2	7%
Siena Mortgages 10-7 S.r.l.	Conegliano (TV) - Via V. Alfieri n.1	7%

This table shows the stakes held in special purpose vehicles. All of the above are stakes in own securitisation vehicles. Stakes in vehicles that have no pools of securitised assets are not shown in the table.

C.1.7 Banking Group - Servicer activities - Collections of securitised loans and redemptions of securities issued by special purpose vehicles

31 12 2012

Servicer	Special Purpose Veicle	Securitised assets (year-end data)		Loans collected during the year		Percentage of securities redeemed (year-end data)					
						Senior		Mezzanine		Junior	
		Impaired	Performing	Impaired	Performing	Impaired	Performing	Impaired	Performing	Impaired	
BMPS	Siena Mortgages 10-07 S.r.l.	19,366	2,929,290	131	275,719	-	0.15	-	-	-	-
BMPS	Mantegna I Srl	-	-	-	-	-	0.00%	-	-	-	-
BMPS	Mantegna II Srl	4,410	31,374	1,862	9,062	-	89.54%	-	-	-	-
BMPS	Casaforte Srl	-	1,509,778	-	94,734	-	-	-	-	-	-
BMPS	Gonzaga Finance Srl	-	15,000	-	402	-	100.00%	-	-	-	42.19%
	Total 31/12/2012	**23,776**	**4,485,442**	**1,993**	**379,917**	**-**					
	Total 31/12/2011	**12,927**	**4,816,454**	**2,433**	**523,889**	**-**					

The table shows own securitisations where the Parent Bank plays the role of servicer. With reference to multi-originator securitisation transactions, the originator banks are in charge of servicing in relation to the portion of loans sold.

C.1.8 Banking Group - Special purpose vehicles controlled by the Banking Group

A summary of the securitisation transactions of the Group's vehicle companies is provided in the section on qualitative information.

C.2 Transfers

A. Financial assets sold and not fully derecognised:

C.2.1 Banking Group - Financial assets sold and not derecognised: book value and full value

Type/portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Financial assets held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31 12 2012	31 12 2011
A. Balance-sheet assets	6,325,947	-	-	-	-	-	15,223,761	-	-	-	-	-	833,367	-	-	3,033,547	-	-	25,416,622	23,006,947
1. Debt securities	6,281,671	-	-	-	-	-	15,223,761	-	-	-	-	-	833,367	-	-	84,891	-	-	22,423,690	19,843,313
2. Equity instruments	44,276	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	44,276	6,639
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,948,656	-	-	2,948,656	3,156,995
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31/12/2012	**6,325,947**	**-**	**-**	**-**	**-**	**-**	**15,223,761**	**-**	**-**	**-**	**-**	**-**	**833,367**	**-**	**-**	**3,033,547**	**-**	**-**	**25,416,622**	**X**
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	19,366	-	-	19,366	X
Total 31/12/2011	**5,908,417**	-	-	-	-	-	**12,838,507**	-	-	-	-	-	**807,621**	-	-	**3,452,402**	-	-	**X**	**23,006,947**
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	X	-

Key:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
C = Financial assets sold and partially recognised (full value)

The table reports the book value of financial assets sold but not derecognised, and still partially or fully reported in balance sheet assets. Line "1. Debt securities" exclusively includes securities sold in sale and repurchase agreements; the amount in line "4. Loans" refers to performing loans included in securitisation transactions without derecognition of Siena 10-7 which was completed during the year.

C.2.1.a – Types of transfers of financial assets not derecognised

Item/Amount	Total 31 12 2012	Total 31 12 2011
Reverse repurchase agreements	22,343,483	19,432,391
Securisations	2,948,656	3,156,995
Securities lending	124,483	417,561
Transfers	-	-
Others	-	-
Total	**25,416,622**	**23,006,947**

The table shows transferred financial assets that are not derecognised, by type of transfer.

C.2.2 Banking Group - Financial liabilities associated with transferred financial assets that are not derecognised: book value

Liabilities/Asset Portfolios	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Deposits from customers	**1,577,095**	**-**	**9,486,692**	**-**	**-**	**20,066**	**11,083,853**
a) relating to fully recognised assets	1,577,095	-	9,486,692	-	-	20,066	11,083,853
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from banks	**1,066,216**	**-**	**3,356,162**	**-**	**173,312**	**1,343,382**	**5,939,072**
a) relating to fully recognised assets	1,066,216	-	3,356,162	-	173,312	1,343,382	5,939,072
b) relating to partially recognised assets	-	-	-	-	-	-	-
3. Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31/12/2012	**2,643,311**	**-**	**12,842,854**	**-**	**173,312**	**1,363,448**	**17,022,925**
Total 31/12/2011	**5,603,271**	**-**	**13,496,715**	**-**	**184,308**	**1,221,023**	**20,505,317**

The table indicates the book value of financial liabilities posted as offsetting entries to financial assets sold and not derecognised partially or in their entirety from balance sheet assets. This category only involves liabilities posted against repurchase agreements.

C.2.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

Type/ Portfolio	Financial assets held for trading		Financial assets designated at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31 12 2012	31 12 2011
A. Balance-sheet assets	-	-	-	-	-	-	-	-	-	-	**2,950,327**	-	**2,950,327**	**3,135,160**
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.Equity instruments	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	2,950,327	-	2,950,327	3,135,160
B. Derivatives	-	-	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	**X**	-	-
Total assets	-	-	-	-	-	-	-	-	-	-	**2,950,327**	-	**2,950,327**	**3,135,160**
C. Associated financial liabilities	-	-	-	-	-	-	-	-	-	-	**277,348**	-	**X**	**X**
1. Deposits from customers	-	-	-	-	-	-	-	-	-	-	277,348	-	X	X
2. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
Total liabilities	-	-	-	-	-	-	-	-	-	-	**277,348**	-	**277,348**	**487,795**
Net value 31/12/2012	-	-	-	-	-	-	-	-	-	-	**2,672,979**	-	**2,672,979**	**X**
Net value 31/12/2011	-	-	-	-	-	-	-	-	-	-	**2,647,365**	-	**X**	**2,647,365**

Key:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
The amount reported in the column "Loans to customers – fair value" exclusively refers to the fair value of receivables sold with securitisation Siena 10-7,which continue to be fully recognised in the Parent Company's balance sheet assets. The amount of EUR 277.3 mln reported under associated liabilities refers to the fair value of the portion of *senior* notes sold to a leading banking counterparty as part of the referenced securitisation. The Parent Company has recognised a liability with the notes-issuing vehicle as an offsetting entry for the cashflows arising from this disposal. Against this liability, the creditor's entitlement to repayment is limited to cashflows arising from the assets underlying senior notes sold.

B. Financial assets sold and fully derecognised with assessment of "*continuing involvement*"

Qualitative Information

With regard to the Casaforte securitisation, the Parent Company has derecognised the financial asset sold in its entirety (i.e. a loan to the consortium joint-stock company, Perimetro Gestione Proprietà Immobiliari S.C.p.A.), since disposal implied the substantial transfer of all risks and rewards associated with the ownership of financial asset; rights and obligations maintained by the Group following disposal (continuing involvement) were recognised separately as assets or liabilities.

The following paragraph provides information concerning continuing involvement in relation to the securitisation in question.

Quantitative Information

Casaforte

The subsidiary, MPS Capital Services, holds class A (senior) notes in its portfolio for a nominal amount of EUR 126.7 mln (8.25% of notes issued) and class B (mezanine) notes for a nominal amount of EUR 34.6 mln (26.62% of notes issued).

C.3 Banking Group – Covered bond transactions

Characteristics of the Covered Bond Issuance Programme

In the course of 2010, the Parent Company launched a programme for the issuance of Covered Bonds for an amount of EUR 10,000 mln. The programme is intended to place a new product on the market, offering covered bonds as a preferred instrument for financial profile improvement in the short to mid term. In light of the developments in the financial markets, the programme should be considered as part of a wider strategy, aimed at:

- curbing the costs of funding: covered bonds are widely preferred, inasmuch as they are issued directly by the Bank and their repayment is guaranteed by a segregated pool of assets (in this case, residential mortgage loans); in the event of issuer bankruptcy, covered bond holders enjoy a right of recourse on a portfolio of segregated high-quality assets and are, therefore, willing to accept a lower yield than the one offered by similar uncovered bonds;
- diversifying the Bank's funding sources on the international market;
- lengthening its average debt maturity profile;

With a view to improving the efficiency and stability of the Group's Counterbalancing Capacity, on 9 February 2012 a second issuance programme was authorised for a maximum of EUR 20 bn in not-explicitly-rated covered bonds. The programme is not intended for the market but for transactions eligible as collateral in refinancing transactions through the European Central Bank.

The structure of the Group's Covered Bond programmes requires fulfilment of the following activities:

a) the Parent Company or another Group company transfers, without recourse, a pool of assets having certain characteristics to the vehicle, MPS Covered Bond S.r.l. and MPS Covered Bond 2 S.r.l., thus forming a segregated *Cover Pool*;
b) the Transferor grants a subordinated loan to the vehicle, for the purpose of financing payment of the assets' purchase price by the vehicle;
c) the Parent Company issues covered bonds secured by an autonomous, irrevocable and unconditional first-demand guarantee issued by the vehicle for the only benefit of the bond-holding investors and senior debtors in the Programme; the guarantee involves limited recourse to the assets of the Cover Pool owned by the vehicle (*guarantor*).

Accounting treatment

Pursuant to IAS 39, the derecognition of a financial instrument from the balance sheet of the transferor is determined on the basis of the substance of the contract, not its legal form.

Having said this, the deal is recognised as follows:

- transferred loans continue to be reported in the Parent Company's balance sheet under sub-item "Loans" of item 70 " Loans to customers" on the asset side, inasmuch as the Parent Company retains the risks and rewards of ownership of the loans transferred;
- the loan disbursed by the Parent to the Vehicle is not classified as a separate item in the balance sheet, since it is offset with the amount due to the Vehicle in which the initial transfer price was recognised. The loan, therefore, is not subject to credit risk assessment, because this risk is entirely reflected in the assement of transferred loans, which continue to be reported in the Parent Company's balance sheet.
- Loans are subject to movements based on own events (figures and assessment); instalments collected by the Parent (which also acts as a servicer) are reallocated daily to the Vehicle's "Collection Account" and accounted for by the Parent as follows:
- collection of principal from borrower is recognised as an offsetting entry to the reduction in the loan to the borrower;
- reallocation of principal to the Vehicle is recognised as an offsetting entry to the recognition of a loan to the Vehicle;
    - this loan is paid off upon repayment of the subordinated loan;
    - interest from borrower is recognised as an offsetting entry to Account 10 "Interest income: Loans to customers" (interest on loans continues to be recognised on an accrual basis);
    - reallocation of interest to the Vehicle is recognised as an offsetting entry to the recognition of a loan to the Vehicle;

  - this loan is paid off upon collection of the receive leg of the Cover Pool Swap;
- The vehicle "MPS Covered Bond S.r.l." is invested in by the Parent Company for a control stake of 90%, recognised under Account 100 "Equity Investments" and included in the Group's consolidated financial statements under the comprehensive approach.
- The vehicle "MPS Covered Bond S.r.l." is invested in by the Parent Company for a control stake of 90%, recognised under Account 100 "Equity Investments" and included in the Group's consolidated financial statements under the comprehensive approach.
- Bonds issued are posted to Item 30 "Debt securities in issue" on the liabilities side, and related interest expense is recognised on an accrual basis.

In consideration of the characteristics and accounting treatment of the deal, the swaps associated to the transaction are not recognised in the balance sheet, since their recognition would entail, pursuant to par. AG49 of IAS 39, a duplication of rights and obligations already recognised due to loans transferred being maintained on the balance sheet.

Risks and Control Measures

In order to allow the transferee to meet the obligations of the collateral pledged, the Parent Company uses appropriate *Asset & Liability Management* techniques to secure a trend of substantial balance between the maturities of cash flows arising from the assets sold and maturities of payments due in relation with the covered bonds issued and other costs of the transaction.

The Programmes were structured in compliance with applicable rules and regulations which authorise the issuance of covered bonds only if the transfering and issuing banks meet certain capital requirements .

The structure of the debt issuance programmes of the Parent Company (transferor and servicer) is subject to stringent regulatory requirements and calls for continuous actions by the Specialised Credit Processes and Services Area; Finance, Treasury & Capital Management and Risk Management Areas, as well as supervision by an external auditor (Deloitte & Touche) as Asset Monitors. In particular, these actions include:

- assessment of capital requirements mandated by Supervisory Instructions when it comes to covered bond issuance programmes;
- assessment of the quality and integrity of assets transferred with regard, in particular, to the estimated value of properties, both residential and non-residential, on which a mortgage in relation with the asset-backed loans is placed; this assessment may result in repurchases, integrations and additional transfers of supplemental assets;
- assessment of an appropriate ratio being maintained between bonds issued and assets transferred as collateral (Cover Pool - mortgage and residential assets; commercial assets for the second programme);
- assessment of transfer limits and integration practices;
- assessment on whether risks are effectively and adequately hedged by derivative contracts in relation to the transaction.

Description of individual issuances

In the course of 2012, as previously reported, the Parent Company completed ten issuances for an aggregate amount of EUR 7,800 mln as part of the second programme, which were not intended for the market but repurchased by the Group and used primarily as collateral for refinancing transactions in the Eurosystem.

The cover pool may consist of cash and other assets as appropriate (real-estate backed, mortgage and residential loans, trade receivables, receivables from -or guaranteed by- the Public Administration and securities issued as part of securitisations consisting in these same types of loans and receivables) as set out in Supervisory regulations.

Here follows a summary of the main characteristics of the transfers:

Prog.	Cover Pool transfer date	Type of securitised assets	Transferor	Total value of assets transferred (in units of €)	no. of mortgage loans transferred	Breakdown of transferred debtors by business sectors
OBG 1	21 05 2010	Residential mortgage loans	Banca MPS	4,413,282,561	36,711	100% natural persons
OBG 1	19 11 2010	Residential mortgage loans	Banca MPS	2,400,343,585	19,058	100% natural persons
OBG 1	25 02 2011	Residential mortgage loans	Banca MPS	3,887,509,799	40,627	100% natural persons
OBG 1	20 05 2011	Residential mortgage loans	Banca Antonveneta	2,343,829,924	26,804	100% natural persons
OBG 1	16 09 2011	Residential mortgage loans	Banca MPS	2,323,368,355	27,973	100% natural persons
OBG 2	27 04 2012	Residential mortgage loans	Banca MPS	2,384,995,478	27,302	100% natural persons
OBG 2	22 06 2012	Residential and commercial mortgages	Banca MPS	2,478,270,455	14,008	mixed
OBG 2	24 08 2012	Residential and commercial mortgages	Banca MPS	1,401,965,498	17,353	mixed
OBG 2	21 09 2012	Residential and commercial mortgages	Banca MPS	2,473,677,574	9,870	mixed
				24,107,243,229	219,706	

and of issuances not repurchased by the Bank:

Covered Bond Issuance Programme									
ISIN code	Issued amount (units/EUR)	Amount repurchased (units/EUR)	Reoffer Price	Date of issue	Covered bond maturity	Coupon interest	External rating (upon issuance)	External rating (as at 31 12 2012)	Book value as at 31 12 2012 (units/EUR)
IT0004618226	1,000,000,000	83,000,000	99.713	30/06/10	30/06/15	Tasso fisso 3,125% annuale	Moody's: Aaa Fitch: AAA	Rating Moodys/Fitch: Baa1/ A+	966,430,596
IT0004640881	1,250,000,000	110,000,000	99.678	23/09/10	23/09/13	Tasso fisso 2,500% annuale	Moody's: Aaa Fitch: AAA	Rating Moodys/Fitch: Baa1/ A+	1,160,694,508
IT0004689912	1,000,000,000		99.677	09/02/11	09/02/18	Tasso fisso 5,000% annuale	Moody's: Aaa Fitch: AAA	Rating Moodys/Fitch: Baa1/ A+	1,132,434,246
IT0004702251	1,250,000,000		99.884	15/03/11	15/09/16	Tasso fisso 4,875% annuale	Moody's: Aaa Fitch: AAA	Rating Moodys/Fitch: Baa1/ A+	1,281,757,004
IT0004721541	75,000,000		96.460	13/5/11	13/05/26	Tasso fisso 5,3750% annuale	Moody's: Aaa Fitch: AAA	Rating Moodys/Fitch: Baa1/ A+	75,081,711
IT0004721558	75,000,000		95.906	13/5/11	13/05/30	Tasso fisso 5,50% annuale	Moody's: Aaa Fitch: AAA	Rating Moodys/Fitch: Baa1/ A+	74,684,572
IT0004721566	50,000,000		92.637	13/5/11	13/05/31	Zero Coupon	Moody's: Aaa Fitch: AAA	Rating Moodys/Fitch: Baa1/ A+	51,037,381

D. CREDIT RISK MEASUREMENT MODELS

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).

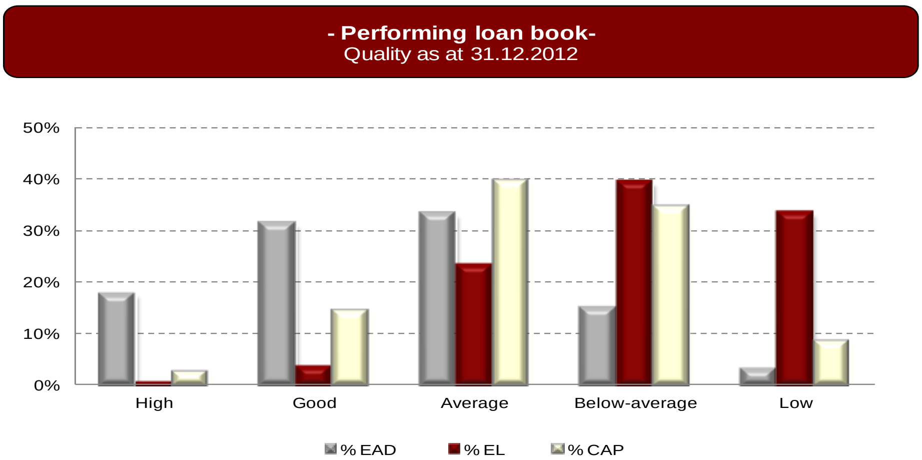
The Credit Portfolio Model developed within the Montepaschi Group uses a Merton approach to represent the insolvency of each counterparty in the portfolio. According to this approach, a counterparty becomes insolvent when a synthetic variable expressing its creditworthiness falls below a pre-determined 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) and 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.

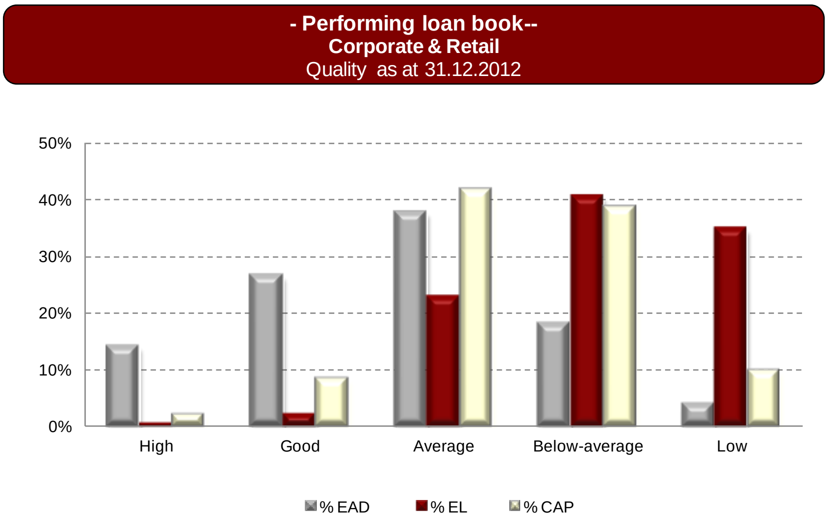
The model displays the change in credit risk over time based on various combinations of the variables under analysis, by legal entity, customer type, geographical area, business area, rating class and continental areas. Other information derived from the Credit Portfolio Model concerns "what-if" analyses 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 accordance with the provisions of the Second Pillar of Basel 2, the Montepaschi Group is committed to the continuous development of methodologies and models in order to assess the impact on the loan book of stress conditions produced using sensitivity analyses with respect to individual risk factors or scenario analyses.

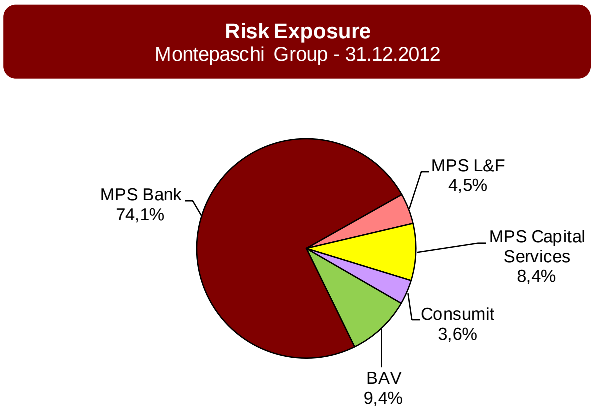
The chart below provides a credit quality breakdown of the Montepaschi Group portfolio as at 31 December 2012 (excluding financial asset positions). The graph below shows that about 49% of risk exposure is to high and good quality customers. It should be noted that the ranking below also includes exposure 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.



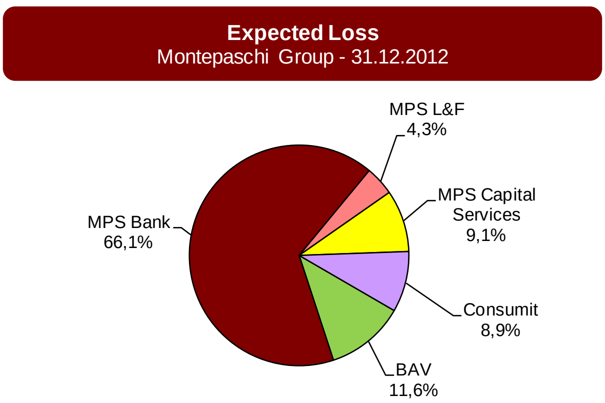
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 31 December 2012, high or good quality exposure accounted for approximately 40% of total exposure.



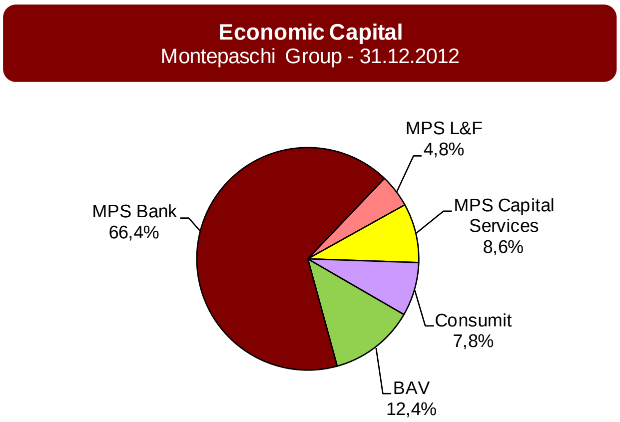
The following chart shows that the two retail banks (Banca MPS and Banca Antonveneta) contribute approximately 83.5% of the total Montepaschi Group's exposure to risk, whereas the companies MPS Capital Services, MPS L&F, and Consum.it account for the remaining 16.5%.



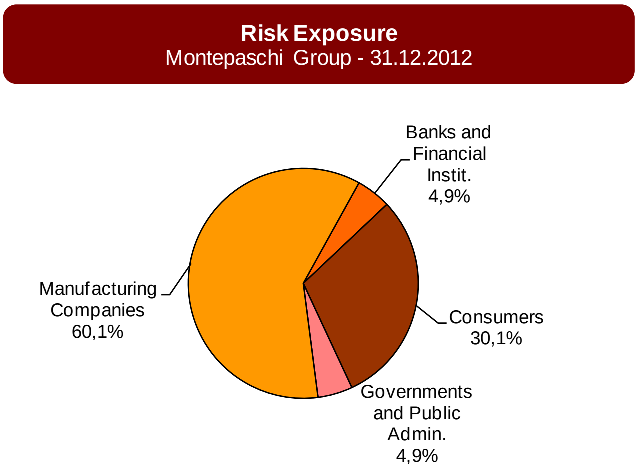
With regard to risk measures, the highest percentage of expected loss is attributable to the Parent Bank at 66.1% followed by Banca Antonveneta with 11.6% and MPS Capital Services and Consum.it (9.1% and 8.9% respectively), while the remainder (4.3%) is assigned to cover the risks of MPS Leasing & Factoring.



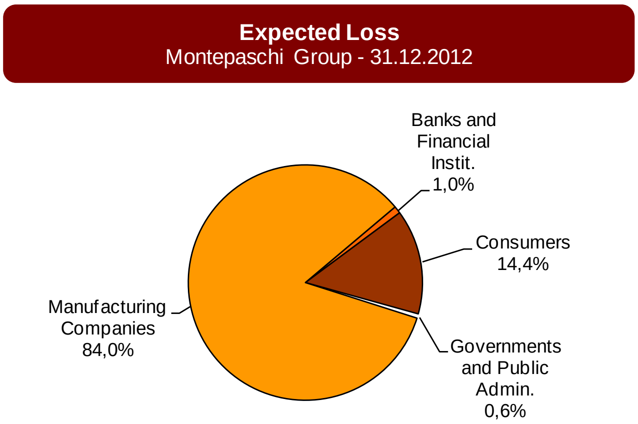
Most of the overall amount of Economic Capital to cover credit risk is absorbed by the Parent Bank (about 66.4%), followed by Banca Antonveneta and MPS Capital Services (12.4% and 8.6% respectively) with the remaining 12.6% absorbed by the other legal entities.

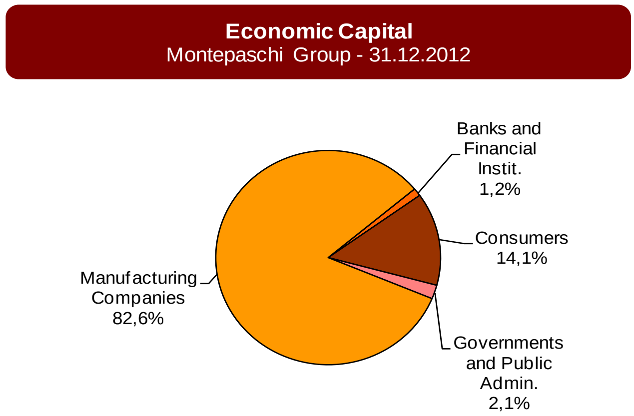


An analysis conducted at the end of 2012 shows that the risk exposure of the Montepaschi Group is mainly toward "Manufacturing Companies" (60.1% of total loans disbursed) and "Households" (30.1%). The remaining portion is broken down between "Banks and Financial Institutions" and "Government and Public Administration" both at 4.9%.

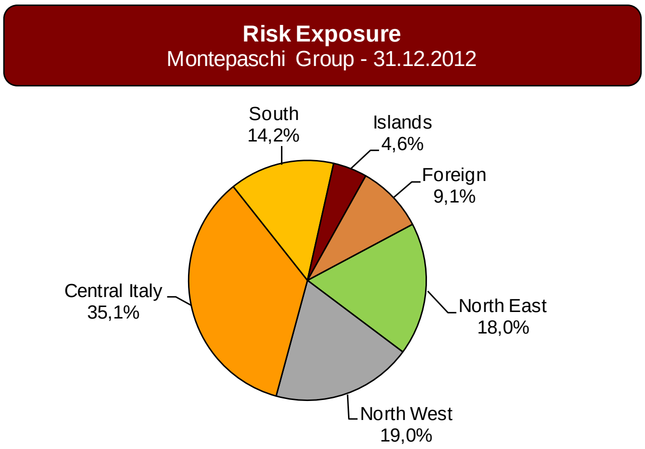


In terms of risk measures, the analysis reveals that Manufacturing Companies account for 84% of the Expected Loss and 82.6% of the Economic Capital. The portion for "Households" comes to 14.4% for Expected Loss and 14.1% for Economic Capital respectively.

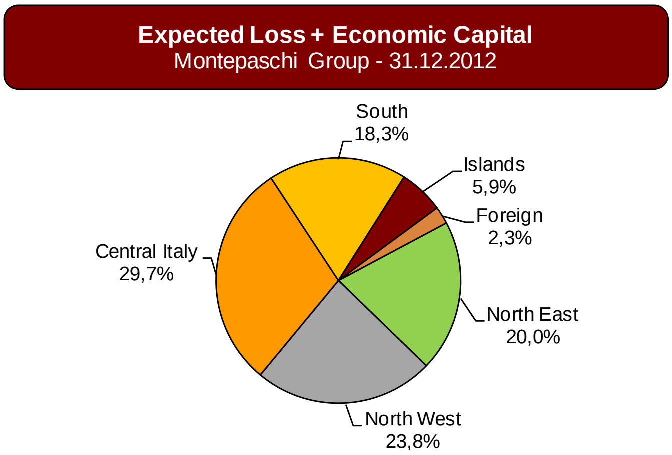




An analysis of the geographical breakdown of customers of the Montepaschi Group shows that exposure to risk is primarily concentrated in Italy's Central regions (35.1%), followed by the North West and North East (19% and 18%), Southern Italy (14.2%), foreign countries (9.1%) and Italy's islands (4.6%).

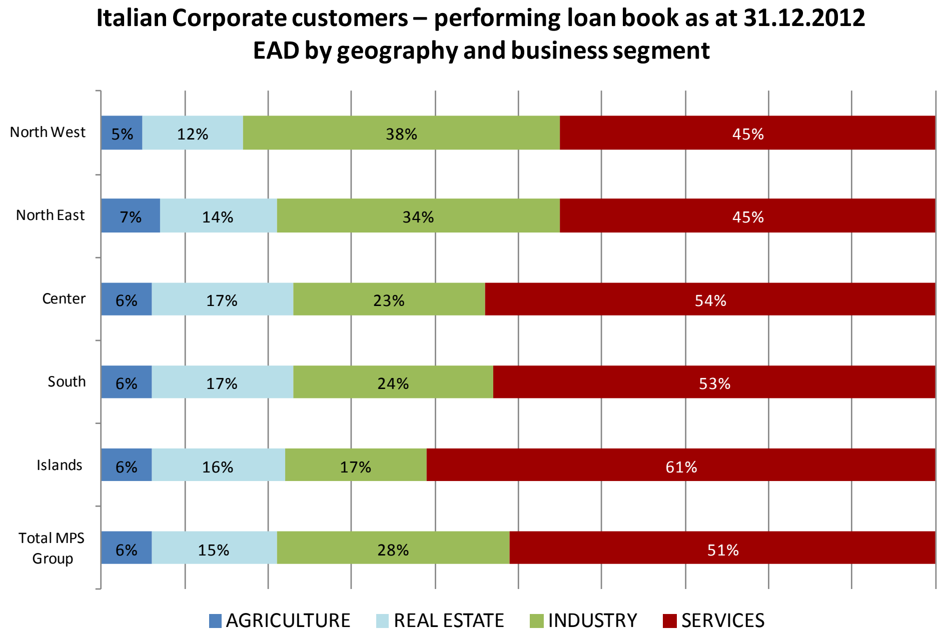


Overall risk measures (Expected Loss + Economic Capital) are also higher (29.7%) in central Italy due to the greater concentration of loans in that area. Next in the ranking are North-Western Italy (23.8%), the North-East (20%), the South (18.3%), Italy's islands (5.9%) and Foreign countries (2.3%)

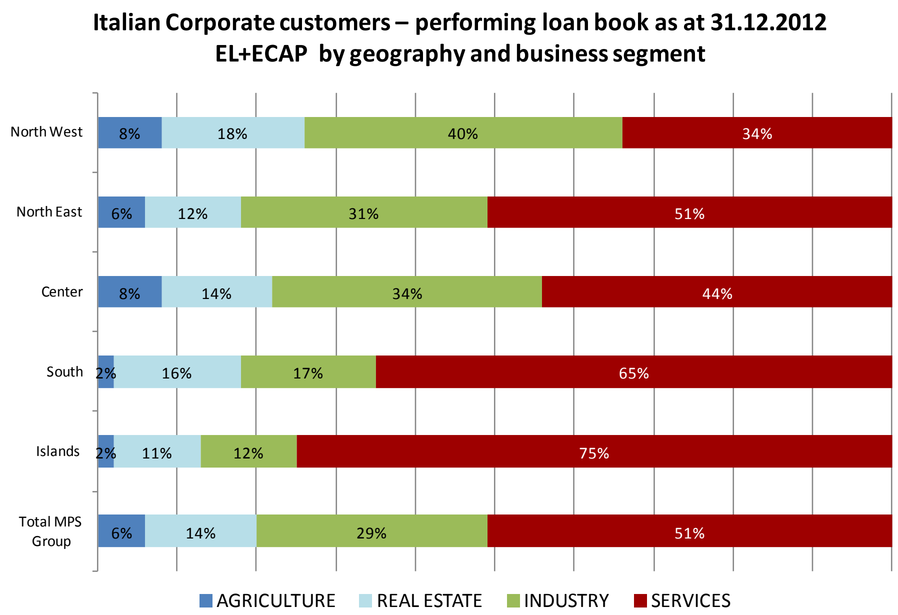


Lastly, the following graphs show a percentage breakdown for Italian corporate customers of Default Exposure and overall risk measures (Expected Loss + Economic Capital) by Geographic Areas and Business Sectors.

The largest share of Default Exposure for businesses in all Geographic Areas is accounted for by the "Services" sector. Out of the MPS Group's total exposure, the share of Services accounts for 51% and is followed by Industry (28%), Building (15%) and Agriculture (6%).



Overall risk measures, defined as the sum of Expected Loss and Economic Capital, are also higher for the Services business sector n all Geographic Areas, with the exception of the North West of Italy where the Industrial sector accounts for the largest share (40%).



Section 2 – Market risk

2.1 Interest rate and price risk – regulatory trading book

Market risks in the 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), MPS Capital Services (MPSCS) and, to a smaller extent, by the Irish subsidiary Monte Paschi Ireland. The portfolios of the other retail subsidiaries are immune to market risk since they only contain their own bonds held to service retail customers. Trading in derivatives, which are brokered on behalf of the same customers, also calls for risk to be centralised at, and managed by, MPSCS. The subsidiary, Biverbanca, was sold in December 2012, and thus does not contribute to the determination of market risk at year-end consolidated level.

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 Montepaschi Group 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 Unit 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 BMPS, are expressed by level of delegated authority in terms of VaR, which is diversified by risk factors and portfolios and monthly and annual stop losses. 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 CEO, the Chairman and the Board of Directors of the Parent Company in a Risk Management Report, which keeps Top Management and other senior management areas up to date on the overall risk profile of the Montepaschi Group.

From a methodological standpoint, in the second half of 2012 the inflation risk factor was introduced in the internal market risk measurement model, which enabled an improvement in the estimation of the portfolio's actual risk with respect to market volatility. The inflation risk component completes the generic rate risk representation for the Group's financial portfolios. EONIA discounting was also introduced for collateralised derivatives, thus modifying the base curve for rate risk assessment.

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, the 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 Montepaschi Group in order to get an integrated overview of all the effects of diversification that can be generated among the various banks on account of the specific joint positioning of the various business units.

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

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

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

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.

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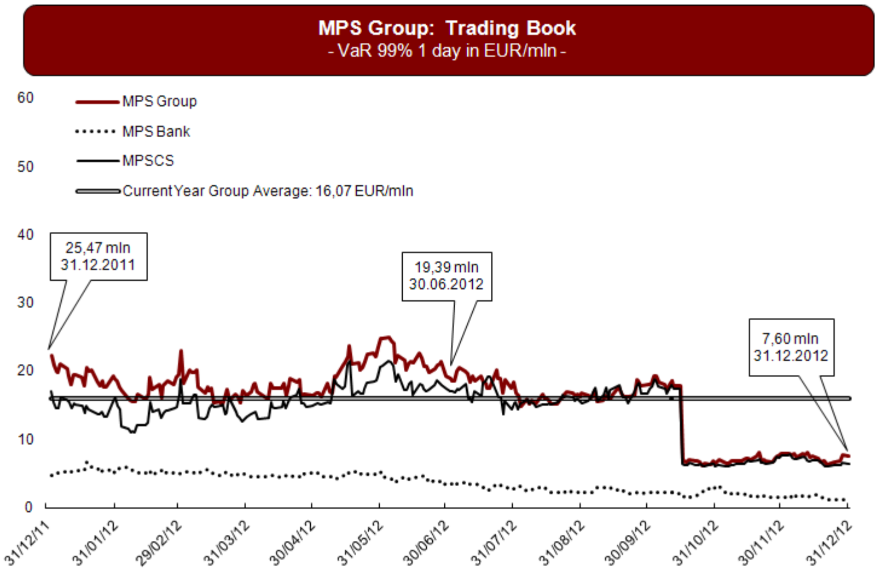
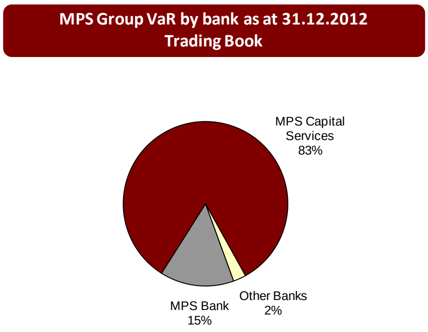
In the course of 2012, market risk in the Group's Regulatory Trading Book in terms of VaR showed an overall downward trend, basically in line with the trend starting in the last part of 2011, characterised by shrinking yields on Italian government bonds particularly as of the end of July. The VaR level was tendentially stable until the third quarter (average VaR: EUR 18.4 mln until 30.09.2012).

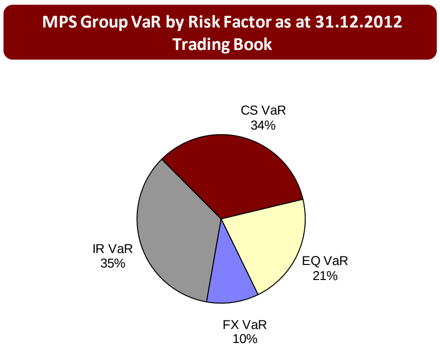
The reduction in VaR in the last quarter (approx. -40%) is connected with a methodological change introduced in October. The change concerns treatment of structuring and hedging of securities-backed policies of subsidiary MPSCS . Previously, a prudential buffer was in place and operational in the model for the policies' credit component. This buffer caused an overestimation of the actual credit risk of the positions. With the newly introduced methodology, the VaR of the policies is calculated on the basis of actual volatility in market parameters, thus enabling a more accurate representation of the hedging effect on the main risk component (credit spread risk). In the last quarter of 2012, the VaR level remained largely stable and amounted to EUR 7.60 mln as at 31/12/2012. During the year, risk was primarily concentrated on subsidiary MPSCS by reason of trading particularly in EQ and IR (securities and derivatives) and structuring/hedging of policies.



With regard to legal entities, the Group's market risks continue to be concentrated on MPSCS and Banca MPS.



As at the end of December 2012, MPSCS accounted for 83% of overall risk, the Parent Company contributed approx. 15% while the remaining 2% was attributable to the other banks.



A breakdown of VaR by risk factors as at 31 December 2012 shows that 35% of the Group's portfolio was allocated to interest rate risk factors (IR VaR), 34% was absorbed by risk factors such as Credit Spread (CS VaR), 21% was absorbed by equity risk factors (EQ VaR) and the remaining 10% by foreign exchange risk (FX VaR).

In the course of 2012, Group VaR ranged between a low of EUR 6.25 mln recorded on 25 October and a high of EUR 24.97 mln on 4 June. On average, Group VaR was EUR 16.07 mln. The end-2012 figure was EUR 7.60 mln.

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

	VaR	Date
End of Period	7,60	31/12/2012
Min	6,25	25/10/2012
Max	24,97	04/06/2012
Average	16,07	

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 has been the Business Area in charge of trading since May 2012. 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 and 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

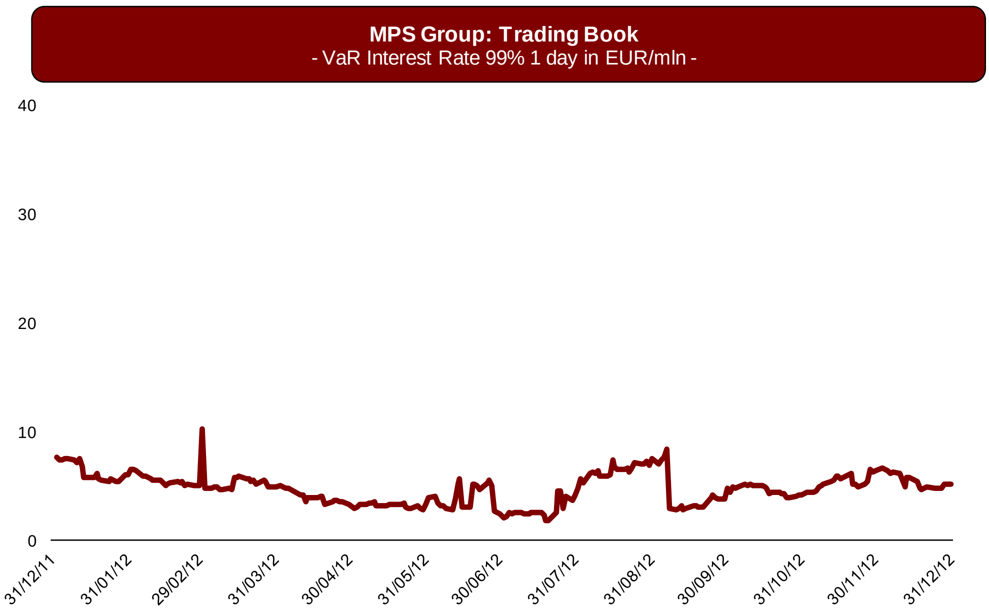
This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

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 more than rate risk, when allowed) in order to benefit from the natural hedge resulting from simultaneously holding positions on risk factors that are not perfectly correlated. The VaR by risk factor (specifically, Interest Rate VaR) has operational relevance for the purpose of risk management analyses, even though it is the global VaR diversified among risk factors and portfolios that is used by the operating units. Below is information on the Group's diversified Interest Rate VaR.



The reduction in the Interest Rate VaR in September was due to the introduction of the inflation risk factor in the model, which affected primarily the Interest Rate Swaps used in the structuring and hedging of policies by subsidiary MPSCS.

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

	VaR	Date
End of Period	5,23	31/12/2012
Min	1,89	19/07/2012
Max	10,21	01/03/2012
Average	4,82	

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.

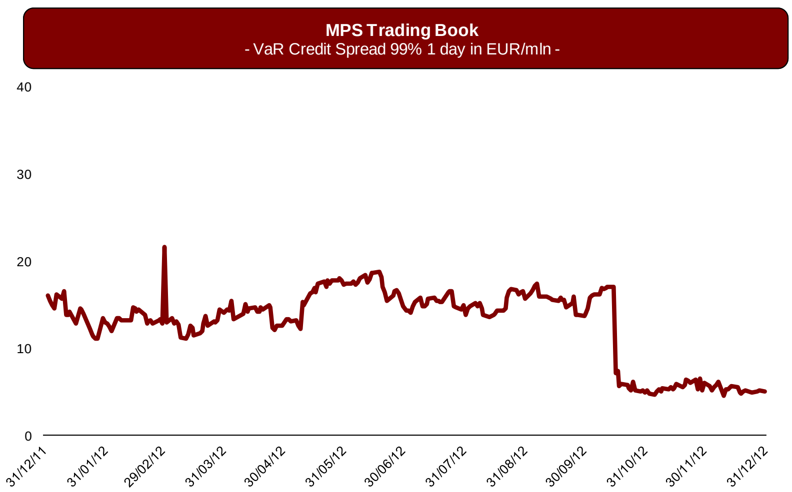
All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss. Below is the overall effect of the scenario analyses.

MPS Group: Trading Book
EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	10,53
Interest Rate	-100bp all Interest Rate Curves	-22,24
Interest Rate	+1% all Interest Rate Volatility	0,10

The mismatch between the +100 bps and -100 bps scenarios is mainly attributable to subsidiary MPSCS due to the floor applied in the -100 bps stress scenario as a consequence of the low level reached by interest rates at the end of the year (bonds and interest rate swaps) and, partly, of non-linear rate positions (swaptions e cap&floor options).

To complete the interest rate risk analysis, details are also provided on the credit spread risk of the Montepaschi 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 global VaR diversified among all risk factors and portfolios that is used by the operating units.



The trend in Credit Spread VaR in the first six months of 2012 is connected with tensions on credit spreads in the Euro area and trading in Italy's sovereign debt portfolio by the subsidiary, MPSCS. The reduction in VaR in the second half of the year is in correlation with methodological changes in the structuring and hedging of policies relating to subsidiary MPSCS.

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

	VaR	Date
End of Period	5,07	31/12/2012
Min	4,54	10/12/2012
Max	21,67	01/03/2012
Average	12,97	

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.

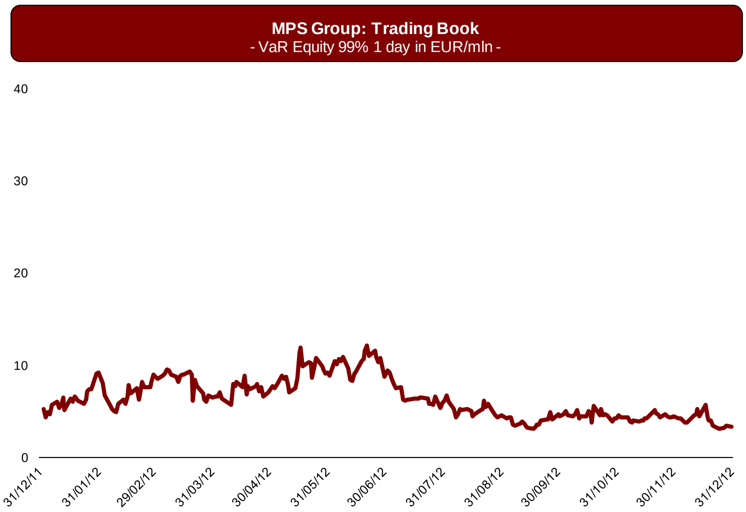
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	-0,83

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	3,23	31/12/2012
Min	3,01	24/12/2012
Max	12,15	21/06/2012
Average	6,38	

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)	0,57
Equity	-1% Equity Prices (prices, indices, basket)	-0,56
Equity	+1% Equity Volatility	0,06

2.2 Interest rate risk and price risk in the banking book

Qualitative Information

A. General aspects, management procedures 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 (in line with that for the regulatory 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 Montepaschi Group's Banking Book.

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 25bp, 100bp and 200bp, the latter in accordance with the requirements set out in the "second pillar" of Basel 2.

Risk metrics for the retail banks in the Montepaschi Group are prepared 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 a significant 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. Specifically, within the scope of periodic assessment and verification of risk model adequacy, the behavioural modelling for prepayment risk treatment and demand deposit assessment was fine-tuned. While keeping the methodological approach in use at the Montepaschi Group unaltered, the fine-tuning was particularly focused on the assignment of specific behavioural models, differentiated by business or customer clusters. In the course of 2012, the Group continued to carefully and constantly monitor its risk profile characteristics particularly in the light of existing contractual options and operating practices adopted, all of which make the risk profile more dependent on market performance, interest rates and their volatility.

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 the policies for managing the Group 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, 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), AFS securities and, to a smaller extent, derivatives.

The MPS Group equity investment portfolio includes approximately 242 equity investments in companies outside the Group, with approximately 76% of the amount being concentrated in 10 investments. The unit value of the remaining investments is rather limited (approximately 180 equity investments, in fact, are valued at less than EUR 1 mln, accounting for 2% of the overall portfolio). There are approximately 23 equity investments relative to the portfolio of MPSCS; these account for 6% of the overall value of the portfolio.

Trading in UCITs is carried out exclusively through the direct purchase of the funds/SICAVs, with no use being made of derivative contracts.

Quantitative Information

2.2.1 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.

2.2.2 Banking book: internal models and other sensitivity analysis methods

2.1 Interest rate risk

The sensitivity of the Montepaschi Group, at the end of 2012, was indicative of exposure to rate hike risk. As at the end of December 2012, the amount of economic value at risk in the event of a +100 bp parallel shift of the rate curve came to - EUR 949.41 mln (1001.78 EUR/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.

2.2 Price risk

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. It is noted that the portfolio taken into consideration by the analyses includes all the equity investments held by all companies in the Montepaschi Group in external companies, or in companies that are not consolidated in their entirety or proportionately. The VaR of the 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 8 most significant investments.

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.

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.

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.

Additionally, 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)	19,74
Equity	-1% Equity Prices (prices, indices, basket)	-19,74
Equity	+1% Equity Volatility	0

The impact of the equity investments portfolio on the scenario analysis total is approximately 64%.

2.3 Foreign exchange risk

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

Hedging of exchange rate risk

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

Trading is mainly carried out by the Group Treasury Service of the Finance, Treasury & Capital Management Area of the Parent Company; trading in the FX options segment is carried out by MPSCS, with active management of foreign exchange risk. The foreign branches of BMPS 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 foreign exchange risk.

Quantitative Information

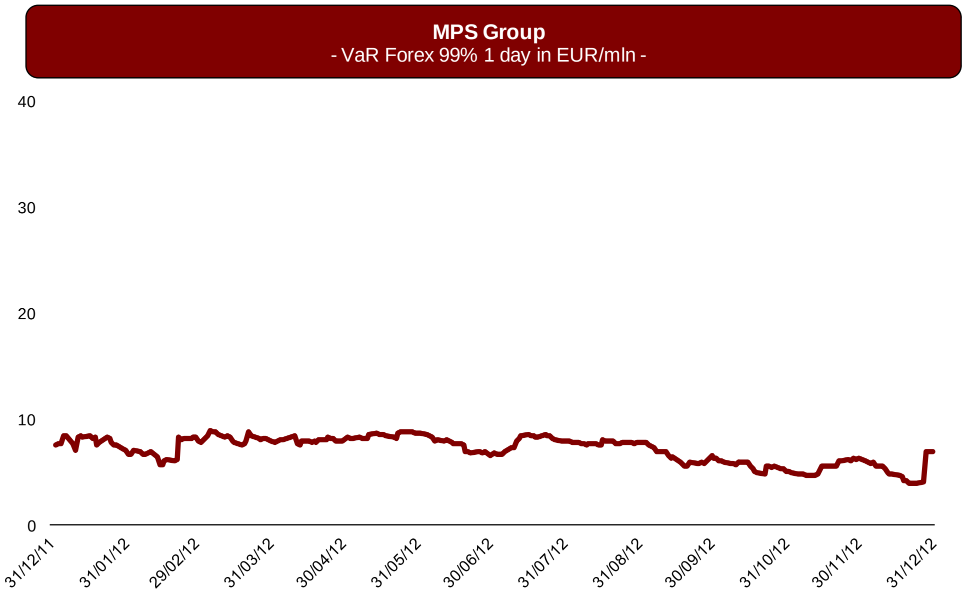
2.3.1. Breakdown of assets, liabilities and derivatives by currency of denomination

31 12 2012

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollars	Swiss franc	Other currencies
A. Financial assets	**3,620,609**	**191,291**	**130,621**	**10,374**	**100,300**	**147,258**
A.1 Debt securities	642,390	-	-	-	-	3
A.2 Equity securities	764,342	-	-	-	8,059	1,438
A.3 Loans to banks	967,329	154,784	63,000	8,406	44,775	90,033
A.4 Loans to customers	1,246,548	36,507	67,621	1,968	47,466	55,784
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**35,122**	**2,648**	**421**	**653**	**3,405**	**2,003**
C. Financial liabilities	**4,627,518**	**164,642**	**25,589**	**18,498**	**44,313**	**77,080**
C.1 Deposits from banks	3,935,342	50,896	22,538	14,601	23,976	49,884
C.2 Customer accounts	615,651	34,712	3,051	3,897	13,685	27,196
C.3 Debt securities	76,525	79,034	-	-	6,652	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**99,631**	**68,004**	**3**	**-**	**-**	**15,339**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**-**
- Options	-	-	-	-	-	-
+ Long positions	444,974	18,872	1,005	-	8,189	107,789
+ Short positions	477,651	18,872	1,005	-	8,189	107,789
- Other	-	-	-	-	-	-
+ Long positions	5,527,363	180,306	27,741	178,630	8,443	131,393
+ Short positions	3,780,424	165,451	142,973	170,912	69,703	204,429
Total assets	**9,628,068**	**393,117**	**159,788**	**189,657**	**120,337**	**388,443**
Total liabilities	**8,985,224**	**416,969**	**169,570**	**189,410**	**122,205**	**404,637**
Difference (+/-)	642,844	(23,852)	(9,782)	247	(1,868)	(16,194)

2.3.2 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	6,91	31/12/2012
Min	4,00	21/12/2012
Max	8,97	06/03/2012
Average	7,15	

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, which post Market Value changes 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	0,53	-1,92	**-1,40**
Forex	-1% Exchange rate against EUR	-0,45	1,92	**1,47**
Forex	+1% Forex Volatility	0,12	0,00	**0,12**

2.4 Derivatives

A. Financial derivatives

In the following tables, a distinction is drawn between derivatives classified in the regulatory Trading Book and derivatives included in the Banking Book, in accordance with Bank of Italy regulations for Prudential Supervision. This differs from an IAS-based classification for financial statement purposes, which distinguishes between trading derivatives and hedge accounting derivatives.

Regulatory classification is fundamental in order to more accurately discern between instruments intended for trading - and thus for generating absorption of capital for market risk - and those intended for other purposes which fall within the framework of credit risk absorption.

For Banca Monte dei Paschi, the derivatives included in the Regulatory trading book correspond to those present in the regular trading book, with the exception of derivatives connected to instruments for which the fair value option has been adopted, which are instruments for hedging market risks on deposits valued at fair value and derivatives spun off from or operationally connected to other financial instruments in the banking book.

Among these contracts, the presence of credit derivatives (credit default swaps) is reported, which are classified in the regular trading book for financial statement purposes but which, from an operational standpoint, are intended to hedge a loan portfolio against insolvency risk and are therefore considered part of the banking book.

As with other technical forms, OTC derivatives, including those traded with customers, are subject to collective credit risk assessment.

A.1 Regulatory trading book: end of period and average notional amounts

Underlying asset/Type of derivative	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**198,133,513**	**95,725,496**	**238,581,294**	**203,055,461**
a) Options	71,189,706	19,003,751	73,959,073	28,657,087
b) Swaps	125,780,858	75,781,477	163,644,804	159,072,743
c) Forward	1,162,949	-	977,417	680,000
d) Futures	-	940,268	-	14,645,631
e) Other	-	-	-	-
2. Equity securities and stock indices	**14,919,077**	**9,007,676**	**17,495,754**	**6,608,181**
a) Options	13,983,013	6,399,267	17,295,754	6,095,594
b) Swaps	936,064	-	200,000	-
c) Forward	-	-	-	-
d) Futures	-	2,608,409	-	512,587
e) Other	-	-	-	-
3. Exchange rates and gold	**10,146,309**	**-**	**10,724,993**	**-**
a) Options	2,295,447	-	2,526,624	-
b) Swaps	1,186,384	-	1,320,117	-
c) Forward	6,664,478	-	6,878,252	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	312,125	547,770	-	-
5. Other underlying	**-**	**-**	**318,083**	**402,200**
Total	**223,511,024**	**105,280,942**	**267,120,124**	**210,065,842**
Average amounts	**306,734,513**	**188,826,564**	**366,051,488**	**198,295,948**

A.2 Banking book: end of period and average notional amounts

A.2.1 Hedging derivatives

Underlying asset/Type of derivative	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**29,647,549**	**-**	**32,392,651**	**-**
a) Options	1,625,000	-	1,632,091	-
b) Swaps	28,022,549	-	30,760,560	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**184,200**	**-**
a) Options	-	-	184,200	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**808,508**	**-**	**948,224**	**-**
a) Options	-	-	-	-
b) Swaps	647,514	-	795,029	-
c) Forward	160,994	-	153,195	-
d) Futures	-	-	-	-
e) CCS	-	-	-	-
4. Commodities	**-**	**-**	-	-
5. Other underlying	**-**	**-**	**-**	**-**
Total	**30,456,057**	**-**	**33,525,075**	**-**
Average amounts	**43,315,467**	**-**	**37,499,817**	**-**

A.2.2 Other derivatives

Underlying asset/Type of derivative	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
1. Debt securities and interest rate	**3,999,926**	**-**	**6,733,219**	**-**
a) Options	457,000	-	157,000	-
b) Swaps	3,542,926	-	6,576,219	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**651,193**	**-**	**565,764**	**-**
a) Options	561,857	-	565,764	-
b) Swaps	89,336	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	-	-
5. Other underlying	**-**	**-**	**-**	**-**
Total	**4,651,119**	**-**	**7,298,983**	**-**
Average amounts	**28,478,561**	**-**	**6,669,793**	**-**

A.3 Financial derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair Value			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**8,934,772**	**1,527,691**	**8,429,586**	**4,834,731**
a) Options	1,143,847	184,195	1,082,691	139,211
b) Interest rate swaps	7,684,087	1,343,328	7,105,388	4,694,940
c) Cross currency swaps	31,924	-	60,432	-
d) Equity swaps	36,677	-	30,935	-
e) Forward	14,515	-	150,140	-
d) Futures	-	168	-	580
g) Other	23,722	-	-	-
B. Banking book - Hedging	**536,068**	**-**	**352,148**	**-**
a) Options	-	-	90	-
b) Interest rate swaps	493,264	-	348,327	-
c) Cross currency swaps	40,692	-	1,513	-
d) Equity swaps	-	-	-	-
e) Forward	2,112	-	2,218	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**295,250**	**-**	**272,455**	**-**
a) Options	16,448	-	12,045	-
b) Interest rate swaps	259,771	-	243,593	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	19,031	-	16,817	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**9,766,090**	**1,527,691**	**9,054,189**	**4,834,731**

A.4 Financial derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative Fair Value			
	Total 31/12/2012		Total 31/12/2011	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**7,552,204**	**1,504,784**	**7,299,026**	**5,068,752**
a) Options	1,417,157	126,855	1,392,194	154,156
b) Interest rate swaps	5,919,338	1,377,329	5,583,385	4,914,456
c) Cross currency swaps	47,158	-	56,247	-
d) Equity swaps	16,214	-	108,060	-
e) Forward	128,344	-	159,140	-
d) Futures	-	600	-	140
g) Other	23,993	-	-	-
B. Banking book - Hedging	**5,181,251**	**-**	**3,954,239**	**-**
a) Options	93,923	-	52,099	-
b) Interest rate swaps	5,057,076	-	3,836,891	-
c) Cross currency swaps	28,859	-	61,460	-
d) Equity swaps	-	-	-	-
e) Forward	1,393	-	3,789	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**319,343**	**-**	**283,430**	**-**
a) Options	9,145	-	4,957	-
b) Interest rate swaps	309,721	-	277,247	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	477	-	1,226	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**13,052,798**	**1,504,784**	**11,536,695**	**5,068,752**

A.5 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

31.12.2012

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate							
- notional value	-	514,348	4,284,540	10,950,330	1,127,067	13,547,800	2,107,047
- positive fair value	-	25,049	52,951	272,800	2,870	837,072	11,197
- negative fair value	-	501	3,100	37,208	31,552	18,739	25,522
- future exposure	-	3,855	2,103	50,076	-	106,321	4,814
2. Equity securities and stock indices							
- notional value	5	-	7,262	96,000	654,291	10,125	-
- positive fair value	35	-	5,238	-	-	856	-
- negative fair value	-	-	3,570	-	-	-	-
- future exposure	-	-	369	5,760	46,418	608	-
3. Exchange rates and gold							
- notional value	22,738	-	4,986,807	224,401	-	2,172,481	6,927
- positive fair value	-	-	2,426	406	-	30,518	167
- negative fair value	361	-	81,427	7,027	-	27,828	165
- future exposure	231	-	50,044	2,243	-	31,447	71
4. Other underlying							
- notional value	-	-	-	-	-	112,552	142
- positive fair value	-	-	-	-	-	24,031	11
- negative fair value	-	-	-	-	-	19,307	-
- future exposure	-	-	-	-	-	11,319	14

A.6 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts subject to netting agreements

31.12.2012

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate							
- notional value	-	-	146,081,540	16,043,348	3,477,492	-	-
- positive fair value	-	-	5,554,562	896,340	616,223	-	-
- negative fair value	-	-	5,775,204	770,199	3,774	-	-
2. Equity securities and stock indices							
- notional value	-	-	8,079,096	2,591,889	3,480,409	-	-
- positive fair value	-	-	418,404	117,050	16,379	-	-
- negative fair value	-	-	237,161	149,893	296,360	-	-
3. Exchange rates and gold							
- notional value	-	-	2,272,005	460,950	-	-	-
- positive fair value	-	-	39,482	4,512	-	-	-
- negative fair value	-	-	44,726	4,774	-	-	-
4. Other underlying							
- notional value	-	-	171,990	27,442	-	-	-
- positive fair value	-	-	5,803	390	-	-	-
- negative fair value	-	-	12,960	847	-	-	-

A.7 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

31.12.2012

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rate							
- notional value	-	-	1,627,035	2,079,064	-	10,000	-
- positive fair value	-	-	2	91,404	-	-	-
- negative fair value	-	-	89,799	-	-	109	-
- future exposure	-	-	22	30,492	-	-	-
2. Equity securities and stock							
- notional value	-	-	-	-	89,794	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	7,184	-	-
3. Exchange rates and gold							
- notional value	-	-	-	6,546	-	154,176	272
- positive fair value	-	-	-	108	-	1,996	8
- negative fair value	-	-	-	8	-	1,384	1
- future exposure	-	-	-	65	-	1,635	3
4. Other underlying							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts subject to netting agreements

31.12.2012

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rate							
- notional amount	-	-	24,052,972	5,878,403	-	-	-
- positive fair value	-	-	618,412	50,595	-	-	-
- negative fair value	-	-	3,468,371	1,902,624	-	-	-
2) Equity securities and stock indices							
- notional amount	-	-	561,399	-	-	-	-
- positive fair value	-	-	28,101	-	-	-	-
- negative fair value	-	-	9,438	-	-	-	-
3) Exchange rates and gold							
- notional amount	-	-	647,514	-	-	-	-
- positive fair value	-	-	40,692	-	-	-	-
- negative fair value	-	-	28,859	-	-	-	-
4) Other amounts							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 OTC financial derivatives - residual life: notional amounts

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	**58,586,533**	**109,702,613**	**55,221,878**	**223,511,024**
A.1 Financial derivatives on debt securities and interest rates	45,340,062	101,180,108	51,613,343	198,133,513
A.2 Financial derivatives on equity securities and stock indices	4,642,308	6,814,241	3,462,528	14,919,077
A.3 Financial derivatives on exchange rates and gold	8,439,877	1,606,432	100,000	10,146,309
A.4 Financial derivatives on other underlying assets	164,286	101,832	46,007	312,125
B. Banking book	**5,628,388**	**10,733,106**	**18,745,681**	**35,107,175**
B.1 Financial derivatives on debt securities and interest rates	4,819,880	10,165,247	18,662,348	33,647,475
B.2 Financial derivatives on equity securities and stock indices	-	567,859	83,333	651,192
B.3 Financial derivatives on exchange rates and gold	808,508	-	-	808,508
B.4 Financial derivatives on other underlying assets	-	-	-	-
Total 31/12/2012	**64,214,921**	**120,435,719**	**73,967,559**	**258,618,199**
Total 31/12/2011	**84,024,190**	**131,686,040**	**92,233,951**	**307,944,181**

The table shows the residual life of financial derivatives determined on the basis of their contractual maturity.

A.10 OTC financial derivatives: Counterparty risk/Financial risk – internal models

As at today, EPE models are not used for either internal operational or reporting purposes.

A.11 OTC derivatives traded with customers for hedging purposes

The Montepaschi Group's trading in OTC derivatives is exclusively intended to meet customers' hedging needs and is targeted at the Group's corporate customers classified as Retail clients or Professional/Qualified investors under the MiFID directive. Trading involving Public Institutions and Local Institutions is currently on hold, pending completion of the regulatory framework of reference.

In addition to being included in the afore-mentioned categories, target customers must qualify as having the required qualitative and quantitative standing in terms of business carried out, corporate structure, assets and creditworthiness.

As at today, the catalogue of OTC derivative products on offer includes approximately 100 products and strategies.

These products may be broken down into two main classes:

- derivatives for new hedges
- debt-rescheduling hedges.

Each class is in turn subdivided into three sub-classes depending on the type of underlying assets:

- interest rate hedges;
- foreign exchange hedges;
- commodity hedges.

Each sub-class is then broken down into different types.

Among these products, the Parent Company's Risk Management function has identified a set of products classifiable as "plain vanilla" on account of their basic structure, sensitivity to one risk factor and easy understandability. "Plain vanilla" products have been identified as the only type eligible for inclusion in the offer for Retail customers.

The residual class of Non Plain Vanilla products generally includes mixed, structured strategies showing more or less complex exotic features (e.g. digital payment profiles, barriers, etc.) or resulting from the combination of multiple basic financial components. This class of products is for Professional/Qualified investors.

Group trading in OTC derivatives is regulated according to the following main guidelines:

- trading in derivatives by customers is conditional upon ascertaining and monitoring that they are only used for hedging purposes. Three types of hedging relationships are possible:
    - micro-hedges, i.e. hedging of individual, well-defined items in the customer's assets and/or liabilities held with the Group or other intermediaries;
    - macro-hedges, i.e. hedging of a portfolio of assets and/or liabilities, or a part of it, held with the Group or other intermediaries;
    - forward transaction hedges, i.e. by way of example, hedging through OTC derivatives in which the underlying is an exchange rate against future settlement of specific business transactions;
- Customer trading shall not in any case have a leverage effect on hedged positions;
- Trading must occur in compliance with the requirement of appropriateness (to ensure the highest level of customer protection) and adequate financial advice;
- Trading under the appropriateness regime is only allowed as a marginal option for participation in tenders, for a subset of Corporate clients with proven high level of financial culture and for Financial Institutions. The execution of transactions qualifying as inappropriate is in any case prevented.

Trading in OTC derivatives involves, first of all, the assumption of market risk by the Group, defined as potential loss that may be incurred on positions held subsequent to unfavourable variations in specific market parameters. The main risk factors this type of trading is subject to include: interest rate, foreign exchange, market index, commodities and related volatility and correlations. At the same time, the Bank also takes on the risk that the counterparty of a derivative-based transaction is in default prior to settlement (counterparty risk).

Trading in derivatives with customers involves the centralisation of the product factory and market risk monitoring in MPSCS, whereas the allocation, management and monitoring of counterparty risk with customers lie with the Group's Retail Banks.

The estimation of counterparty risk on Over the Counter (OTC) derivatives with customers is based on the fair value determination of positions held.

OTC derivatives traded wioth customers are comprised in level 2 of the Fair Value Hierarchy on the basis of which fair value is calculated through proprietary valuation methods and assessment models fed with parameters available on the market. The models used are discussed among the Operating Units and specialised Risk Management and Quantitative Analysis functions and submitted for validation to the Parent Company's Risk Management function. These models are subject to periodic review so as to guarantee constant alignment between the model approach adopted and prevailing domestic and international best practices. Furthermore, the pricing models for OTC derivatives with customers are consistent with the methodological criteria used by the MPS Group for the valuation of its own positions.

Montepaschi Group customers holding positions in OTC derivatives numbered approximately 7,300 as at 31 December 2012.

The following table reports the fair value of positions in OTC derivatives for the Montepaschi Group, by type of products ("Plain Vanilla" / "Non Plain Vanilla").

OTC derivatives hedging with customers

Montepaschi Group - EUR/mln of 31.12.2012

Product	Net Fair Value	of which Positive Fair Value	of which Negative Fair Value
Plain Vanilla	736,75	775,10	-38,35
Non-plain Vanilla	184,53	196,61	-12,08
Total	**921,28**	**971,71**	**-50,43**

As at 31.12.2012 the net fair value of these products was, on the whole, positive for the Montepaschi Group, standing at approx. EUR 921 mln. For customers, this value is matched by an appreciation of hedged assets and liabilities.

B. Credit derivatives

B1. Credit derivatives: end of period and average notional amounts

Transaction categories	Regulatory trading book		Banking book	
	with one counterparty	with multiple counterparties (basket)	with one counterparty	with multiple counterparties (basket)
1. Purchases of protection				
a) Credit default products	13,207,428	14,020,634	81,900	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
Total 31/12/2012	**13,207,428**	**14,020,634**	**81,900**	**-**
Average amounts 31 12 2012	**12,987,243**	**24,080,490**	**42,624**	**-**
Total 31/12/2011	**12,466,522**	**26,661,852**	**81,900**	**-**
2. Sales of protection				
a) Credit default products	13,703,449	13,892,423	484,311	200,000
b) Credit spread products	-	-	-	-
c) Total rate of return swap	253,417	-	-	-
d) Others	-	-	-	-
Total 31/12/2012	**13,956,866**	**13,892,423**	**484,311**	**200,000**
Average amounts 31 12 2012	**12,936,714**	**24,087,411**	**355,293**	**50,273**
Total 31/12/2011	**12,483,087**	**27,419,868**	**-**	**-**

B2. OTC credit derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair Value	
	Total 31/12/2012	Total 31/12/2011
A. Regulatory trading book	**1,585,601**	**2,877,444**
a) Credit default products	1,318,819	2,723,826
b) Credit spread products	-	-
c) Total rate of return swap	266,782	153,618
d) Other	-	-
B. Banking book	**654**	**8,887**
a) Credit default products	654	8,887
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**1,586,255**	**2,886,331**

B3. OTC credit derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative Fair Value	
	Total 31/12/2012	Total 31/12/2011
A. Regulatory trading book	**1,614,037**	**2,858,467**
a) Credit default products	1,614,037	2,832,415
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	26,052
B. Banking book	**163,003**	**-**
a) Credit default products	163,003	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**1,777,040**	**2,858,467**

B.4 OTC credit derivatives: gross (positive and negative) fair value / counterparty risk - contracts not subject to netting agreements

31.12.2012

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Purchases of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
2) Sales of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
Banking book							
1) Purchases of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2) Sales of protection							
- notional amount	-	-	-	200,000	-	-	484,311
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	4,074	-	-	158,697

B.5 OTC credit derivatives: gross (positive and negative) fair value / counterparty risk - contracts subject to netting agreements

31.12.2012

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Purchases of protection							
- notional amount	-	-	19,415,583	6,200,315	1,612,164	-	-
- fair value positivo	-	-	201,514	602,302	324,017	-	-
- fair value negativo	-	-	156,265	36,501	-	-	-
2) Sales of protection							
- notional amount	-	-	18,193,951	7,280,253	2,375,085	-	-
- fair value positivo	-	-	151,340	306,428	-	-	-
- fair value negativo	-	-	218,692	761,855	440,724	-	-
Banking book							
1) Purchases of protection							
- notional amount	-	-	81,900	-	-	-	-
- fair value positivo	-	-	654	-	-	-	-
- fair value negativo	-	-	232	-	-	-	-
2) Sales of protection							
- notional amount	-	-	-	-	-	-	-
- fair value positivo	-	-	-	-	-	-	-
- fair value negativo	-	-	-	-	-	-	-

B6. Credit derivatives - residual life: notional amounts

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	11,302,291	34,780,124	8,994,936	55,077,351
A.1 Credit derivatives with qualified reference obligation	8,810,574	26,084,708	8,621,560	43,516,842
A.2 Credit derivatives with non-qualified reference obligation	2,491,717	8,695,416	373,376	11,560,509
B. Banking book	26,400	255,500	484,311	766,211
B.1 Credit derivatives with qualified reference obligation	26,400	20,000	-	46,400
B.2 Credit derivatives with non-qualified reference obligation	-	235,500	484,311	719,811
Total 31 12 2012	**11,328,691**	**35,035,624**	**9,479,247**	**55,843,562**
Total 31 12 2011	**2,808,319**	**67,269,516**	**9,035,393**	**79,113,228**

B.7 Credit derivatives: counterparty risk/financial risk - internal models

As at today, EPE models are not used for either internal operational or reporting purposes.

C. Financial and credit derivatives

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

31/12/12

	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Financial derivatives, bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
2) Credit derivatives, bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) "Cross product" agreements							
- positive fair value	-	-	1,008,730	431,281	215,761	-	-
- negative fair value	-	-	3,901,651	2,080,380	-	-	-
- future exposure	-	-	1,933,207	566,440	276,075	-	-
- net counterparty risk	-	-	2,320,184	622,304	244,176	-	-

Section 3 – Liquidity risk

Qualitative Information

A Liquidity risk: general information, operational processes and measurement methods

As part of the overall revision process of models and processes, the Montepaschi Group has revised the 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 lthe 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 the net cumulative cashflow and the *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 the ratio of both 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 and **stress scenarios**. The exercises have the twofold objective of timely reporting the Bank's major vulnerabilities in exposure to liquidity risk and allowing for prudential determination of the required levels of Counterbalancing Capacity (*liquidity buffer*).

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

Liquidity limits

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

Time breakdown by contractual residual maturity of financial assets and liabilities - Currency of denomination: Euro

31 12 2012

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	31,935,960	2,878,161	1,955,700	6,660,769	8,310,329	11,407,583	12,395,089	46,076,814	85,129,583	4,243,351
A.1 Government securities	280	982	381,452	155,378	369,111	1,264,852	1,532,626	8,098,741	17,027,591	-
A.2 Other debt securities	12,521	13,709	12,527	44,205	210,994	351,750	309,299	2,401,894	22,253,838	666,298
A.3 Units in UCITS	581,722	-	-	-	-	-	-	-	-	-
A.4 Loans	31,341,437	2,863,470	1,561,721	6,461,186	7,730,224	9,790,981	10,553,164	35,576,179	45,848,154	3,577,053
- Banks	4,395,631	452,956	32,371	295,817	1,144,011	262,716	322,600	127,873	23,224	3,559,529
- Customers	26,945,806	2,410,514	1,529,350	6,165,369	6,586,213	9,528,265	10,230,564	35,448,306	45,824,930	17,524
Balance-sheet liabilities	60,256,414	6,726,504	4,333,182	5,193,792	13,249,796	3,424,810	13,149,013	64,733,431	14,491,660	435,578
B.1 Deposits and current accounts	57,449,075	311,539	139,869	296,719	1,208,947	874,284	1,196,568	2,080,091	556,381	-
- Banks	1,943,583	14,391	24,035	10,195	23,321	8,760	31,766	465,887	440,344	-
- Customers	55,505,492	297,148	115,834	286,524	1,185,626	865,524	1,164,802	1,614,204	116,037	-
B.2 Debt securities	36,649	29,615	52,253	82,815	5,358,395	2,144,800	11,397,948	30,863,435	5,435,958	430,608
B.3 Other liabilities	2,770,690	6,385,350	4,141,060	4,814,258	6,682,454	405,726	554,497	31,789,905	8,499,321	4,970
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	4,062	2,201,698	1,473,044	1,438,390	1,867,157	1,300,056	554,828	1,848,222	855,083	835,271
- short positions	-	4,035,670	263,170	347,337	2,996,558	3,229,503	651,941	1,144,276	2,350,891	827,945
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	9,133,995	220	509	491	73,022	50,484	116,972	-	3,710	-
- short positions	7,528,702	555	2,124	485	186,592	102,593	289,599	-	-	-
C.3 Deposits and borrowings to be received	-	-	-	-	-	-	-	-	-	-
- long positions	14,000	-	27,032	-	195,956	60,000	-	-	-	-
- short positions	-	-	41,998	-	195,956	60,000	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	1,435,991	695	5,168	13,032	58,918	122,178	216,749	446,389	2,410,008	1,292,295
- short positions	4,709,127	-	-	-	-	-	-	-	-	582,795
C.5 Financial guarantees given	12,740	39	696	2,480	23,090	16,989	11,848	29,629	56,159	29

Time breakdown by contractual residual maturity of financial assets and liabilities - Currency of denomination: US Dollar

31 12 2012

Voci/Scaglioni temporali	A vista	Da oltre 1 giorno a 7 giorni	Da oltre 7 giorni a 15 giorni	Da oltre 15 giorni a 1 mese	Da oltre 1 mese fino a 3 mesi	Da oltre 3 mesi fino a 6 mesi	Da oltre 6 mesi fino a 1 anno	Da oltre 1 anno fino a 5 anni	oltre 5 anni	Durata indeterminata
Attività per cassa	681,910	120,362	66,236	172,975	355,309	139,172	154,430	627,563	677,880	1,628
A.1 Titoli di Stato	27	-	154	-	2,219	175	2,489	721	87,219	-
A.2 Altri titoli di debito	4	-	-	12	4,754	873	2,003	34,663	505,706	1,628
A.3 Quote OICR	146,589	-	-	-	-	-	-	-	-	-
A.4 Finanziamenti	535,290	120,362	66,082	172,963	348,336	138,124	149,938	592,179	84,955	-
- Banche	126,714	22,997	5,510	61,924	60,348	13,076	47,480	79,444	-	-
- Clientela	408,576	97,365	60,572	111,039	287,988	125,048	102,458	512,735	84,955	-
Passività per cassa	704,000	1,203,386	1,147,821	1,139,530	46,216	21,598	34,806	45,107	1,499	-
B.1 Depositi e conti correnti	638,448	1,133,700	1,145,617	1,055,119	18,105	3,411	12,061	26	1,197	-
- Banche	76,639	1,091,697	1,145,054	1,051,376	5,972	356	1,554	-	494	-
- Clientela	561,809	42,003	563	3,743	12,133	3,055	10,507	26	703	-
B.2 Titoli di debito	-	39	-	-	7,289	14,917	14,889	29,110	-	-
B.3 Altre passività	65,552	69,647	2,204	84,411	20,822	3,270	7,856	15,971	302	-
Operazioni "fuori bilancio"	-	-	-	-	-	-	-	-	-	-
C.1 Derivati finanziari con scambio di capitale	-	-	-	-	-	-	-	-	-	-
- Posizioni lunghe	-	1,833,906	198,301	300,466	1,101,521	2,931,335	223,644	251,607	8,297	125,018
- Posizioni corte	2,822	1,625,515	257,128	1,382,427	1,218,225	284,634	216,692	164,966	7,770	132,238
C.2 Derivati finanziari senza scambio di capitale	-	-	-	-	-	-	-	-	-	-
- Posizioni lunghe	498,065	-	-	-	-	202	5	-	-	-
- Posizioni corte	436,044	-	-	-	2,104	-	1,897	-	-	-
C.3 Depositi e finanziamenti da ricevere	-	-	-	-	-	-	-	-	-	-
- Posizioni lunghe	-	-	-	757,922	432	-	171	-	-	-
- Posizioni corte	-	-	-	757,922	432	-	171	-	-	-
C.4 Impegni irrevocabili a erogare fondi	-	-	-	-	-	-	-	-	-	-
- Posizioni lunghe	384,331	953	-	14,305	24,562	39,669	33,899	2,435	11,989	4,240
- Posizioni corte	515,673	-	-	-	-	-	-	-	-	711
C.5 Garanzie finanziarie rilasciate	61	-	-	-	-	33	361	-	-	-

Time breakdown by contractual residual maturity of financial assets and liabilities - Currency of denomination: Pound sterling

31.12.2012

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	19,223	51,600	41	1,702	5,017	1,165	1,588	22,685	29,001	245
A.1 Government securities	-	-	-	-	1	2	3	55	82	-
A.2 Other debt securities	-	-	-	-	-	-	653	10,061	21,443	245
A.3 Units in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	19,223	51,600	41	1,702	5,016	1,163	932	12,569	7,476	-
- Banks	8,698	49,791	-	1,225	-	-	-	-	-	-
- Customers	10,525	1,809	41	477	5,016	1,163	932	12,569	7,476	-
Balance-sheet liabilities	39,993	23,224	88	1,830	967	865	5,186	79,972	47	490
B.1 Deposits and current accounts	39,993	23,224	88	1,830	967	761	834	-	47	-
- Banks	7,053	22,913	-	1,225	-	-	-	-	-	-
- Customers	32,940	311	88	605	967	761	834	-	47	-
B.2 Debt securities	-	-	-	-	-	104	4,352	79,972	-	-
B.3 Other liabilities	-	-	-	-	-	-	-	-	-	490
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	4,684	562	28,007	79,772	9,230	209,403	38,142	-	-
- short positions	-	97,085	55,509	1,283	20,917	207	17,451	19,710	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	24	-	-	-	-	-	-	-	-	-
- short positions	418	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	326	-	-	6	-	128	10,371	7	72	-
- short positions	10,910	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Time breakdownby contractual residual maturity of financial assets and liabilities - Currency of denomination: Yen

31 12 2012

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	31,720	2,081	14,473	12,282	26,013	9,916	1,755	1,155	-	-
A.1 Government securities	-	-	-	-	-	-	-	-	-	-
A.2 Other debt securities	-	-	-	-	-	-	-	-	-	-
A.3 Units in UCITS	-	-	-	-	-	-	-	-	-	-
A.4 Loans	31,720	2,081	14,473	12,282	26,013	9,916	1,755	1,155	-	-
- Banks	11,542	786	605	9,593	10,459	1,376	704	-	-	-
- Customers	20,178	1,295	13,868	2,689	15,554	8,540	1,051	1,155	-	-
Balance-sheet liabilities	5,058	-	-	202	23	745	-	2	-	-
B.1 Deposits and current accounts	3,614	-	-	202	23	745	-	-	-	-
- Banks	204	-	-	202	23	745	-	-	-	-
- Customers	3,410	-	-	-	-	-	-	-	-	-
B.2 Debt securities	-	-	-	-	-	-	-	-	-	-
B.3 Other liabilities	1,444	-	-	-	-	-	-	2	-	-
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	7,387	13,424	72	125,698	6,581	7,443	186,340	130,386	-	-
- short positions	5,446	141,241	802	231,040	7,182	752	174,246	133,679	-	-
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	19	-	722	-	565	555	878	-	-	-
- short positions	2,738	-	-	-	-	-	-	-	-	-
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

Time breakdown by contractual residual maturity of financial assets and liabilities - Currency of denomination: Other

31 12 2012

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	40,588	9,843	9,066	15,853	34,844	23,155	8,579	50,650	5,453	-
A.1 Government securities	-	-	-	-	-	-	-	-	22	-
A.2 Other debt securities	-	-	-	338	-	70	506	1,089	-	-
A.3 Units in UCITS	477	-	-	-	-	-	-	-	-	-
A.4 Loans	40,111	9,843	9,066	15,515	34,844	23,085	8,073	49,561	5,431	-
- Banks	29,292	8,158	5,235	8,195	16,734	3,955	-	-	-	-
- Customers	10,819	1,685	3,831	7,320	18,110	19,130	8,073	49,561	5,431	-
Balance-sheet liabilities	51,734	5,322	385	1,477	2,945	1,057	438	6,261	994	-
B.1 Deposits and current accounts	51,541	5,322	385	1,414	2,945	1,034	352	-	994	-
- Banks	11,029	5,322	-	1,270	968	79	168	-	994	-
- Customers	40,512	-	385	144	1,977	955	184	-	-	-
B.2 Debt securities	-	-	-	63	-	23	86	6,261	-	-
B.3 Other liabilities	193	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions	-	-	-	-	-	-	-	-	-	-
C.1 Financial derivatives with exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	-	215,091	8,274	81,440	117,728	77,307	24,414	282,445	2,688	4
- short positions	-	215,454	78,967	111,434	320,012	13,923	57,385	98,632	2,688	7
C.2 Financial derivatives without exchange of principal	-	-	-	-	-	-	-	-	-	-
- long positions	37,384	-	-	-	-	-	-	-	-	-
- short positions	45,828	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received	-	-	-	-	-	-	-	-	-	-
- long positions	3,147	-	-	-	-	-	-	-	-	-
- short positions	-	3,147	-	-	-	-	-	-	-	-
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	50,316	-	2,319	401	1,767	4,746	24,180	1,461	1,024	7
- short positions	86,214	-	-	-	-	-	-	-	-	7
C.5 Financial guarantees given	-	-	-	-	-	-	-	-	-	-

3. Self-securitisations

The securitisation transactions whereby the Group underwrites securities issued by vehicle companies (self-securitisations) were not shown in the tables of Part E of the Consolidated Notes to the Financial Statements, section C "Asset securitisation and disposal transactions", pursuant to the provisions of Circ. 262 of the Bank of Italy.

Securitisation transactions of performing assets were structured with the aim of improving liquidity risk management and were centred around optimising credit portfolio management, diversifying lending sources, reducing related costs and matching maturities of assets and liabilities.

Although the Group's direct and full underwriting of the notes issued by the vehicle did not make it possible to obtain direct liquidity from the market, it still provided the Group with securities that could be used for ECB refinancing and repo transactions, thereby improving the Group's safety margin and liquidity risk position. In fact, securities that can be allocated with AAA rating represent the Group's main core for covering short-term obligations through readily liquidable instruments.

These sale transactions had no economic impact on the financial statements: receivables continue to be reported under Account 70 "Loans to customers" on the assets side, while notes underwritten are not reported.

This category includes the self-securitisations entered into in:

- ✓ December 2007 (Siena Mortgages 07-5) (mortgage loans)
- ✓ March 2008 (Siena Mortgages 07-5 2nd tranche) (mortgage loans)
- ✓ February and June 2009 (Siena Mortgages 09-6 and Siena Mortgages 09-6 2nd tranche) (real-estate backed loans)
- ✓ August 2010 (Consum.it Securitisation) (consumer loans)
- ✓ November 2011 (Siena Sme 11 – 1) (real-estate backed loans)
- ✓ December 2011 (Siena Lease 11 – 1) (leasing contracts)

<u>Siena Mortgages 07-5, 1st tranche</u>

On 21 December 2007, through the purchase of securities issued by the vehicle, the Parent Bank finalised a securitisation of performing loans consisting in a portfolio of 57,968 residential mortgages for a total of EUR 5,162 mln, of which a balance of EUR 2,520.5 mln (38,138 mortgage loans) outstanding as at 31/12/2012.

The Siena Mortgages 07-5 S.p.A. special-purpose vehicle is 93% owned by Stichting Aramatburg S.p.A. and 7% owned by the Bank. This structure makes it possible to ensure the vehicle's independence.

Residential mortgage-backed floating-rate securities (RMBS) were issued to fund the acquisition in the following tranches:

- ✓ Class A notes (rating AAA), for an amount of EUR 4,765.9 mln, of which EUR 2,627.8 mln redeemed;
- ✓ Class B notes (rating A), for an amount of EUR 157.4 mln;
- ✓ Class C notes (rating BBB), for an amount of EUR 239 mln;

A cash reserve was also set up for an amount of EUR 123.9 mln, corresponding to the issuance of class D junior notes, which was posted to the assets side under item 70 "Loans to customers", EUR 109 mln of which was redeemed as at balance sheet date.

<u>Siena Mortgages 07-5, 2nd tranche</u>

On 31 March 2008, the Parent Bank sold a pool of performing loans consisting in 41,888 residential mortgages for a total of € 3,461 mln and a residual life of about 20 years as part of a securitisation aimed at diversifying and enhancing available funding and capital management instruments. In geographic terms, 46% of the mortgages are concentrated in central Italy, while northern and southern Italy each make up 27% of the total.

As at 31/12/2012, 24,856 loans were outstanding for a balance of EUR 1,785.7mln.

For these loans, the existing special-purpose vehicle, Siena Mortgages 07-5 S.p.A. was used; it had already been used for the securitisation of performing residential mortgages which was completed in December 2007.

Residential mortgage-backed floating-rate securities (RMBS) were issued to fund the acquisition in the following tranches:

- ✓ Class A notes (rating AAA), for an amount of EUR 3,129.4 mln, of which EUR 1,626.8 mln redeemed;
- ✓ Class B notes (rating A), for an amount of EUR 108.3 mln;
- ✓ Class C notes (rating BBB), for an amount of EUR 178.3 mln;

A cash reserve was also set up for an amount of EUR 82 mln, corresponding to the issuance of class D junior notes, which was posted to the assets side under item 70 "Loans to customers", EUR 0.8 mln of which was used as at balance sheet date.

<u>Siena Mortgages 09-6, 1st and 2nd tranche</u>

In order to increase available eligible assets, in 2009 the Parent Company completed two securitisation transactions through the special-purpose vehicle Siena Mortgages 09-6 S.r.l

The special-purpose vehicle Siena Mortgages 09–6 S.r.l. is 93% owned by Stichting Giglio, a foundation under Dutch law, and the remaining 7% is owned by the Bank. This structure makes it possible to ensure the vehicle's independence.

The first tranche was finalised on 20 February 2009 through the sale of a portfolio of performing mortgages in real estate and building by the Parent Company for a total of EUR 4.400 mln, of which a balance of EUR 2,969.5 mln (36,328 mortgage loans) outstanding as at today.

Residential mortgage-backed floating-rate securities (RMBS) were issued to fund the acquisition in the following tranches:

- ✓ Class A1 notes (rating AAA), for an amount of EUR 3,851.3 mln, of which EUR 1,467.8 mln redeemed;
- ✓ Class B notes (rating A), for an amount of EUR 403.7 mln;
- ✓ Class C notes (rating BBB-), for an amount of EUR 181.4 mln;
- ✓ Class D notes (not rated, NR), for an amount of EUR 106.7 mln;

The first tranche was followed by an additional securitisation, Siena Mortgages 09-6 S.r.l. 2nd tranche, on 26 June 2009, for an amount of EUR 4,101 mln, of which EUR 2,206.6 (27,414 mortgage loans) outstanding as at 31.12.2012

The portfolio consisted of 44,148 performing mortgages of the Parent Company (including positions from the former branches of Banca Agricola Mantovana S.p.A., Banca Antonveneta S.p.A. and Banca Toscana S.p.A., which have now been merged), again in the real estate and building areas, with all instalments regularly paid as at the date of valuation of the portfolio sold (broken down as follows: 14,755 mixed-rate, 13,791 floating rate and 15,602 fixed rate loans).

To fund the acquisition, the special purpose vehicle (Siena Mortgages 09 – 6 S.r.l.) issued residential mortgage-backed floating-rate securities (RMBS) in the following classes:

- ✓ Class A1 notes (rating AAA), for an amount of EUR 3,466 mln, of which EUR 1870.7 mln redeemed;
- ✓ Class B notes (rating A), for an amount of EUR 447.1 mln;
- ✓ Class C notes (rating BBB-), for an amount of EUR 188.6 mln;
- ✓ Class D notes (not rated, NR), for an amount of EUR 103.5 mln;

<u>Consum.it Securitisation</u>

The Consum.it Securitisation was finalised on 6 July 2010 through the sale of a portfolio of 341,309 performing consumer loans originated by Consum.it S.p.a., with all instalments regularly paid as at the date of valuation of the portfolio sold for an amount of approximately EUR 3,000 mln. MPS Asset Securitation S.p.a., later named "Consum.it Securitisation S.r.l" was used as the transferee of the transaction-underlying assets. The vehicle is 90% owned by Stichting Giglio S.p.A. and 10% owned by the Parent Bank. This structure makes it possible to ensure the vehicle's independence.

On 30 June 2010, "Consum.it Securitisation S.r.l." financed purchasing of the portfolio by issuing Asset-Backed Fixed-Rate Securities in the following classes:

- Class A notes (rated "Aaa" by Moody's and "AAA" by Fitch), for an amount of EUR 1,710 mln;
- Class B notes (rated "Aa3" by Moody's and "A-" by Fitch), for an amount of EUR 540 mln;

- Class C notes (rated "Caa2" by Moody's), for an amount of EUR 750 mln;
- Class D notes (not rated, NR), for an amount of EUR 132.3 mln;

A cash reserve was set up for an amount of EUR 132.3 mln, corresponding to the issuance of class D junior notes, which was posted to Account 70 "Loans to customers" in the consolidated financial statements.

The remaining debt balance amounts to EUR 1,834.55 mln.

Siena Sme 11 – 1

On 22 November 2011, MPS Capital Services finalised the disposal of a portfolio of 3,494 real estate mortgages granted to Italian small- and medium-sized businesses, with all instalments regularly paid as at the date of valuation (1 November 2011) for an amount, equal to the remaining debt balance, of approx. EUR 3,000 mln. The vehicle, Siena Sme 11 – 1 S.r.l., was used as the transferee of the transaction underlying assets. 90% of the vehicle company is held by Stichting Trek, a Foundation governed by Dutch law, while the remainder is held by Banca Monte dei Paschi di Siena. This structure makes it possible to ensure the vehicle's independence.

On 30 November 2011, Siena SME 11-1 financed purchasing of the portfolio by issuing Residential Mortgages Backed Floating Rate Securities in the following classes:

- Class A1 Senior notes (rated Aaa by Moody's/ AAA by DBRS), for an amount of EUR 1,244.2 mln;
- Class B Mezzanine notes (rated A3 by Moody's / A (low) by DBRS), for an amount of EUR 394.5 mln;
- Class C Mezzanine notes (rated Caa1 by Moody's / NR by DBRS), for an amount of EUR 1,395.9 mln;
- Class D Junior notes (rated NR by Moody's/ NR by DBRS), for an amount of EUR 95.7 mln;

The remaining debt balance amounts to EUR 2,703.65 mln.

Siena Lease 11 – 1

On 5 December 2011, MPS Leasing & Factoring finalised the disposal of a portfolio of 20,585 real-estate, vehicle and equipment leasing contracts entered into by natural persons residing in Italy and acting for purposes related to the usual course of business or companies having their registered office in Italy. If applicable, assets leased under these contracts were classified by the BMPS Group as at 31 October (date of valuation) as 'performing' and with all instalments regularly paid for an amount of approx. EUR 2,300.0 mln, equal to the remaining debt balance. The vehicle, Siena Lease 11 – 1 S.r.l., was used as the transferee of the transaction underlying assets. 90% of the vehicle company is held by Stichting StarckTrek, a Foundation governed by Dutch law, while the remainder is held by Banca Monte dei Paschi di Siena. This structure makes it possible to ensure vehicle independence.

On 21 December 2011, Siena LEASE 11-1 financed the acquisition by issuing Residential Mortgages Backed Floating Rate Securities in the following classes:

- Class A1 Senior notes (rated AAA by DBRS / Aaa by Moody's), for an amount of EUR 916.6 mln;
- Class A2 Senior notes (rated AAA by DBRS / Aaa by Moody's), for an amount of EUR 170.8 mln;
- Class B Mezzanine notes (not rated, NR), for an amount of EUR 1,276.2 mln;
- Class C Junior notes (not rated, NR), for an amount of EUR 36.3 mln;

The remaining debt balance amounts to EUR 1,905.33 mln.

Section 4 – Operational risk

General information and Framework structure

By an administrative ruling dated 12 June 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 a major organisational and cultural mindset change for banks, which are necessarily required to:

- adopt an internal organisation which defines the roles of the corporate bodies and functions involved in the operational risk management process;
- establish a control function for data gathering and storing, capital requirement calculation, risk profile assessment and reporting;
- perform ongoing checks on the quality of the management system and its compliance with regulatory provisions;
- delegate the internal auditing body to perform periodic audits on the Operational Risk management system;
- make sure 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 (from 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.

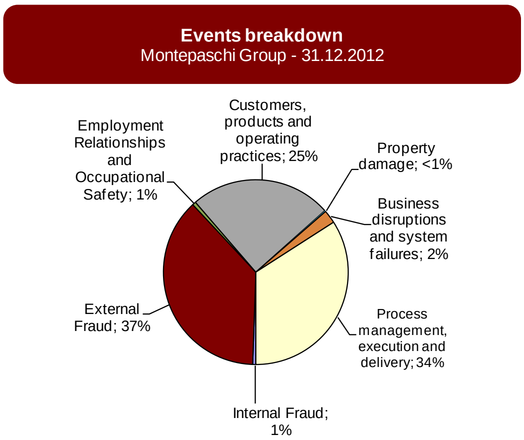
The Advanced Measurement Approach (AMA) is applied to all domestic financial and banking entities, while the foundation models are used for remaining components and foreign companies. As at 31.12.2012, internal model coverage in terms of total banking income exceeds 95%.

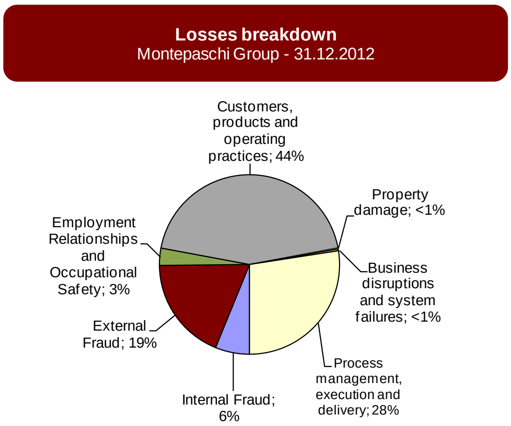
ORM has also set up a reporting system which ensures timely information on operational risks for Top Management, which transposes the strategic principles of the management system into specific operating policies. Reports are submitted regularly to the Risk Committee.

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

Quantitative Information

The percentage breakdown of events and operational losses recognised in 2012 for a total of EUR 139.6 mln (for 14,373 events), is reported below, divided into various risk classes.





As at 31.12.2012, a reduction was registered in the number of operational risk events as compared to the same period of last year, primarily as a result of a reduction in payment card fraud events. No substantial changes are reported in respect of the overall loss from comparison of 2012 with the previous year, net of three material events (one in 2011 in relation to tax and two in 2012 in relation to a lawsuit on loan disposals and one fraud event committed in the loan granting process).

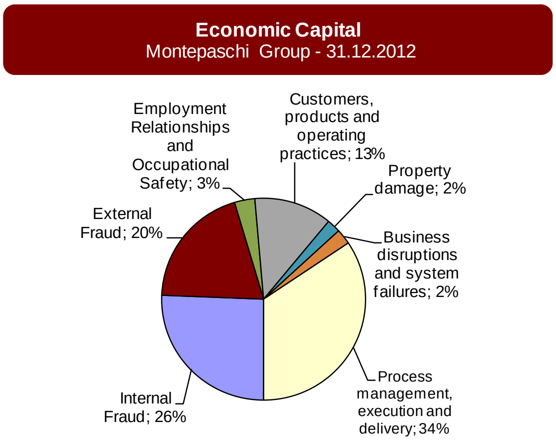
The types of event with the greatest impact on the profit and loss statement remain attributable to non-fulfilment of professional obligations with customers" (under "Customers, products and operating practices, which accounts for 44% of the entire amount of losses) and operational and process management shortfalls (under "Process management, execution and delivery, which accounts for 28% of total). With regard to "Process management, execution and delivery", the figure includes the afore-mentioned major event in credit disposal.

With regard to "non-fulfilment of professional obligations with customers", risk events are primarily associated with claims, legal actions and settlement on the following issues:

- application of compound interest;
- selling of bonds and shares (including Argentinian, Parmalat, Cirio) and financial plans (in particular For you and My way).

It follows that a large part of the operational risk events have a date of occurrence prior to 2005, but still have accounting effects on current financial periods.

The following graph reports the breakdown of the AMA-share of the Economic Capital (totalling EUR 748.2 mln) by class of risk; an additional EUR 31.4 mln from the standardised approach should be added to the amount, for a total of approx. EUR 779.6 mln:



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. As at 31 December 2012, the overall Economic Capital had slightly increased as compared to previous quarter levels.

The effort of transparency undertaken by the Group in respect of financial portfolios as well as legal issues currently under way leave room for the assumption that capital may have possibly been impacted by operational risk events, which cannot but be quantified after the final closing of processes involving balance sheet analyses and quantification of assumptions that may qualify as internal fraud.

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;
- placement of bonds issued by countries or companies later in default and placement of financial plans.
- placement of various bonds and shares.

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, 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.

Civil lawsuit brought before the Court of Florence

The lawsuit concerns a claim for compensation for alleged damages due to contractual liability brought by the plaintiff against the Bank jointly with other credit institutions. A ruling by the Court not yet covered by final judgment has rejected the claims against the Bank.

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 under preliminary investigation by the Court of First instance.

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 under preliminary investigation by the Court of First instance.

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 case is in the initial phase.

Actions brought by trustees in bankruptcy of plaintiff companies.

In 1999, the Trustee of the plaintiff companies in question brought several cases against both B.N.A. (later Antonveneta, now BMPS), and against BMPS, aimed at obtaining compensation for damages due to the alleged wrongful granting of credit, quantified in an amount equal to the non-bank receivables proved as debts in bankruptcy. These claims were rejected due to the trustee's lack of legal standing, i.e. the proceedings ascertained his waiver of continuing with the action. At the same time, the Trustee of the same companies also filed clawback actions pursuant to Art. 67 of the Bankruptcy Act concerning remittances for settlement. These disputes underwent complex proceedings in relation to some pre-trial matters and are currently at different stages of development. In particular, the cases relative to the positions against B.N.A. and BMPS, after the respective decisions by the Court of Cassation, are being resumed or are pending resumption before the Court of Appeal of Bari. A settlement agreement for disputes currently outstanding is being formalised between the Bank and the Trustee in Bankruptcy.

Civil lawsuit brought before the Court of Reggio Emilia.

This lawsuit sees BMPS sued together with other parties by multiple plaintiffs. The plaintiff companies and their directors took legal action to obtain compensation for damages allegedly due to the irregular and wrongful management of the application for credit they submitted to the Bank, which is assumed to have caused the companies' insolvency. The case is under preliminary investigation by the Court of First instance.

Civil lawsuit brought before the Court of Pescara.

This lawsuit sees BMPS and the banking industry sued together with other parties by multiple plaintiffs to obtain compensation for damages ensuing from the alleged misbehaviour of the Bank, which is assumed to have favoured certain guarantee-pledging shareholders to the detriment of others. The case has now entered the decision-making phase of the Court of First instance following acceptance of the grounds for invalidity raised by the Bank.

Lawsuits brought by the Extraordinary Administration of plaintiff companies before the Court of Ancona

These bankruptcy clawback lawsuits were filed principally pursuant to art. 67, paragraph 1 no. 2 of the Bankruptcy Law and, subordinately, pursuant to art. 67 paragraph 2 of the Bankruptcy Law for current account movements in connection with portfolio divestment transactions. The cases are under preliminary investigation by the Court of First instance.

Civil lawsuit brought before the Court of Rome.

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 foreign-currency advanced receivables transactions. The case is under preliminary investigation by the Court of First instance.

Risks from tax disputes

In the Notes to the Financial Statements for the year as at 31.12.2011, disclosure had already been given of settlement in 2011 by the Parent Company of pending claims raised by the Italian Revenue Agency against certain securities trading transactions, completed in the period straddling dividend payout dates, and repurchase agreements in foreign securities, which were entered into in the period between 2002 and 2008. In particular, all transactions were settled that had involved claims against certain securities trading transactions completed in the period between 2002 and 2006 and all repo transactions on foreign securities until 2008. Specifically, undue tax benefits were claimed against by the Revenue Agency on these trading transactions (so-called "abuse of law"), although they were obtained by legitimate application of existing rules and regulations .

On 13 December 2012, the Parent Company agreed to settle the claims raised by the Revenue Agency in the third quarter of 2012 with regard to the same type of securities trading transactions completed in 2007, by way of payment of the greater amount of tax due, sanctions and any interest required by law for an amount of EUR 51.2 mln (of which EUR 24.5 mln paid by the Parent Company in its name and on its behalf and EUR 26.7 mln paid by the Parent Company on behalf of the disposed company MPS Finance - now State Street Bank Spa – by way of indemnity in compliance with specific contractual agreements with the purchaser). For these charges, use was made of provisions that had been taken previously and thus there was no impact on the 2012 profit and loss statement.

Although fully convinced of its fair behaviour, Banca Monte dei Paschi di Siena opted for settlement after assessing with the utmost caution all risks and possible solutions that appeared to be connected with the claims, which saw the involvement of all main national banking groups. The assessment took account of the reduction in the extent of the amount due compared to the total amount of the original claims and the serious damage which was likely to be caused to the Bank and the Group by a state of prolonged, bank-reputation damaging uncertainty.

On 31.05.2012, the Parent Company was notified an official tax audit report concerning disposal of a BMPS shareholding in 2006.

The statement of facts in the report assumes that the shareholding was sold in 2005, and not in 2006: consequently, the realised capital gain would not have qualified for the 'participation exemption' regime.

Since criminally relevant claims are also associated to this subject matter, the State Tax Authority – even though the ordinary terms for assessment of the year claimed have expired - may serve a notice of assessment by reason of twice the afore-mentioned ordinary terms.

Should the Revenue Agency decide to serve the notice of assessment, the Parent Company, supported by the opinions of dependable consultants, deems the risk of losing unlikely.

On 20.03.2012, an official tax assessment report drafted by the Guardia di Finanza following an audit initiated on 18.03.2013 was notified, whereby the Parent Company was challenged for the fact that the 0.25% substitute tax (see art. 18 of Presidential Decree no. 600/1973) was not applied to medium and long term loans entered into abroad in the period between 01.07.2007 and 31.12.2009. Despite the short span of time that has elapsed since both the start date of the audit and the date of the audit report, the Bank, supported by the opinions of dependable external consultants, believes there are valid reasons to refute the arguments underlying the findings and deems the risk of losing in the ensuing litigation unlikely.

A targeted tax assessment focusing on 2008 was completed in 2011 with notification of an official tax audit report to the subsidiary, Cassa di Risparmio di Risparmio di Biella e Vercelli (Biver). The report findings by the Revenue Agency officers are deemed refutable. Partly based on the opinions from external consultants, no specific provisions in the balance sheet were considered necessary in the assumed unlikeliness of future expenses. In reference to the report, no notices of further assessment have been served to the Bank.

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/services is an integral part of the scope of responsibility of Group integrated Risk Management. This is to ensure an efficient 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 Management Division, this task is allocated 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 services/products offered to -or in any case held by- customers.

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 multivariate quali-quantitative risk assessment, including, market, credit and liquidity risk factors. The same quantitative assessment is also made for financial instruments purchased directly by customers and managed in portfolios under custody.

Risk assessments are pegged to specific risk classes identified with explanatory keys, which are 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 compliance provided for by the European MiFID regulations and by Consob Regulation 16190 are made. The 2009 inter-association guidelines on illiquid financial products are also complied with.

In addition to the above, Group customers are regularly informed over time about changes in the risk of the financial instruments they hold, so as to ensure the necessary informational transparency and facilitate possible decisions aimed at rebalancing the risk profile of investments held.

The activities described cover the entire scope of the Montepaschi Group's retail banks (for 2012: Banca MPS, Banca Antonveneta and Biverbanca), in addition to MPS Capital Services for the role it plays in the supply-chain process).

The Wealth Risk Management function also monitors the list of highest-risk issuers/entities (so called 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.

Customer risk profile: suitability and risk of investment products

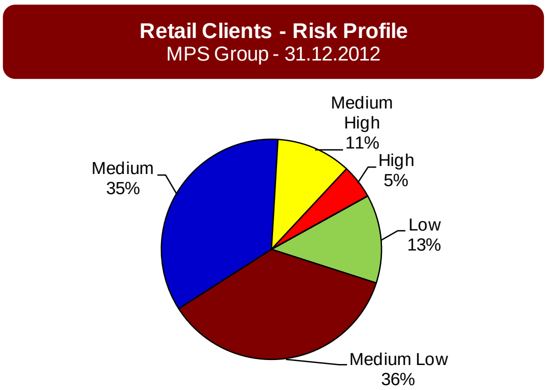
The wealth risk management function is mandated to set out and monitor role descriptions concerning appropriateness and suitability analyses for trading in individual financial instruments and investment portfolios through the "advanced" advice platform.

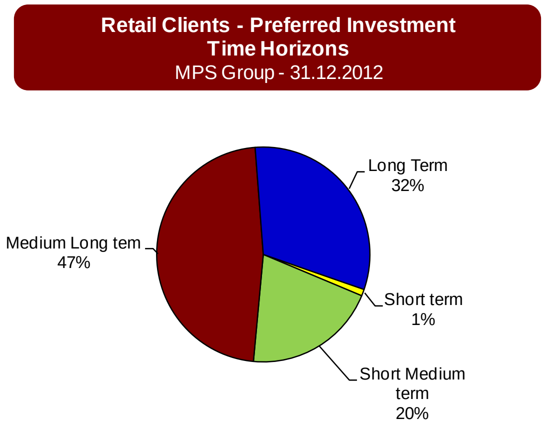
In particular, the wealth management function supervises both the operating practices used to measure the information collected through the MiFID questionnaire from the customer account (i.e. customer's knowledge and expertise, investment objectives, time horizon and financial situation) against the risk of the product/portfolio the customer is purchasing, in order to determine the appropriateness/suitability of transactions.

The Group's strategic choice was 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, enrich the role played by relationship managers.

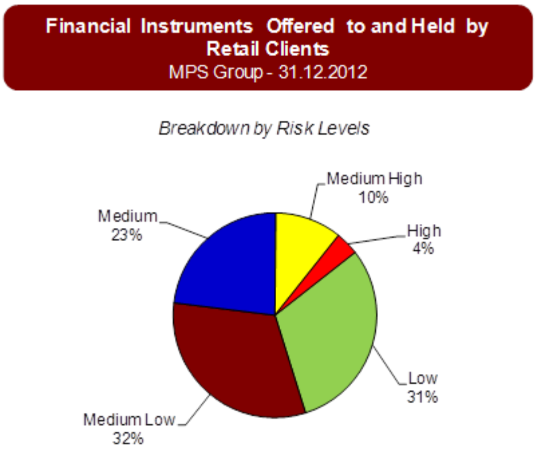
Two types of advisory service are offered by the Bank: basic 'transactional advisory' is aimed at verifying the suitability of individual investment transactions. Advanced portfolio advisory is instead aimed at verifying the suitability of the overall set of transactions, advising on them based on their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

The results of questionnaires collected as of the MiFID effective date (2 November 2007) confirm that Group customers are very conservative when it comes to financial investments. Group customers in the "Consumers" macro-segment, namely retail customers representing almost the entire customerbase of the Group, have long shown a substantially risk-averting investment propensity. At the end of 2012, approximately half of these customers were in fact concentrated in largely conservative (minimum and limited investment) profiles, primarily over medium and long time horizons.

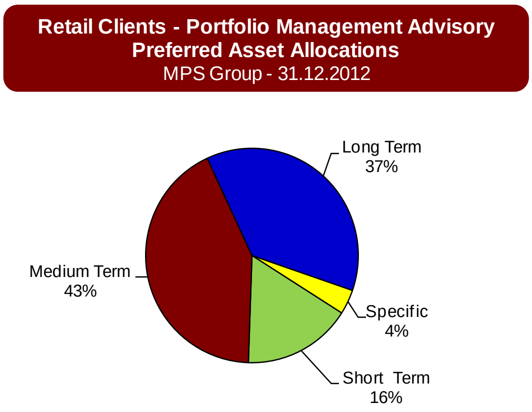




In line with investors' risk profile, Group offerings showed a substantially similar risk breakdown, with the focus being on lower-risk classes.



As at the end of 2012, the portfolios held by Group customers on the basis of formalised advanced advisory proposals for the "Consumer" macro-segment, were almost equally broken down into the recommended forms of medium- and long-term Asset Allocation (AA) classes, with a minimum percentage of assets allocated over specific time horizons.



The financial crisis and its impact on customers' investment risk

In 2012, particularly from the second half of the year, the financial crisis which began in 2007 started to gradually ease off, with sovereign debt tensions in the peripheral countries of the Euroarea losing some of their grip after they had reached their peak in the second half of 2011.

A certain "contagion" effect proved to be strong throughout 2012, although diminishing in the last part of the year, and it significantly contributed to maintaining a high sovereign risk premium for peripheral countries, including Italy, which could account for 50 to 60% of bond spreads vs. the German bund according to recent analyses.

As of July 2012, a decrease was registered in sovereign debt risk premiums and market tension indicators receded significantly, with a progressive reduction in Government bond yields and BTP-Bund spreads being contemplated for Italy. Market tensions were curbed primarily as a result of initiatives adopted by the European institutions and individual governments of the European Union to address developments in the market: Of particular relevance was the decision taken by the ECB at the beginning of September to launch a plan for the purchase of governments bonds on the secondary market.

The reduction in tensions over the levels and volatilities of CDSs on Italian government bonds and their related spreads vs. the German bund consequently had an influence on the banking institutions and corporate issuers of the various European countries, since it mitigated the effects of the investors' reduced risk appetite and led to a corresponding considerable pickup in the risk level of their investments. As far as Banca MPS is concerned, however, these effects were partly offset by the downgrades of the Group to non investment grade which was decided upon by some international rating agencies (S&P's and Moody's) during the year. On the other hand, other agencies including Fitch and DBRS, affirmed their credit ratings for Banca MPS at BBB taking explicit account of the presence of a temporary "extraordinary systemic support" by the Government.

During the year, the wealth risk management function introduced some methodological fine-tunings for the measurement of investment risk factors used to determine the suitability of products offered to customers. These decisions were made with a twofold objective: counter the distorting effect of the afore-mentioned 'contagion' element associated with the impact of the financial crisis under way; and represent the actual risk of financial products offered to the investors, by avoiding excessive, potentially misleading and possibly counterproductive alert in relations with customers.

Since the beginning of the sovereign debt crisis in the second half of 2011, it has emerged that, for corporate and financial issuers, the credit risk inherent in CDSs was overestimated as compared to credit risk reflected in the stock and bond markets for reasons connected with the market of these hedging instruments. Feedback from the market has often turned out to be in clear contradiction, among other things, with the above-cited worsening of official ratings.

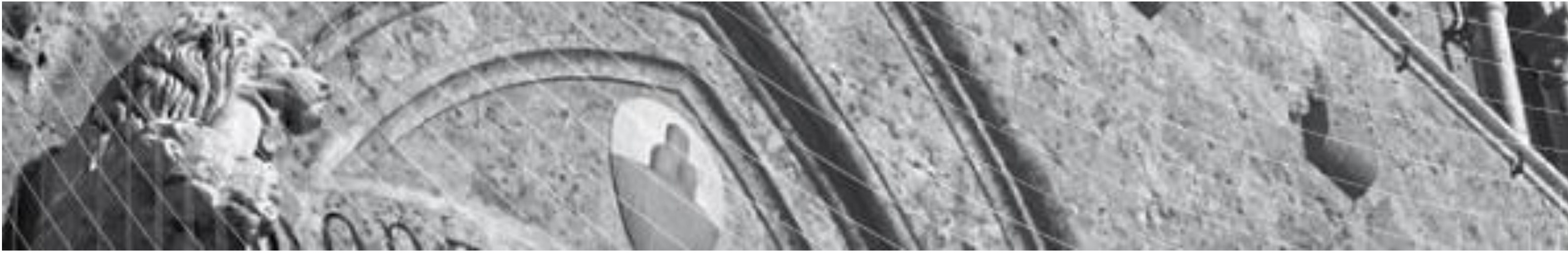
The synthetic indicator used to determine the various credit risk classes has therefore been cleared of systemic components associated with widespread "risk aversion" present in the market, and more appropriately continues to base calculations on specific components that reflect the issuer's risk of default which, in the case of the Group, also encompasses temporary systemic support for Banca MPS in agreement with EU regulations. These changes contributed to making risk assessments more stable particularly in respect of medium to long term investments.

Risk shifts in all products invested in by customers continue to be the subject of regular, periodic reporting with a view to ensuring the necessary disclosure transparency to customers, in support of informed investment behaviours.

Particular focus is given by the Bank to the monitoring and prevention of potential reputational risks which, in a context of financial crisis, may be generated as a result of increased market volatility, potential fast-changing product risks, potential financial losses incurred, need for a more frequent review of business plans, complexity of having the risk profiles updated more frequently for those customers who tend to change their approaches to financial investments.

Identification and monitoring of these risks through dedicated management reports for the Top Management and the use of specific key risk indicators lays the foundation for the prevention of reputational events and, at the same time, favours a culture of pro-active and informed risk management that goes beyond mere mitigation and prudential provisioning.

The organisational decision to centralise within the Parent Company's Risk Management Function the overall control and governance of both operational and reputational risks, together with risks inherent in investment services/products, is therefore aimed at encouraging awareness and promoting an integrated management of the processes which may potentially generate reputational risks for the Group.



Part F – Information on consolidated shareholders' equity

Section 1 - Consolidated shareholders' equity

A. Qualitative Information

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 Group is subject to the capital adequacy requirements set out by the Basel Committee in accordance with the rules defined by the Bank of Italy ("New prudential supervisory instructions for banks," 13th update of Circular 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 14th update of Circular No. 155/91). In Circular no. 263, the Bank of Italy underlines that supervisory instructions are primarily for consolidated reports; based on such rules, the ratio between regulatory capital and risk weighted assets must be at least 8% on a consolidated level. Compliance with the requirement on a consolidated basis is verified every three months by the Bank of Italy.

Along with observance of mandatory minimum capital ratios ("Pillar One"), regulations require the use of internal methodologies intended for determining the Group's current and future capital adequacy ("Pillar Two"), which thus takes on a more comprehensive connotation aimed at the overall verification of capital needs and sources actually available, in line with the Parent Company's strategy and growth objectives.

B. Quantitative information

For details on Group equity, see Section 15 - Liabilities in the notes.

B.1 Consolidated equity: breakdown by business areas

31.12.2012

Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	7,485,339	337,017	290,836	(627,853)	7,485,339
Share premium	255,310	-	189,315	(189,314)	255,311
Reserves	4,150,646	250,431	20,668	(271,099)	4,150,646
Equity instruments	3,002	-	-	-	3,002
Treasury shares (-)	(24,532)	-	(72)	72	(24,532)
Valuation reserves	(2,223,236)	47,658	2,237	(49,895)	(2,223,236)
- Financial assets available for sale	(2,037,970)	-	-	-	(2,037,970)
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(280,206)	-	-	-	(280,206)
- Exchange difference	(2,320)	-	-	-	(2,320)
- Non-current assets held for sale	-	-	-	-	-
- Actuarial gains (losses) on defined benefit plans	-	-	-	-	-
- Share of valuation reserves of equity investments valued at equity	39,354	43,772	(4,417)	(39,355)	39,354
- Special revaluation laws	57,906	3,886	6,654	(10,540)	57,906
Profit (loss) for the year - Group and minority interests	(3,191,919)	71,815	7,608	(79,423)	(3,191,919)
Net equity	**6,454,610**	**706,921**	**510,592**	**(1,217,512)**	**6,454,611**

B.2 Valuation reserves for financial assets available for sale: breakdown

Asset / Amount	Banking Group		Insurance companies		Other companies		Consolidation cancellations and adjustments		TOTAL	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	128,766	(2,590,359)	90,215	(102)	115	(771)	(90,330)	873	128,766	(2,590,359)
2. Equity instruments	487,901	(28,507)	376	(28,351)	3	(11)	(379)	28,363	487,901	(28,506)
3. Units in UCITS	28,799	(21,492)	19	(18,384)	14	(43)	(33)	18,427	28,799	(21,492)
4. Loans	-	-	-	-	-	-	-	-	-	-
Total /12/Saturday	**645,466**	**(2,640,358)**	**90,610**	**(46,837)**	**132**	**(825)**	**(90,742)**	**47,663**	**645,466**	**(2,640,357)**
Total /12/Friday	**857,679**	**(4,430,973)**	**4,299**	**(11,851)**	**181**	**(702)**	**(4,480)**	**12,554**	**857,679**	**(4,430,972)**

**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 reference to net valuation reserves for the available-for-sale portfolio, the table makes a distinction between capital gains and capital losses for debt securities, equities and units in UCITS.

The breakdown of reserves by class of financial instrument is particularly relevant for quantification of regulatory capital filters. All the amounts indicated are after tax, if applicable.

A more detailed list is included in Table B.4 below. In compliance with provisions issued for prudential purposes, the capital gain on the equity investment in Banca d'Italia is not included in the regulatory capital.

B.3 Valuation reserves for financial assets available for sale: annual changes

31.12.2012

	Debt securities	Equity securities	Units in UCITS	Loans
1. Opening balance	**(4,334,287)**	**760,049**	**944**	**-**
2. Increases	**1,879,945**	**156,357**	**57,479**	**-**
2.1 Increases in fair value	1,677,795	16,756	13,662	-
2.2 Reversal to profit and loss of negative reserves	76,624	138,751	43,324	-
- due to impairment	4,467	129,184	39,435	-
- following disposal	72,157	9,567	3,889	-
2.3 Other changes	125,526	850	493	-
3. Decreases	**7,251**	**457,011**	**51,116**	**-**
3.1 Decreases in fair value	3,934	123,067	32,996	-
3.2 impairment provisions	-	-	-	-
3.3 Reversal to profit and loss of positive reserves: following disposal	2,206	1,629	18,120	-
3.4 Other changes	1,111	332,315	-	-
IFRS5 "discontinuing operations"	-	-	-	-
4. Closing balance	**(2,461,593)**	**459,395**	**7,307**	**-**

The amounts indicated in this table are after tax, if applicable.

In line 2.1 "Increases in fair value", the amount of EUR 1,677.8 mln indicated in the column "Debt securities" is largely made up of increases in fair value, recognised at equity, of Italian government securities. Since the Bank opted for symmetrical treatment under the measures regarding "Prudential filters for regulatory capital" set forth by the Bank of Italy on 18 May 2010, the impact of positive and negative reserves accrued for these debt securities as of 1 January 2010 (EUR 2,692.6 mln) has been sterilised for regulatory capital purposes.

Line 2.2 "Reversal to profit and loss of negative reserves ", sub-item "due to impairment", shows the after-tax amount of impairment losses entered, before tax, in the profit and loss statement under Item 130 b) "Net impairment losses (reversals) on financial assets available for sale".

Table B.4 below reports movements in the equity securities column with evidence of changes in the valuation reserve for major equity investments held.

B.4 Valuation reserves for financial assets available for sale: annual changes in equity securities

items/Amounts	01/01/12	Increases				Reductions			31/12/12
		due to impairment	following disposal	Other	Fair value increases	following disposal	Fair value reductions	Other	
Banca d'Italia	603,774	-	-	-	-	-	-	(200,785)	402,989
Bassilichi	2,334	-	-	-	239	-	-	-	2,573
Istituto per il Credito Sportivo	49,860	-	-	-	-	-	-	-	49,860
S.S.B. S.p.a.	7,517	-	-	-	-	-	-	-	7,517
Sorgenia S.p.a.	3,943	26,846	-	-	-	-	(30,789)	-	-
United Bank for Africa plc	2,476	-	-	-	2,476	-	-	-	4,952
Altre del Gruppo	7,281	34,575	8	520	11,989	(1,054)	(63,674)	-	(10,355)
Other non-strategic interests	(48,335)	67,758	9,559	-	2,052	(575)	(28,599)	-	1,860
Equity securities third parties	131,199	5	-	330	-	-	(5)	(131,530)	(1)
Totale	**760,049**	**129,184**	**9,567**	**850**	**16,756**	**(1,629)**	**(123,067)**	**(332,315)**	**459,395**

The table summarises the capital gains and losses posted to the AFS reserve in connection with the disposal of major investments and thus adds details to tables B.2 and B.3 above. The "proceeds" column reflects the amounts of reserves brought to zero in consequence of the disposal of related investments and later posted through profit and loss (see section 6 table 6.1 of the income statement).

Section 2 - Regulatory capital and ratios

Regulatory capital is determined based on supervisory instructions issued by the Bank of Italy ("New Regulations for the Prudential Supervision of Banks", update no. 13 of Circular no. 263 of 27 December 2006 and "Instructions for preparing reports on regulatory capital and prudential ratios", 14th update of Circular No. 155/91).

The "New Regulations for the Prudential Supervision of Banks" allow banks and banking groups -upon prior authorisation by the Bank of Italy- to determine capital requirements by adopting internal measurement models.

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

2.2 Regulatory capital

A. Qualitative Information

The regulatory capital differs from net accounting equity as determined on the basis of IAS/IFRS international accounting principles, since Supervisory regulations are aimed at safeguarding capital quality and reducing potential volatility induced by the application of the IAS/IFRS principles.

The items that make up regulatory capital must therefore be fully available to the Group, so they may be used without limitation to hedge risks and corporate losses. These components need to be stable and their amount is cleared of any tax charges.

Regulatory capital is made up of core capital and supplementary capital. Both core (Tier 1) and supplementary (Tier 2) capital are determined by the algebraic sum of their positive and negative items, upon prior consideration of the so-called "prudential filters". This expression is understood as all those positive and negative items adjusting regulatory capital, introduced by supervisory authorities with the express purpose of reducing potential capital volatility. The deductible items, determined as will be explained below, must be deducted from core and supplementary capital (50% from Tier 1 and 50% from Tier 2).

The following table illustrates the constituents of Tier 1 and Tier 2, with a focus on the Group's most relevant aspects.

With regard to Tier 1, its positive items include paid up capital, share premium, profit and capital reserves, innovative and non-innovative capital instruments and profit for the period; added to these items are the positive prudential filters represented by the issuance of so-called "Tremonti bonds". In fact, the Parent Company has joined the initiative put in place by the Ministry of Economy and Finance, aimed at ensuring an adequate flow of financing to the economy and an adequate level of capitalisation to the banking system. Pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, transposed, as amended, into Law no. 2 of 28 January 2009 ("Legislative Decree No. 185"), on 30 December 2009 the Parent Company issued "Convertible financial instruments" ("Tremonti bonds") subscribed by the Ministry of Economy and Finance (MEF).

The negative items in Tier 1, on the other hand, include treasury shares in the portfolio, intangible assets (including goodwill), any losses posted in previous periods and in the current one, and the net negative balance of the reserves for AFS assets. As far as regulatory capital treatment of AFS reserves is concerned, 'early offset' of balances applies, calculated net of tax where applicable, from reserves for debt securities on the one hand and reserves for equity securities and units in UCITS on the other. Each of the two net balances calculated as above is in fact fully deducted, if negative, from Tier 1, whereas it is 50% included, if positive, in Tier 2. This 'asymmetric' treatment was the only approach applicable by Italian banks to AFS reserves until 2009. In 2010, the Bank of Italy with the "Prudential filters for regulatory capital" set forth on 18 May 2010, introduced - in exclusive respect of debt securities issued by EU central governments- the possibility to opt for the alternative approach (so-called 'symmetrical' treatment) provided for by CEBS in its guidelines which includes full neutralisation of AFS reserves for regulatory capital purposes. The possibility for Italian banks to opt for the symmetrical approach entails 'sterilisation' of the impact of negative and positive AFS reserves built up as of 2010 for debt securities issued by EU central governments. The Montepaschi Group opted for 'symmetrical' treatment.

It should be noted that the negative prudential filters for Tier 1 include the net accrued capital gain (write-down of liabilities), after tax, relative to hybrid capital instruments and subordinated debt issued by the Group, classified among financial liabilities valued at fair value and accounted for in Tier 2.

The overall Tier 1 capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted. Deductibles include:

- equity investments and other items (innovative capital instruments, hybrid equity instruments and subordinated debt) issued by banks and financial corporations not fully or proportionately consolidated, which are deducted 50% from Tier 1 and 50% from Tier 2.
- the difference between expected loss and net impairment losses, as measured for the regulatory portfolio by banks authorised to the use of internal models for the determination of capital requirements in view of credit risks; in particular, if expected loss exceeds impairment losses, the difference is deducted 50% from Tier 1 and 50% from Tier 2; if the expected loss is lower than net impairment losses, the difference is included in Tier 2 within the limit of 0.6% of credit risk weighted assets;
- the equity investments held in insurance companies and the subordinate debt issued by such companies, which are deducted 50 % from Tier 1 and 50% from Tier 2 if they were acquired after 20/07/2006; on the other hand, if they were acquired prior to that date, they continue to be deducted from the sum of core and supplementary capital until 31/12/2012.

Tier 1 capital also includes the original capital gain of EUR 405 mln generated in 2010 from the real estate transaction (Casaforte) and computed for prudential purposes as of 30 September 2011, following the finalisation of a backup liquidity provider contract for the Casaforte Class A notes with a Group-external counterparty. A prudential filter of EUR 49 mln was applied to this capital gain and additional capital requirements were calculated for an amount of EUR 16 mln, pursuant to the relevant supervisory regulations.

As far as supplementary (Tier 2) capital is concerned, the positive items it is made up of include valuation reserves, hybrid capital instruments, subordinated debt and the positive net balance of reserves for AFS assets. Negative items include the negative prudential filter proportionately at 50% of the positive balance of the AFS reserves included among the positive items of supplementary capital; in fact, these reserves are included up to 50% in supplementary capital.

The overall supplementary capital is made up of the difference between the algebraic sum of the positive and negative items and the items to be deducted, determined according to the criteria described above.

As far as prudential filters are concerned, the following is also worth mentioning:

- profits and losses not realised on cash flow hedges, recognised in a dedicated equity reserve, are not included in regulatory capital;
- as for fair-value-option liabilities of natural hedges, both capital gains and capital losses recorded in profit and loss and not realised, are fully relevant except for the component arising from changes in creditworthiness;
- the equity investment in Banca d'Italia is not considered for the purpose of quantifying capital. As a consequence, the respective capital gain deriving from valuation at fair value is not computed in the reserves for AFS instruments .

The following tables report the main contractual features of innovative and non-innovative instruments which are included in Tier 1 capital, together with capital and reserves, as well as the hybrid capital instruments and subordinated debt which are included in Tier 2.

1. Tier 1

The following table reports the main characteristics of instruments included in Tier 1 comprising, in particular, the innovative equity instruments issued by the Parent Bank.

31.12.2012

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Currency	Original amount in currency units	Contribution to regulatory capital (EUR/000)
F.R.E.S.H. (Floating Rate Equity-Linked Subordinated Hybrid)	Euribor 3m + 88 bps.	NO	30/12/03	N.A.	(a)	EUR	700,000,000	28,622
Capital Preferred Securities I^ tranche	Euribor 3m +6,3%	SI	21/12/00	N.A.	(b)	EUR	80,000,000	54,048
Capital Preferred Securities II^ tranche	Euribor 3m 6,3%	SI	27/06/01	N.A.	(b)	EUR	220,000,000	106,503
Preferred Capital I LLC	Euribor 3m+ 6,3%	SI	07/02/01	07/02/31	(c)	EUR	350,000,000	241,133
Tremonti bond	9,00%	SI	30/12/09	N.A.	(d)	EUR	1,900,000,000	1,900,000
Totale Preference share e strumenti di capitale (Tier I)								**2,330,306**

– The innovative capital instruments F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid notes) issued by the vehicle "MPS Preferred Capital II LLC", for an original nominal value of € 700 mln, are perpetual instruments and as such contain no redemption or step-up clauses but are convertible into shares. In September of each year from 2004 through 2009 and however, at any time effective as of 1 September 2010, the instruments are convertible upon the investor's initiative. In addition, an automatic conversion clause is provided for in the event that, after the seventh year from date of issue, the reference price of the ordinary shares should exceed a set amount. For the portion still outstanding, it is noted that the return is non-cumulative, with an option for it not to be paid if, during the previous year, the Bank did not register any distributable profits and/or did not pay any dividends to its shareholders. Any unpaid consideration shall be considered as forfeited. The rights of the note holders are guaranteed on a subordinated basis.

  In the event of liquidation of the Parent Bank, the rights of the investors will be subordinated to all of the Parent Bank's creditors who are not equally subordinated, including holders of securities coming under Tier 2 capital and will override the rights of Parent Bank's shareholders. In virtue of these characteristics, these instruments are eligible for inclusion in core Tier1. Within the overall structure, a limited liability company and a business Trust were set up, which have respectively issued convertible preferred and convertible trust securities. The Parent Company underwrote an on-lending contract in the form of a subordinated deposit agreement The conditions of the on-lending agreement are substantially the same as the conditions of the convertible preferred securities.

  The number of these instruments in issue as at 31 December 2012 amounted to EUR 28.6 mln.

– Capital Preferred Securities are non-redeemable. Only the issuer has the right to full or partial redemption of the notes, and this right may be exercised after 21/03/2011 and 27/09/2011, respectively. In July 2012, the two instruments were exchanged for fixed rate senior notes at a price of 62.00 as part of the above offer, for a nominal amount of EUR 25.1 and 111.7 mln respectively.

– The Preferred Capital Shares I LLC, nominally valued at EUR 350 mln, are non-redeemable. In July 2012, the instruments were exchanged for fixed rate senior notes at a price of 62.00, for a nominal amount of EUR 107.4 mln.

– The "Tremonti Bonds" are "Convertible financial instruments" issued by the Bank pursuant to Art. 12 of Legislative Decree No. 185 of 28 November 2008, transposed, as amended, into Law no. 2 of 28 January 2009 (Law Decree no. 185") on 30 December 2009 and subscribed by the Ministry of Economy and Finance (MEF). The interest recognised in 2012 was equal to 9% of the nominal value, due to the issue of NFIs in February 2013.

2. Tier 2

The following tables report the main contractual features of instruments included in the calculation of Tier 2, with a special focus on hybrid capital instruments and subordinated liabilities.

Features of subordinated instruments	interest rate	step up	Issue Date	Maturity Date	Early redemption as of	Currency	Original amount in currency units	Contribution to regulatory capital (EUR/000)
Subordinate bond loan	4,875% fixed rate	NO	31 05 2006	31 05 2016	N.A.	EUR	750,000,000	589,370
Subordinate bond loan	5,750% fixed rate	NO	31 05 2006	30 09 2016	N.A.	GBP	200,000,000	88,770
Subordinate bond loan	Euribor 6m+2,50%	NO	15 05 2008	15 05 2018	N.A.	EUR	2,160,558,000	1,980,955
Total hybrid instruments (Upper Tier II)								**2,659,095**
Subordinate bond loan	CMS Convexity Notes	NO	07 07 2000	07 07 2015	N.A.	EUR	30,000,000	18,000
Subordinate bond loan	CMS Volatility Notes	NO	20 07 2000	20 07 2015	N.A.	EUR	25,000,000	15,000
Subordinate bond loan	5,6% fixed rate	NO	09 09 2010	09 09 2020	N.A.	EUR	500,000,000	378,650
Subordinate bond loan	Euribor 3m+0,40 % up to 30/11/2012, then Euribor 3m+1%	YES	30 11 2005	30 11 2017	30 11 2012	EUR	500,000,000	367,098
Subordinate bond loan	Euribor 3m+0,40% up to 15/01/13, then Euribor 3m+1%	YES	20 12 2005	15 01 2018	15 01 2013	EUR	150,000,000	103,694
Subordinate bond loan	7,44% fixed rate	NO	30 06 2008	30 12 2016	N.A.	EUR	250,000,000	177,045
Subordinate bond loan	6,4% up to 31/10/2013, then Euribor 3m +3%	YES	31 10 2008	31 10 2018	31 10 2013	EUR	100,000,000	123,009
Subordinate bond loan	7% fixed rate	NO	04 03 2009	04 03 2019	N.A.	EUR	500,000,000	500,000
Subordinate bond loan	5% fixed rate	NO	21 04 2010	21 04 2020	N.A.	EUR	500,000,000	368,700
Subordinate bond loan	variable	NO	30 09 2003	30 09 2013	30 09 2008	EUR	7,000,000	1,400
Subordinate loan ABN AMRO	Euribor 3m +2m8%	NO	10 10 2006	10 10 2016	10 10 2011	EUR	400,000,000	320,000
Total hybrid instruments (Upper Tier II)								**2,372,596**
Total								**5,031,691**

3. Tier 3

At the end of 2012, there were no instruments eligible for inclusion in Tier 3.

B. Quantitative information

	31.12.2012	31.12.2011
A. Tier I before prudential filters	**7,851,695**	**9,634,502**
B. Tier I prudential filters	1,840,883	1,873,937
B1 - Positive IAS/IFRS prudential filters	1,900,000	1,900,000
B2 - Negative IAS/IFRS prudential filters	(59,117)	(26,063)
C. Tier I capital gross of items to be deducted (A+B)	**9,692,578**	**11,508,439**
D. Items to be deducted from Tier I	(775,210)	672,292
E. Total TIER 1 (C - D)	**8,917,368**	**10,836,147**
F. Tier II before prudential filters	**5,322,111**	**6,057,099**
G. Tier II prudential filters	(100,875)	(21,853)
G1. - Positive IAS/IFRS prudential filters	-	-
G1. - Negative IAS/IFRS prudential filters	(100,875)	(21,853)
H. Tier 2 gross of items to be deducted (F + G)	**5,221,237**	**6,035,246**
I. Items to be deducted from Tier II	(775,210)	672,292
L. Total TIER 2 (H - I)	**4,446,027**	**5,362,954**
M. Items to be deducted from Tier I and Tier II	(563,560)	502,416
N. Capital for regulatory purposes (E+L - M)	**12,799,835**	**15,696,685**
O. Tier III capital (TIER 3)	-	-
P. Regulatory capital inclusive of TIER III (N+O)	**12,799,835**	**15,696,685**

**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 Group's regulatory capital was calculated taking account of the effects arising from the application of IAS/IFRS international accounting standards, based on the provisions of the 14th update of Bank of Italy's Circular No. 155 "Instructions for the preparation of reports on regulatory capital and prudential ratios".

In 2012, Tier 1 decreased by EUR 1,918.8 mln, totalling EUR 8,917.4 mln, compared to EUR 10,836.1 mln at the end of 2011. The decrease is largely attributable to the loss for the year for the portion in excess of the impairment charge on goodwill and other intangible assets.

In 2012, Tier 1 decreased by EUR 916.9 mln, totalling EUR 4,446 mln, compared to EUR 5,363 mln at the end of 2011. The reduction is largely due to the buyback of own liabilities as well as to the amortisation required by supervisory regulations

It is noted that, under the measures set forth by the Bank of Italy on 18 May 2010 regarding prudential filters for regulatory capital, the Group opted for the symmetrical treatment of revaluation reserves relating to debt securities issued by Central Governments of EU countries held in the "Available for Sale" portfolio. Consequently, with regard to these securities, the impact of changes in AFS reserves upon regulatory capital as of 1 January 2010, amounting to approximately EUR 2692.6 mln, has been completed sterilized.

As at 31 December 2012, no Tier 3 subordinated securities were to be reported.

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

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	31 12 2012	31 12 2011	31 12 2012	31/12/2011*
A. RISK ASSETS				
A.1 Credit and counterparty risk (*)	**218,616,186**	**231,546,690**	**72,545,621**	**89,237,326**
1. Standardized Approach	90,860,801	107,319,772	32,186,038	41,529,934
2. 2 Internal rating-based (IRB) approach	127,372,474	122,974,177	39,075,008	46,799,540
2.1.Foundation	-	-	-	-
2.2 Advanced	127,372,474	122,974,177	39,075,008	46,799,540
3. Securitisations	382,911	1,252,741	1,284,575	907,852
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**5,803,650**	**7,138,986**
B.2 Market risk			**483,831**	**547,243**
1. Standardized Approach			483,831	547,243
2. Internal models			-	-
3. Concentration risk			-	-
B.3 Operational Risk			**667,791**	**695,791**
1. Foundation			31,404	46,081
2. Standardized Approach			-	-
3. Advanced			636,387	649,710
B.4 Other prudential requirements			-	-
B.5 Other calculation elements			**470,968**	**33,497**
of which impaired			470,968	33,497
of which intra-group adjustments			-	-
B.6 Total prudential requirements (3)			**7,426,240**	**8,415,517**
C. RISK ASSETS AND CAPITAL RATIOS				
C.1 Risk-weighted assets			92,828,000	105,193,969
C.2 Tier 1 capital / Risk-weighted assets (Tier 1 capital ratio)			9.61%	10.30%
C.3 Capital for regulatory purposes including Tier III / risk-weighted assets (Total capital ratio)			13.79%	14.92%

**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.*

Total risk-weighted assets as at 31 December 2012 amounted to EUR 92,828 mln. The amount reflects an approximate 11.8 percentage point contraction in risk-weighted assets with respect to the end of the previous year. The contraction in RWAs is the result of multiple efficiency drivers in the risk weighting of MPS Group exposures. These include: disposal of Biverbanca; extension of the advanced model to subsidiary MPS Leasing & Factoring; a shift in the allocation of risk assets to lower risk and/or more collateralised assets; increased focus on actual portfolio risks when it comes to the risk parameters used for regulatory measurement in advanced models; lending models that increasingly factor in stricter regulatory requirements in their traditional target functions.

At the end of 2012, the Tier 1 capital ratio was 9.61%, while the total capital ratio was 13.79%.

Given the events which characterised the Group's financial portfolios in 2012, as announced in the press release of 6 February 2013, a number of in-house analyses were launched to determine the possible presence of an operational risk component to be considered within the Advanced Measurement Approach (AMA model).

The exercise conducted by the EBA in the second half of 2011 on the capital requirements of Europe's major banks 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 has developed a plan of actions aimed at strengthening capital which generated a further increase of around EUR 1,935 mln in the first half of 2012:

- capital management actions: +EUR 1,071 mln in allocation to equity of the share premium reserve associated with Fresh 2008 (ca. EUR 750 mln), conversion of savings shares (ca. EUR 13 mln), conversion of remaining Fresh 2003 shares (ca. EUR 308 mln);
- effects from optimisation of portfolios as at 31.12.2011 and other fine-tuning actions, +EUR 864 mln ("EBA Capital Equivalent ") obtained through:
- reduction by EUR 6,905 bn in RWAs (developments in parameters of PD, LGD and EAD on A-IRB exposures already accounted for as at December 2011, regulatory fine tuning, loan book remix);
- reduction in the Expected Loss Delta vs. loan book provisions by approx. EUR. 240 mln (only 50% impact on Tier 1).

Capital strengthening was partly offset by the negative EBA Capital Equivalent value of approx. EUR 657 mln registered by ordinary movements in capital in the 4Q 2011-1Q 2012 period (a value largely attributable to operating losses recognised at the end of 2011 and increased capital absorption for various types of risk, including credit risk in particular).

On 3 October, the EBA announced that the residual capital shortfall as at 30 June 2012 amounted to EUR 1,728 mln. In agreement with the Italian Supervisory Authority and Ministry of Economy and Finance, Banca MPS identified, as a measure to plug the shortfall, recourse to "State-aid" (pursuant to Legislative Decree no. 87 "Urgent measures for increased efficiency, value creation and disposal of public assets and rationalisation of corporate assets of companies in the banking industry" of 27/06/2012), ie. government-backed financial instruments subscribed by the Ministry of Economy and Finance (MEF) and included in Core Tier 1 capital.

In order to determine the number of financial instruments to be issued, consideration was given to the additional EUR 550 mln in capital benefits arising from the disposal of Biverbanca and the buyback of subordinated notes (accounted for after 30 June 2012) on the one hand, and to the additional shortfall arising from the negative capital impact of certain structured transactions entered into in prior years, which led to the restatement of the financial statements.

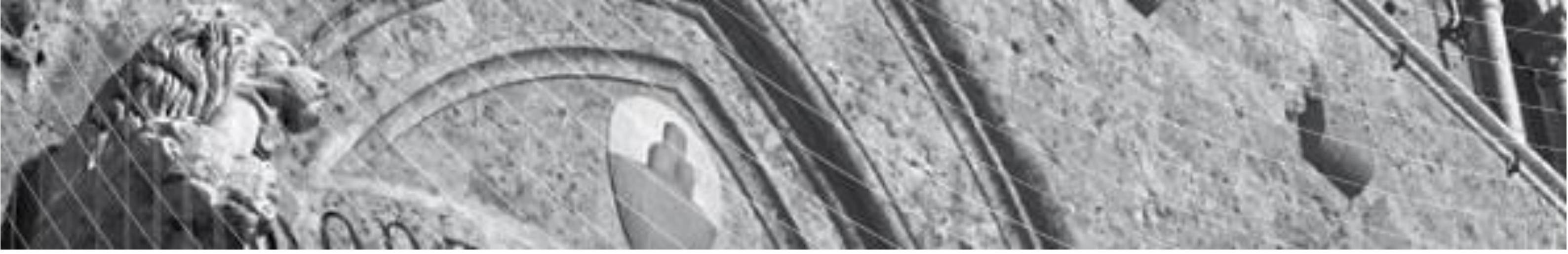
On 28 November 2012, the Board of Directors of Banca MPS thus approved the issuance of EUR 3.9 bn in government-backed financial instruments; of these, EUR 1.9 bn was allotted to the full repayment of Tremonti Bonds (financial instruments pursuant to art. 12 of Legislative Decree no.185 of 29/11/2008, converted by Law no. 2 of 28/01/2009) and the remaining amount to cover the capital shortfall from the EBA exercise.

On 28 February 2013, the issuance of New Financial Instruments provided for by articles 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 New Financial Instruments issued by the Bank for a total of EUR 4,071 mln, of which EUR 1,900 mln allocated to the 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 operating loss for 2012.

The characteristics of the New Financial Instruments include:

1. BMPS may not distribute any dividends until approval of the Plan by the European Commission;
2. the NFIs are financial instruments which may be converted into ordinary shares by the issuer and are characterised by their subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumption. 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;
3. 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 conversion will occur at the greater of the following values:
    a. 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%);
    b. the product of shares underlying the NFIs and the price paid in the event of a takeover bid on BMPS after the subscription date;
    c. 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.
4. 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;
5. 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;
6. 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;
7. with regard to interest payment on NFIs, the Prospectus provides that:
    a. 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;
    b. subject to the exceptions provided for in 2013 and 2014, interest that is not covered by the 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 the 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;
    c. in the event of loss for the year, no dividends shall be paid out under any circumstances.



Part G – Business combinations

Section 1 – Business combinations during the period

Transactions included in the scope of application of the international accounting standard IFRS 3 "Business combinations"

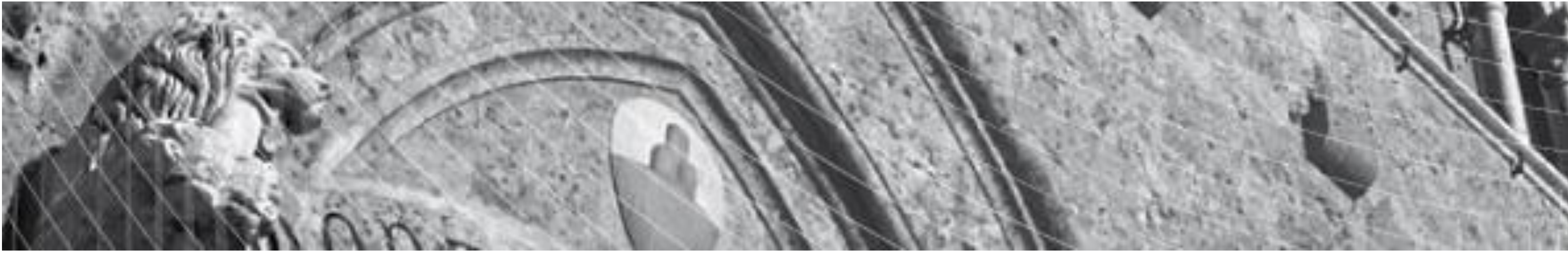
In the course of 2012, 100% control of the vehicle, Mantegna Finance S.r.l. was acquired; at the moment, the vehicle has no securitisation transactions in place. The financial effects of this acquisition are negligible.

Transactions within the Group (business combinations of entities under common control)

Transactions include the mergers by absorption of Agrisviluppo S.p.a. and Ulisse 2 S.p.a by and into Banca Monte dei Paschi di Siena S.p.a. and of Monte Paschi Assurances France S.A. by and into Monte Paschi Banque S.A.

Section 2 – Business combinations completed after the period

In March 2013, Banca Monte dei Paschi di Siena acquired the business unit of ancillary, accounting and administrative activities from the MPS Group Operating Consortium.



Part H – Related-party transactions

1 Compensation of key management personnel

items/Amounts	Total 31 12 2012	Total 31 12 2011
Short-term benefits	9,323	9,116
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	830	4,000
Share-based payments	-	-
Other compensation	280	213
Total compensation paid to key management personnel	**10,433**	**13,329**

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 on remuneration policies under art. 123 ter of the Consolidated Law on Finance, see the separate "Remuneration Report pursuant to art. 123 ter of the Consolidated Law on Finance", which contains the data provided in previous financial statements, particularly:

- 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" (the Regulations) 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 Finance, supersedes the rules previously set out by Consob's Issuer Regulations and implements the provisions under Article 2391-bis of the Civil Code.

During its meeting on 10 November 2010, the Parent Company's Board of Directors set up a Committee of Independent Directors which, as at today, is made up of the following directors: Mr. Angelo Dringoli (Chairman), Mr. Michele Briamonte, Ms. Paola Demartini, Ms. Tania Groppi, all qualifying as independent pursuant to the principles and criteria of the Corporate Governance Code of listed companies (latest version: December 2011), which the Parent Company adhered to by its resolution of 20 December 2012.

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, on an individual basis, applies to banks authorised in Italy and, on a consolidated basis, applies to banking groups) 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

In compliance with the Bank of Italy's supervisory provisions, the Boards of Directors of Italian subsidiaries of the Montepaschi Group have approved their decision-making procedures; the Parent Company has also provided instructions and guidance for the foreign banks and non-banking entities of the Group, which will be adopted by no later than 31 December 2012.

In the course of 2012, the Montepaschi Group did not conduct any transactions which by nature, consideration, mode or time of implementation might have had effects on the safeguarding of corporate assets or the completeness and accuracy of information, including accounting information, relating to the Parent Company and to the Montepaschi Group and that may therefore have involved obligations of market disclosure pursuant to Consob Regulation no. 17221/2010.

Information is provided below regarding certain related-party transactions effected by the Montepaschi banking group in 2012, which deserve specific mention.

Transactions, approved by the Board of Directors of the Parent Company or of other Group companies, were largely conducted on the basis of assessments of mutual economic benefit and under standard market conditions.

January 2012

- During the ordinary review of credit lines granted to the Group headed by Mr. Francesco Gaetano Caltagirone, an extension of ordinary credit lines was approved and new types of credit lines were granted for a total amount of approx. EUR 95.7 mln. It is noted that Mr. Caltagirone served as Deputy Chairman of the Parent Company until the date of his resignation on 26 January 2012;

February 2012

- The subsidiary, MPS Capital Services Banca per le Imprese S.P.A., reviewed the option terms and conditions of use of an existing loan for an amount of EUR 77.1 mln in favour of Beatrice S.r.l., directly controlled by Sansedoni Siena S.p.A., which BMPS has a significant shareholding in; additionally, the MPS Foundation – which is in turn a BMPS' related party- exercises significant influence over Beatrice S.r.l.;
- Lending facility approved by the Parent Company's Board of Directors in favour of Unoaerre Industries Spa for a total amount of EUR 29.65 mln; the company is controlled by Realizzazioni e Bonifiche Arezzo SpA in liquidation, which is in turn subject to the Parent Company's significant influence.
- Ordinary granting of loans approved by the Parent Company's Board of Directors in favour of Sviluppo e Interventi Immobiliari S.r.L., a sole shareholder company, for a total amount of EUR 15.0 mln. The borrower is an indirect related party of the Parent Company insofar as it is directly controlled by Sansedoni Siena S.p.A.. With regard to the nature of the related party transaction, the aforementioned considerations on Sansedoni S.p.A. shall apply.

April 2012

- The subsidiary, MPS Capital Services Banca per le Imprese Spa, approved a EUR 4.9 mln credit facility to Cinigiano Agri Power Plus Società Agricola Srl, a company controlled by Industria e Innovazione SpA, which is in turn subject to the Parent Company's significant influence;

May 2012

- The subsidiary, MPS Capital Services Banca per le Imprese S.P.A., approved a EUR 350,0 mln credit facility to Anima SGR Spa and Anima Asset Management Ltd, which are the subsidiaries of an associate of Parent Company BMPS;

June 2012

- During the annual review of the position, on 21 June 2012, the Credit Committee of the Parent Company approved the renewal and increase of Siena Biotech Spa's credit facility for a total of EUR 11.5 mln. It should be noted that the company Siena Biotech Spa is a related party of the Parent Company since it is 100% owned by the Monte dei Paschi di Siena Foundation.

July 2012

- The Parent Company's Board of Directors approved a disbursement of up to EUR 9.5 mln in favour of Asset Management Holding Spa (AMH), as an advance on the claw back due for 2013; on 11 December 2012, the Parent Company's Board of Directors resolved upon some waivers to an existing pooled lending agreement with the same related party, for an original aggregate amount of EUR 398 mln (Group's share of EUR 91.5 mln) and the extension of an ordinary line of credit amounting to EUR 2.0 mln for the issue of sureties. The company, AMH, is an associate to the Parent Company.
- New line of credit, extension and reduction in credit lines were approved by the Parent Company for a total amount of EUR 8.65 mln in favour of Interporto Toscano A. Vespucci, a company subject to the significant influence of MPS Capital Services, which is in turn controlled by the Parent Company.

September 2012

- An extension of ordinary credit lines for an aggregate amount of EUR 21.8 mln was approved by the Parent Company in favour of Alerion Clean Power Spa, a listed company subject to the Parent Company's significant influence.

October 2012

- An extension of ordinary credit lines and new types of credit facilities for a total amount of EUR 20.2 mln were approved in favour of Sviluppo ed Interventi Immobiliari Srl, a company directly controlled by Sansedoni Siena S.p.A., in turn subject to the Parent Company's significant influence.
- MPS Capital Services approved changes to the terms of repayment of an existing loan to Industria e Innovazione SpA, a company subject to the Parent Company's significant influence. In particular, payment of proceeds for an amount of EUR 6 mln to the Parent Company was approved according to methods other than those contractually provided for;

December 2012

- The extension of a credit line in the amount of EUR 30 mln was approved by the Parent Company's Board of Directors in favour of Casalboccone Roma Spa, in relation to the financial needs of its subsidiary, Eurocity Sviluppo Edilizio Srl; both companies are related parties of the Parent Company, insofar as the holding company, Casalboccone Roma Spa, is subject to the significant influence of Banca Monte Paschi Siena through a direct 21.75% shareholding.

§ * § * § *

Pursuant to art. 14, paragraph 2 of CONSOB regulation no. 17221/2010 and art. 8.5 of the "Procedure for Related Party Transactions" adopted by the Parent Company, it is communicated that

- the following transactions in favour of subsidiaries were approved by the Parent Company's Board of Directors in the course of 2012:
  - lending transactions for a total of:
    - EUR 1,050.0 mln to *Monte Paschi Banque*;
    - EUR 4,012.0 mln to *MPS Leasing & Factoring S.p.A.*;
    - EUR 5,650.0 mln to *Consum.it*;
    - EUR 650 mln to *MPS Capital Services Banca per le Imprese S.p.A.*;

- purchase from Cassa di Risparmio di Biella e Vercelli (Biverbanca) of loans classified as doubtful in relation to branches in the Piedmont region, which Banca Antonveneta S.p.A. had transferred to the company, for an amount equal to their book value of EUR 16.82 mln;

- On 27 December 2012, non-performing loans in the amount of approximately EUR 45 mln were purchased from Cassa di Risparmio di Biella e Vercelli (Biverbanca), pursuant to art. 58 of the Consolidated Law on Banking; the transaction was completed as part of the wider framework of the agreements with Cassa di Risparmio di Asti, for the purpose of disposal of the 60.42% shareholding in Cassa di Risparmio di Biella e Vercelli (BiverBanca) to Cassa di Risparmio di Asti.

- ordinary review by the Credit Committee of the subsidiary Banca Antonveneta Spa of a line of credit amounting to EUR 5 mln in favour of Consum.it Spa, similarly controlled by the Parent Company.

§ * § * § *

The detailed list of Group companies and investees subject to significant influence as at 31 December 2012 is provided in Part B, Section 10 of the Notes to the Consolidated Financial Statements.

The following tables summarise the Group's relationships with its associates and other related parties as at 31 December 2012, as well as the profit and loss effects of operations during the year. 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, it reflected the items "Other assets" and "other Liabilities" in the Balance Sheet;
- ✓ for interest income and interest expense it reflected the Group's total interest income and expense
- ✓ for fees and commissions, other revenues and other expenses, it is represented by the Group's profit (loss) for the year, before tax.

2.a Associates

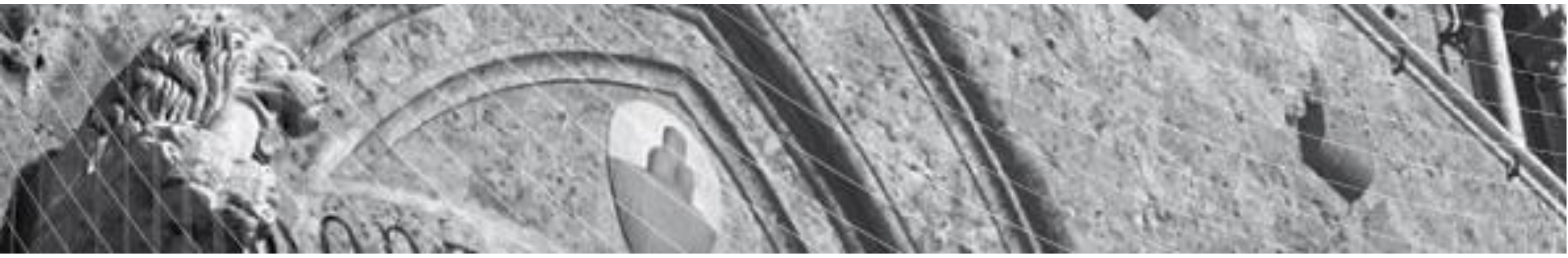
31.12.2012

items/Amounts	Amounts	% on Consolidated
Total financial assets	1,011,557	0.49%
Total other assets	18,684	0.51%
Total financial liabilities	881,110	0.43%
Total other liabilities	18,173	0.41%
Guaranties issue	65,073	-
Guaranties riceived	1,240,894	-

2.b Transactions involving Key Management Personnel and other related parties

31.12.2012

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	1,302	29,291	0.01%
Total financial liabilities	2,892	166,067	0.08%
Total functioning costs	10,433	-	-
Guarantees issued	-	14,860	-
Guarantees received	2,511	38,046	-



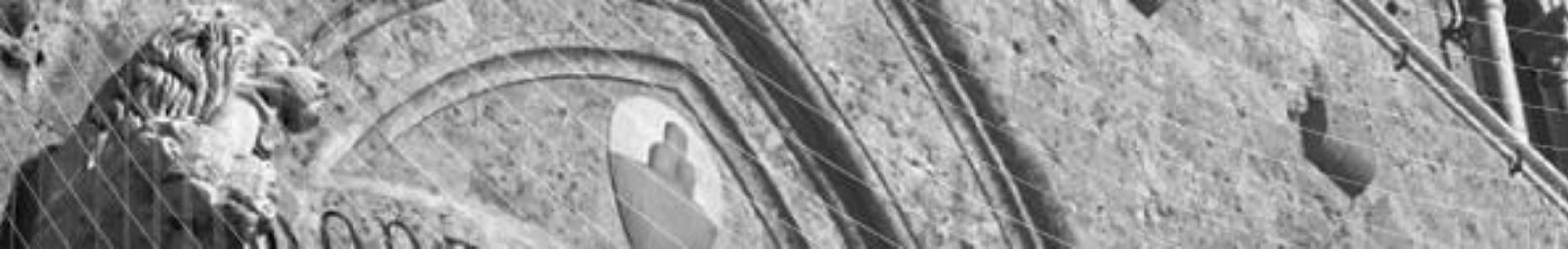
Part I – Share-based payments

Remuneration agreements for "key employees"

The remuneration and incentive policies adopted by the Group – as approved by the Parent Company's Shareholders meeting in April 2011 – provide that the variable component of compensation for all employees whose professional activity has or may have considerable impact on the company's risk profiles (a.k.a. "key employees") should meet the prescribed requirements in terms of maximum potential value as a percentage of fixed compensation (Gross Annual Salary), disbursement timing (at least 50% of the bonus should be paid after three years), disbursement methods (at least 50% of both the up-front and the deferred portions should be awarded in Bank shares).

In 2012, however, non-fullfilment of the technical conditions set by the Board of Directors for the entry into force of the 2011 Incentive System - planned according to the variable components of compensation described above - did not allow for the payment of 2011 bonuses in any Group company.

Similarly, the prolonged adverse macroeconomic and financial scenario and the difficulties experienced by the Group, made the implementation of the 2012 incentive system (due for payment in 2013) inappropriate. For this reason, no payments will be made in the current financial year.



Part L – Segment reporting

This section of the Notes to the Financial Statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS8 “Operating Segments”.

The aforementioned accounting standard, applied as of 1 January 2009 to replace IAS14 “Segment reporting” and the adoption of which has no effect on the valuation of balance sheet items, requires reports to be drafted in relation to operating segments on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group operations by business segment

The Montepaschi Group operates in the following **areas of business**:

- ***Retail and commercial banking***: includes lending activities, traditional banking services, the offering of banking and insurance products through the strategic partnership with AXA, financial advisory services, wealth management and investment products through its associate, AM Holding;
- ***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 the Group's retail banks, Banca Monte dei Paschi di Siena and Banca Antonveneta;
- **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), 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 (Group Operating Consortium), *non performing* loan management (MPS Gestione Crediti Banca) and value creation from the Group's real estate assets (MPS Immobiliare).

For the purpose of **identifying the Operating Segments** provided for by the IFRS 8, the Montepaschi Group has adopted the business approach. Profit and 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, 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: the **Retail&Corporate Banking Division**, subdivided into the Retail banking and Corporate banking areas, and the **Corporate Center**. More specifically:

The Operating Segments identified as at 31 December 2012 are:

- **Retail&Corporate Banking Division / “Retail banking” area**: includes the P&L/balance sheet results of the Family, Affluent, Small Business, Private client clusters of both Banca Monte dei Paschi di Siena and Banca Antonveneta (a.k.a the “divisionalised entities”); results of the Family Office business; results of trust and consumer credit services provided respectively by MPS Fiduciaria and Consum.it; results of the financial advisory business.
- **Retail&Corporate Banking Division / “Corporate banking” area**: includes the P&L/balance sheet results of the Corporate, Institutional and Public Administration customers of Banca Monte dei Paschi di Siena and Banca Antonveneta; 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 Center**: Besides 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 of IT and telecommunications (MPS Group Operating Consortium), non performing loan management (MPS Gestione Crediti Banca) and value creation from the Group's real estate assets (MPS Immobiliare);
  - ✓ companies consolidated at equity and held for sale;
  - ✓ operating units, including by way of example proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

In 2001 the Montepaschi Group introduced and gradually implemented Value Based operational management instruments, with the objective of monitoring profitability by business areas and units. The Value Based Management system adopted by the Group proved appropriate to manage the criteria for the identification of business segments and the review of segment reporting principles set out by existing regulations, as well as to meet regulatory requirements for the reconciliation of internal management reporting with data used for external reporting.

Income statement criteria by operating segment

The net operating income by operating segments was constructed based on the following criteria:

- **Net interest income**: in relation to the business centres of divisionalised entities, 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". The matrix of Internal Transfer Rates has been reviewed as of 2012, with values now closer to market rates.
- **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 originated them.
- **Operating expenses** include 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 those of the divisionalised entities (Banca Monte dei Paschi di Siena and Banca Antonveneta) 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. As of 2012, the cost allocation model has been fine-tuned to provide for the full allocation of operating costs to the business centres through the application of specific cost-sizing drivers.

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. The balances of intragroup transactions are not shown separately, in line with the internal reporting system used by the Montepaschi Group.

Basis of preparation

In accordance with the recommendations of IFRS 8, for the purposes of consistent disclosure of information, account was taken of the Group's organisational structure as at 31 December 2012, which differs from status as at 31 December 2011, due to the allocation of foreign banks (MP Belgium and MPS Banque) to the Corporate Centre and no longer to the Corporate Segment. Additionally, as illustrated in the section "*Performance of key economic-financial indicators*" of the Report on Operations, Biverbanca was classified as held for sale at the end of June 2012 and was therefore posted to "Profit (loss) after tax from groups of assets held for sale and discontinued operations" and Banca Popolare di Spoleto was consolidated under a different method.

Below is a breakdown of the Group's P&L/balance sheet aggregates as at 31 December 2012, on the basis of the afore-mentioned operating segments:

SEGMENT REPORTING	Direzione Commerciale			Corporate Center	Totale Gruppo MPS
Principali settori di business	Retail banking	Corporate banking	Totale		
(Importi in €/mln)	31/12/12	31/12/12	31/12/12	31/12/12	31/12/12
AGGREGATI ECONOMICI					
Margine della gestione finanziaria e assicurativa	3.321,4	2.081,4	5.402,7	(407,8)	4.994,9
Rettifiche di valore nette per deterioramento crediti e attività finanziarie	(907,7)	(1.901,3)	(2.809,0)	(85,2)	(2.894,2)
Oneri operativi	(2.455,2)	(663,8)	(3.119,0)	(176,9)	(3.295,8)
Risultato operativo netto	(41,5)	(483,8)	(525,2)	(669,8)	(1.195,1)
AGGREGATI PATRIMONIALI					
Crediti "vivi" verso clientela	60.042	63.837	123.879	10.837	134.717
Debiti verso clientela e titoli	78.427	36.077	114.503	21.167	135.670

With respect to accounts published in the Annual report as at 31 December 2011, prior period balances are only 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.

SEGMENT REPORTING Principali settori di business (Importi in €/mln)	Direzione Privati 31/12/11	Direzione Corporate 31/12/11	Corporate Center 31/12/11	Totale Gruppo MPS 31/12/11
AGGREGATI ECONOMICI				
Margine della gestione finanziaria e assicurativa	3.137,1	1.927,6	380,3	5.445,0
Rettifiche di valore nette per deterioramento crediti e attività finanziarie	(494,0)	(831,6)	(138,4)	(1.464,0)
Oneri operativi	(2.246,4)	(658,9)	(581,1)	(3.486,4)
Risultato operativo netto	396,8	437,1	(339,3)	494,6
AGGREGATI PATRIMONIALI				
Crediti "vivi" verso clientela	62.742	68.107	9.319	140.167
Debiti verso clientela e titoli	81.805	41.406	23.397	146.608

For a like-for-like comparison of operations in the two fiscal years, 2012 and 2011, see section "*Profit & Loss and Balance Sheet Results and Segment reporting*" in the Annual Report as at 31 December 2012.

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 81-TER OF CONSOB REGULATION NO. 11971 OF 14 MAY 1999, AS SUBSEQUENTLY AMENDED AND SUPPLEMENTED

1. The undersigned, Alessandro Profumo, as Chairman of the Board of Directors, and Daniele Bigi, as Financial Reporting Officer, of Banca Monte dei Paschi di Siena S.p.A., having regard to Article 154-bis, paragraphs 3 and 4 of Legislative Decree No. 58 of 24 February 1998, do hereby certify the:
   - appropriateness with respect to the company's business profile (including in consideration of any changes occurring during the period) and
   - effective application of administrative and accounting procedures used in the preparation of the consolidated financial statements for fiscal year 2012.
2. In this respect, the following major aspects have emerged:
   - the assessments conducted and results achieved should be considered within the complex framework of the ongoing internal reorganisation currently being implemented by the Group and a scenario of overall economic difficulty;
   - in the course of 2012, the Co.Met.A. project was also completed with effective transition to production. (in April for Banca Antonveneta and in November for Banca Monte dei Paschi). This phase was followed by migration of the accounting system to the new SAP application, with an impact on operating and control practices for administrative and accounting processes;
   - uditing carried out on the administrative and accounting procedures was affected by this changing scenario;
   - during the year, the presence of errors was ascertained which called for the need to correct the accounting treatment of the structured transactions named “Alexandria”, “Santorini”, “Nota Italia” and personnel expenses, with retrospective correction pursuant to IAS8. This situation was carefully assessed and thoroughly analysed by identifying areas of improvement in the control processes in use, with actions implemented to increase the reliability of existing administrative and accounting procedures.
3. It is also certified that:

   3.1 the consolidated financial statements:
   - were prepared in accordance with the international accounting standards recognised by the European Union pursuant to European Parliament and Council Regulation No. 1606/2002/EC of 19 July 2002;
   - are consistent with the underlying documentary evidence and accounting records;
   - give a true and fair representation of the balance sheet, profit and loss and cash flows of the issuer and of the companies included within the scope of consolidation.

   3.2 The Report on Operations includes a reliable analysis of the trends and results of operations as well as of the position of the issuer and of all entities included within the scope of consolidation, together with a description of the main risks and uncertainties they are exposed to.

Siena, 28 March 2013

Per il Consiglio di Amministrazione

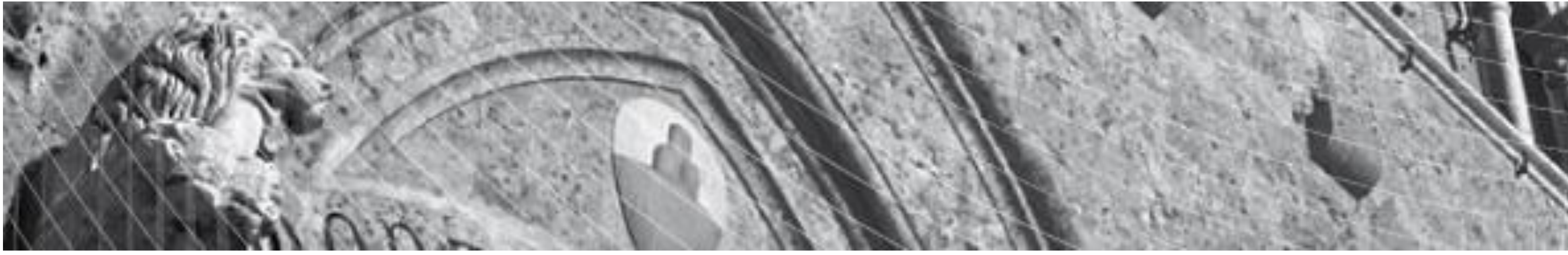
Il Presidente

Alessandro Profumo

Il Dirigente Preposto alla redazione

dei documenti contabili societari

Daniele Bigi



INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated 27 January 2010
(Translation from the original Italian text)

To the Shareholders
of Banca Monte dei Paschi di Siena S.p.A.

1. We have audited the consolidated financial statements of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries, (the "Montepaschi Group") as at December 31, 2012 and for the year then ended, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and the regulations implementing article 9 of Legislative Decree n. 38/2005 is the responsibility of Banca Monte dei Paschi di Siena S.p.A.'s Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by Consob (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by Directors. We believe that our audit provides a reasonable basis for our opinion.

   For comparative purposes, the consolidated financial statements include the corresponding figures of the prior year and the specific Section "Restatements of prior period accounts in compliance with IAS 8 - Accounting policies, changes in estimates and accounting errors" of the explanatory notes includes the balance sheet as at January 1, 2011. As illustrated in the above-mentioned Section, certain corresponding figures related to the prior year financial statements and the balance sheet as at January 1, 2011, have been restated with respect to the figures previously presented. Such restated figures are derived from the consolidated financial statements as at December 31, 2011 and December 31, 2010, audited respectively by us and other auditors; reference should be made to the auditors' reports issued respectively on April 5, 2012 and April 7, 2011.

   We have examined the criteria applied to restate the corresponding figures and the related information presented in the above-mentioned Section for the purpose of expressing our opinion on the consolidated financial statements as at December 31, 2012 and for the year then ended.

3. In our opinion, the consolidated financial statements of the Montepaschi Group at December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the regulations implementing article 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the Montepaschi Group as of December 31, 2012 and for the year then ended.

Reconta Ernst & Young S.p.A.
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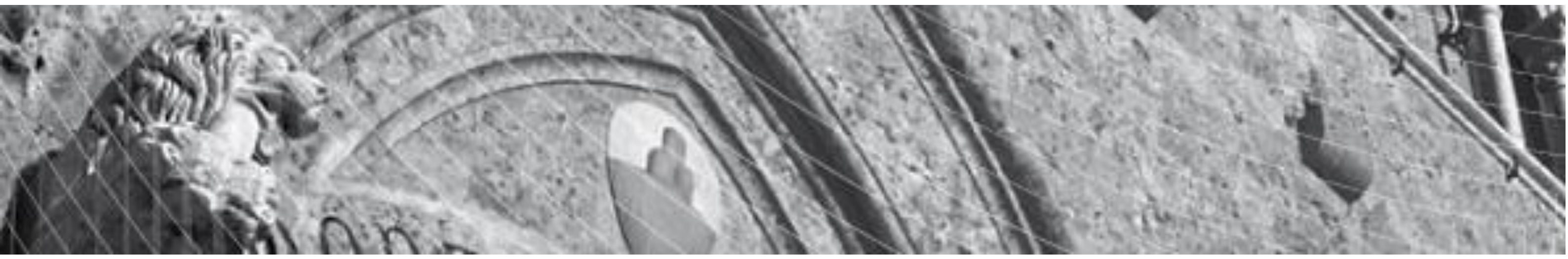
4. We draw your attention to the following information provided by the Directors:
   a) the parent company corrected certain errors in compliance with IAS 8. The Section "Restatements of prior period accounts in compliance with IAS 8 – Accounting policies, changes in estimates and accounting errors" of the explanatory notes illustrate the economic and financial position effects and the related reasons for such restatements;
   b) the explanatory notes include the disclosures required by Document n.6, jointly issued by Bank of Italy, Consob and IVASS (the Italian Insurance Regulatory Agency) on March 8, 2013, with respect to "Long-Term Structured Repos";
   c) the explanatory notes include disclosures on the capital adequacy strengthening process, the alignment with the EBA requirements and on the related action plan, which led among others, to the issue on February 28, 2013 of "New Financial Instruments" subscribed to by the Ministry of Economy and Finance. The issuance of these instruments, covered by the provision of State Aid (pursuant to Legislative Decree n.87 dated June 27, 2012) requires the European Commission's approval of a Restructuring Plan, for which the relevant process has already been initiated by the competent bodies of the European Commission. Based on these measures, and on the current status of implementation of the Strategic Plan 2012-2015, the Directors do not foresee any element which could cast doubt on the ability of the entity to continue as a going concern.
5. The Directors of Banca Monte dei Paschi di Siena S.p.A. are responsible for the preparation, in accordance with the applicable laws and regulations, of the Report on Operations and the Report on Corporate Governance and the Shareholding Structure published in the section "*Investors & Research – Investor Relations – Corporate Governance – Corporate Governance Report*" of Banca Monte dei Paschi di Siena S.p.A.'s website. Our responsibility is to express an opinion on the consistency of the Report on Operations and of the information presented in compliance with article 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the Report on Corporate Governance and the Shareholding Structure with the financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by Consob. In our opinion, the Report on Operations and the information presented in compliance with art. 123-bis of Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) in the Report on Corporate Governance and the Shareholding Structure, are consistent with the consolidated financial statements of the Montepaschi Group at December 31, 2012.

Milan, Italy, April 5, 2013

Reconta Ernst & Young S.p.A.
Signed by: Massimiliano Bonfiglio, partner

This report has been translated into the English language solely for the convenience of international readers.



ANNEXES

Pro-forma statements for the accounting treatment of major long-term structured repos as synthetic derivatives

Foreword

Below are the pro-forma consolidated balance sheet, profit and loss account and comprehensive income statements (the "Pro-forma statements") for the years ending 31 December 2011 (restated) and 2012, which report the estimated effects of pro-forma accounting had the Parent Company classified the "long-term structured repos" described in Part A – Accounting Policies" of the notes to the financial statements (the "Transactions") as synthetic derivatives.

The pro-forma statements have been prepared on the basis of the consolidated annual reports for the years ending 31 December 2011 (restated) and 2012, 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 significant transactions, preparers of financial statements should carefully consider the need for an adequate description, including by the use 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 qualification of the two long-term *repos* "Alexandria" and "Santorini" as *credit default swap*s. The simulation did not include two additional *long term repo* agreements which were in place as at 31.12.2012, as their impacts are not material.

For a description of the Transactions' recognition and measurement criteria used in the preparation of consolidated financial statements for the years ending 31 December 2011 (restated) and 2012, see details of "Part A – Accounting Policies" in the Notes to the financial statements.

The pro-forma statements are presented using the balance-sheet, profit and loss and comprehensive income statements used for the years ending 31 December 2011 (restated) and 2012.

Pro-forma figures were determined by making appropriate pro-forma adjustments to the historical values in the 2011 (restated) and 2012 accounts in order to retroactively reflect the effects of recognising the Transactions as synthetic derivatives, as well as the estimated balance-sheet and profit and loss impacts arising therefrom.

Reported in the pro-forma statements below are:

- in the first column ("31 12 2011*" and "31 12 2012"): balance sheet as at 31 December 2011 (*restated*) and 2012, profit and loss account and comprehensive income statement for 2011 (*restated*) and 2012 ;
- in the second column ("pro-forma impact of LTR classified as CDS"): pro-forma adjustments estimated to be made to the accounts, had the Parent Company classified the Transactions as synthetic derivatives;
- in the third and last column ("31 12 2011* pro-forma" and "31 12 2012 pro-forma"): estimated pro-forma balance sheet as at 31 December 2011 (*restated*) and 2012, pro-forma profit and loss account and pro-forma comprehensive income statement for 2011 (*restated*) and 2012.

In light of the above, for an appropriate 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 realised 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 separable 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 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 treatment, 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 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.
- profit and loss account:
  - 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 spreads 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 a contra-entry for 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;
- 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 profit and loss is mitigated by the elimination of negative AFS reserves produced by 'open balances' accounting, as described in the statement of comprehensive income.

Pro-forma consolidated balance sheet

	Assets	31/12/2011*	pro-forma impact of LTRO classified as CDS	31 12 2011* pro-forma	31 12 2012	pro-forma impact of LTRO classified as CDS	31 12 2012 pro-forma
10	Cash and cash equivalents	877,784		877,784	2,432,880		2,432,880
20	Financial assets held for trading	32,539,184		32,539,184	23,514,204		23,514,204
30	Financial assets designated at fair value	38,231		38,231	-		-
40	Financial assets available for sale	22,904,656	(4,275,380)	18,629,276	25,648,741	(5,370,455)	20,278,286
50	Financial assets held to maturity	2		2	-		-
60	Loans to banks	20,695,447		20,695,447	11,224,989		11,224,989
70	Loans to customers	146,609,097		146,609,097	142,015,161		142,015,161
80	Hedging derivatives	363,351		363,351	551,093		551,093
90	Change in value of macro-hedged financial assets (+/-)	76,310		76,310	119,157		119,157
100	Equity investments	894,642		894,642	1,040,102		1,040,102
120	Property, plant and equipment	1,384,965		1,384,965	1,334,479		1,334,479
130	Intangible assets	2,980,416		2,980,416	1,191,502		1,191,502
140	Tax assets	7,316,044	(88,582)	7,227,462	6,122,598	(30,615)	6,091,983
150	Non-current assets and groups of assets held for sale and discontinued operations	2,158	-	2,158	12,461		12,461
160	Other assets	4,111,589	-	4,111,589	3,674,803		3,674,803
	Total assets	**240,793,876**	**(4,363,962)**	**236,429,914**	**218,882,170**	**(5,401,070)**	**213,481,100**

**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 2011*	pro-forma impact of LTRO classified as CDS	31 12 2011* pro-forma	31 12 2012	pro-forma impact of LTRO classified as CDS	31 12 2012 pro-forma
10	Deposits from banks	47,120,764	(2,513,617)	44,607,147	43,322,955	(2,489,709)	40,833,246
20	Deposits from customers	84,294,736	(3,397,258)	80,897,478	81,302,685	(3,378,623)	77,924,062
30	Debt securities issued	39,814,649		39,814,649	39,939,624		39,939,624
40	Financial liabilities held for trading	26,514,882	2,906,460	29,421,342	21,516,900	2,382,552	23,899,452
50	Financial liabilities designated at fair value	22,498,694		22,498,694	14,427,858		14,427,858
60	Hedging derivatives	4,359,400	(1,354,960)	3,004,440	5,574,798	(1,767,052)	3,807,746
80	Tax liabilities	319,108	(35,993)	283,115	180,506	(44,038)	136,468
90	Liabilities associated with non-current assets held for sale and discontinued operations	-		-	-		-
100	Other liabilities	4,216,613		4,216,613	4,480,350		4,480,350
110	Provision for employee severance pay	265,905		265,905	241,633		241,633
120	Provisions for risks and charges:	1,208,268		1,208,268	1,440,250		1,440,250
140	Valuation reserves	(3,842,291)	1,588,361	(2,253,930)	(2,224,461)	1,197,031	(1,027,430)
160	Equity instruments carried at equity	1,903,002		1,903,002	3,002		3,002
170	Reserves	5,773,627	(540,445)	5,233,182	4,128,474	(1,556,955)	2,571,519
180	Share premium	4,117,870		4,117,870	255,099		255,099
190	Share capital	6,732,247		6,732,247	7,484,508		7,484,508
200	Treasury shares (-)	(26,461)		(26,461)	(24,532)		(24,532)
210	Non-controlling interests (+/-)	217,202		217,202	2,856		2,856
220	Profit (loss) for the period (+/-)	(4,694,339)	(1,016,510)	(5,710,849)	(3,170,335)	255,724	(2,914,611)
	Total Liabilities and Shareholders' Equity	**240,793,876**	**(4,363,962)**	**236,429,914**	**218,882,170**	**(5,401,070)**	**213,481,100**

**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 income statement

	Voci	31 12 2011*	pro-forma impact of LTRO classified as CDS	31 12 2011* pro-forma	31 12 2012	pro-forma impact of LTRO classified as CDS	31 12 2012 pro-forma
10	Interest income and similar revenues	7,232,756	(274,715)	6,958,041	6,711,013	(255,101)	6,455,912
20	Interest expense and similar charges	(3,856,360)	234,626	(3,621,734)	(3,926,388)	242,103	(3,684,285)
30	**Net interest income**	**3,376,396**	**(40,089)**	**3,336,307**	**2,784,625**	**(12,998)**	**2,771,627**
40	Fee and commission income	2,076,599		2,076,599	2,051,568		2,051,568
50	Fee and commission expense	(314,126)		(314,126)	(418,750)		(418,750)
60	**Net fee and commission income**	**1,762,473**	**-**	**1,762,473**	**1,632,818**	**-**	**1,632,818**
70	Dividends and similar income	105,697		105,697	62,858		62,858
80	Net profit (loss) from trading	(202,940)	(1,470,029)	(1,672,969)	59,315	393,295	452,610
90	Net profit (loss) from hedging	(32,167)	(3,523)	(35,690)	3,054	892	3,946
100	Gains/losses on disposal/repurchase of:	148,809		148,809	200,357		200,357
110	Net profit (loss) from financial assets and liabilities designated at fair value	4,720		4,720	117,336		117,336
120	**Net interest and other banking income**	**5,162,988**	**(1,513,641)**	**3,649,347**	**4,860,363**	**381,189**	**5,241,552**
130	Net impairment losses(reversals)	(1,431,987)		(1,431,987)	(2,880,069)		(2,880,069)
140	**Net income from banking activities**	**3,731,001**	**(1,513,641)**	**2,217,360**	**1,980,294**	**381,189**	**2,361,483**
180	Administrative expenses:	(3,533,097)		(3,533,097)	(3,667,058)		(3,667,058)
190	Net provisions for risks and charges	(246,919)		(246,919)	(284,924)		(284,924)
200	Net losses/reversals on impairment of property, plant and equipment	(81,730)		(81,730)	(75,916)		(75,916)
210	Net adjustments to (recoveries on) intangible assets	(486,294)		(486,294)	(319,698)		(319,698)
220	Other operating expenses/income	90,218		90,218	221,579		221,579
230	**Operating expenses**	**(4,257,822)**	**-**	**(4,257,822)**	**(4,126,018)**	**-**	**(4,126,017)**
240	Gains (losses) on investments	5,184		5,184	(799)		(799)
260	Impairment on goodwill	(4,034,832)		(4,034,832)	(1,528,000)		(1,528,000)
270	Gains (losses) on disposal of investments	34,633		34,633	7,265		7,265
280	**Profit (loss) before tax from continuing operations**	**(4,521,836)**	**(1,513,641)**	**(6,035,477)**	**(3,667,258)**	**381,189**	**(3,286,068)**
290	Tax expense (recovery) on income from continuing operations	35,927	497,131	533,058	464,533	(125,465)	339,068
300	**Profit (loss) after tax from continuing operations**	**(4,485,909)**	**(1,016,510)**	**(5,502,419)**	**(3,202,725)**	**255,724**	**(2,947,000)**
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	(211,895)		(211,895)	10,806		10,806
320	**Profit (loss) for the period**	**(4,697,804)**	**(1,016,510)**	**(5,714,314)**	**(3,191,919)**	**255,724**	**(2,936,194)**
330	Profit (loss) for the period attributable to non-controlling interests	(3,465)		(3,465)	(21,584)		(21,584)
340	**Parent company's net profit (loss) for the period**	**(4,694,339)**	**(1,016,510)**	**(5,710,849)**	**(3,170,335)**	**255,724**	**(2,914,610)**

**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 12 2011*	pro-forma impact of LTRO classified as CDS	31 12 2011* pro-forma	31 12 2012	pro-forma impact of LTRO classified as CDS	31 12 2012 pro-forma
10	**Profit (loss) for the period**	**(4,694,340)**	**(1,016,510)**	**(5,710,850)**	**(3,191,919)**	**255,724**	**(2,936,195)**
	Other comprehensive income, net of tax						
20	Financial assets available for sale	(3,685,994)	1,194,866	(2,491,128)	1,527,250	(391,329)	1,135,921
60	Cash flow hedges	(33,612)	-	(33,612)	(41,956)	-	(41,956)
70	Foreign exchange differences	1,417	-	1,417	(1,007)	-	(1,007)
80	Non-current assets and groups of assets held for sale and discontinued operations	(201)	-	(201)	-	-	-
100	Share of valuation reserves connected with investments carried at equity	(30,483)	-	(30,483)	47,418	-	47,418
110	**Total other comprehensive income, net of tax**	**(3,748,873)**	**1,194,866**	(2,554,007)	**1,531,705**	**(391,329)**	1,140,376
120	**Total comprehensive income (Account 10 + 110)**	**(8,443,213)**	**178,356**	**(8,264,857)**	**(1,660,214)**	**(135,605)**	**(1,795,819)**
130	Consolidated comprehensive income attributable to non-controlling interests	(44,024)	-	(44,024)	(107,709)	-	(107,709)
140	**Consolidated comprehensive income attributable to Parent Company**	**(8,399,189)**	**178,356**	**(8,220,833)**	**(1,552,505)**	**(135,605)**	**(1,688,110)**

**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.*

Disclosure of audit firm fees

With the aim of making reporting on the Parent Company's relations with its Independent Auditors more transparent, CONSOB, with its resolutions No. 15915 of 3 May 2007 and No. 15960 of 30 May 2007, implemented the delegation of authority contained in art.160 of the Consolidated Law on Finance (Incompatibility), introducing Part III, Section VI, of the Issuers' Regulation, Part I-bis (Incompatibility) which contains articles from 149-bis to 149-duodecies.

With this amendment, CONSOB chose to include this disclosure in the documents accompanying the financial statements with a mandatory requirement to disclose payments received for auditing and other services supplied by the Auditors or by entities forming part of their network.

The table below shows all payments made to the Auditors and to other entities forming part of its network, broken down by type of service.

Disclosure of fees for the independent Audit firm and other entities relating thereto (pursuant to art. 149 duodecies of CONSOB resolution no. 15915 of 3 May 2007)

31.12.2012

Type of services	Service provider	Total
Auditing	Reconta Ernst & Young Spa	1,084
Other attest services	Reconta Ernst & Young Spa	531
Other attest services	Ernst & Young Tax Consultants	4
Other services	Studio Legale Tributario	12
Other services	Ernst & Young Financial Business Advisory S.p.a.	657
Other services	Reconta Ernst & Young Spa	123
		2,411

Amounts are exclusive of V.A.T. and ancillary expenses.

PENSION FUNDS – Defined-benefit pension funds without plan assets

Supplementary Pension Fund for personnel of former Tax Collection Agencies

Opening balances as at 01/01/2012	**21,606,549**
Increases	906,857
- provisions for the year	906,857
- Other variations	-
Decreases	1,992,308
- Benefit paid	1,992,308
Others	-
Closing balances as at 31/12/2012	**20,521,098**

Supplementary Pension Fund for personnel of former Banca Operaia di Bologna

Opening balances as at 01/01/2012	**7,299,388**
Increases	314,884
- provisions for the year	283,428
- Other increases	31,456
Decreases	522,463
- Benefit paid	522,463
- other decreases	-
Closing balances as at 31/12/2012	**7,091,809**

Supplementary Pension Fund for personnel of former Banca di Credito Popolare e Cooperativo of Reggio Emilia

Opening balances as at 01/01/2012	**592,945**
Increases	43,429
- provisions for the year	43,429
- Other increases	-
Decreases	40,814
- Benefit paid	40,814
- other decreases	-
Closing balances as at 31/12/2012	**595,560**

Supplementary Pension Fund for personnel of former Banca Popolare Veneta

Opening balances as at 01/01/2012	**1,333,426**
Increases	53,882
- provisions for the year	53,882
- Other increases	-
Decreases	217,664
- Benefit paid	217,664
Others	-
Closing balances as at 31/12/2012	**1,169,644**

Supplementary Pension Fund for personnel of former MPS Capital Services Banca per l'imprese S.p.A.

Opening balances as at 01/01/2012	**5,834,354**
Increases	272,428
- provisions for the year	272,428
Decreases	-
	574,931
- Benefit paid	574,931
Others	-
Closing balances as at 31/12/2012	**5,531,851**

PENSION FUNDS – defined benefit and defined contribution pension funds with plan assets

Supplementary Pension Fund for personnel of former BNA – Defined benefit section

BALANCE SHEET

	Assets	31 12 2012	31 12 2011	Changes
10	**Direct investments**	**27,853,582**	**26,370,246**	**1,483,336**
	a) Deposits	217,275	308,027	(90,752)
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international institutions	-	-	-
	d) Listed debt securities	27,303,666	25,707,056	1,596,610
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	-	-	-
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	332,641	355,163	(22,522)
	m) Profit guarantees released to pension fund	-	-	-
	n) Other assets from financial activities	-	-	-
	o) Accrued income not yet received	-	-	-
20	**Managed investments**	**-**	**-**	**-**
30	**Profit guarantees on individual accounts**	**-**	**-**	**-**
40	**Assets from administrative activities**	**-**	**-**	**-**
50	**Tax receivables**	**-**	**2,619**	**(2,619)**
	TOTAL ASSETS	**27,853,582**	**26,372,865**	**1,480,717**
	Liabilities	**31 12 2012**	**31 12 2011**	**Changes**
10	**Liabilities from social security**	-	-	-
20	**Liabilities from financial activities**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Liabilities from administrative activities**	-	-	-
50	**Tax payables**	312,203	-	312,203
	a) tax payables for current period	(2,619)	-	(2,619)
	b) tax credit for prior period	314,822	-	314,822
	TOTAL LIABILITIES	**312,203**	**-**	**312,203**
100	**Net assets available for payment of benefits**	**27,541,379**	**26,372,865**	**1,168,514**
	Net assets available for payment of benefits in previous year	26,372,865	27,810,999	(1,438,134)
	Changes in net assets available for payment of benefits	**1,168,514**	**(1,438,134)**	**2,606,648**

INCOME STATEMENT

		31 12 2012	31 12 2011	Changes
10	**Balance of social security management**	**(1,378,647)**	**(1,416,941)**	**38,294**
	a) Contributions for benefits	-	-	-
	b) Advances	-	-	-
	c) Transfers and redemptions	-	-	-
	d) Transfers to annuities	-	-	-
	e) Payments in capital	-	-	-
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	(1,378,647)	(1,416,941)	38,294
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**2,862,021**	**(23,813)**	**2,885,834**
	a) Interest and profit on bonds and government securities	1,252,875	1,127,919	124,956
	b) Interest on cash equivalents	1,910	2,997	(1,087)
	c) Profits and losses from financial transactions	1,607,236	(1,154,729)	2,761,965
	d) Interest (expense) from repo transactions	-	-	-
	e) Pension fund profit guarantee difference	-	-	-
	d) Contingent assets	-	-	-
	g) Forfeitures charged to the participants	-	-	-
	h) Kickbacks from UCITS	-	-	-
	i) Commission expense	-	-	-
30	**Profit (loss) from indirect financial activities**	-	-	-
40	**Operating expenses**	**-**	**-**	-
	a) Management companies	-	-	-
	b) Custodian bank	-	-	-
	c) insurance policy	-	-	-
	d) 'State supervision' contribution	-	-	-
50	**Financial and insurance income (loss) (20 +30 + 40)**	**2,862,021**	**(23,813)**	**2,885,834**
60	**Balance from administrative activities**	**-**	**-**	**-**
	a) General and administrative expenses	-	-	-
70	**Changes in net assets available for payment of benefits before substitute tax (10+50+60)**	**1,483,374**	**(1,440,754)**	**2,924,128**
80	**Substitute tax**	**(314,822)**	**2,619**	**(317,441)**
	Changes in net assets available for payment of benefits (70+80)	**1,168,552**	**(1,438,135)**	**-**

Supplementary Pension Fund for personnel of former Banca Toscana - Defined benefit section

BALANCE SHEET

	Assets	31 12 2012	31 12 2011	Changes
10	**Direct investments**	**97,825,800**	**102,577,622**	**(4,751,822)**
	a) Deposits	83,747,586	90,408,912	(6,661,326)
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international instituti	-	-	-
	d) Listed debt securities	-	-	-
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	13,804,623	11,898,125	1,906,498
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	273,591	270,585	3,006
	m) Profit guarantees released to pension fund	-	-	-
	n) Other assets from financial activities	-	-	-
	o) Accrued income not yet received	-	-	-
20	**Managed investments**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Assets from administrative activities**	-	-	-
50	**Tax receivables**	-	-	-
	TOTAL ASSETS	**97,825,800**	**102,577,622**	**(4,751,822)**
	Liabilities	**31 12 2012**	**31 12 2011**	**Changes**
10	**Liabilities from social security**	-	-	-
20	**Liabilities from financial activities**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Liabilities from administrative activities**	-	-	-
50	**Tax payables**	-	-	-
	TOTAL LIABILITIES	-	-	-
100	**Net assets available for payment of benefits**	**97,825,800**	**102,577,622**	(4,751,822)
	Net assets available for payment of benefits in previous year	102,577,622	108,211,000	(5,633,378)
	Changes in net assets available for payment of benefits	**(4,751,822)**	**(5,633,378)**	**881,556**

INCOME STATEMENT

		31 12 2012	31 12 2011	Changes
10	**Balance of social security management**	**(10,890,284)**	**(10,515,131)**	**(375,153)**
	a) Contributions for benefits	-	766,630	(766,630)
	b) Advances	-	-	-
	c) Transfers and redemptions	-	-	-
	d) Transfers to annuities	-	-	-
	e) Payments in capital	-	-	-
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	(10,890,284)	(11,281,761)	391,477
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**6,138,845**	**4,881,753**	**1,257,092**
	a) Dividends and interest	4,226,420	4,584,567	(358,147)
	b) Profits and losses from financial transactions	1,912,425	297,186	1,615,239
	c) Fees and commissions on stock lending	-	-	-
	d) Profits and losses rom repo transactions	-	-	-
	e) Pension fund profit guarantee difference	-	-	-
	d) Contingent assets	-	-	-
	g) Forfeitures charged to the participants	-	-	-
	h) Kickbacks from UCITS	-	-	-
	i) Commission expense	-	-	-
30	**Profit (loss) from indirect financial activities**	-	-	-
40	**Operating expenses**	**(383)**	**-**	**(383)**
	a) Management companies	-	-	-
	b) Custodian bank	-	-	-
	c) insurance policy	-	-	-
	d) 'State supervision' contribution	(383)	-	(383)
50	**Financial and insurance income (loss) (20 +30 + 4**	**6,138,462**	**4,881,753**	**1,256,709**
60	**Balance from administrative activities**	**-**	**-**	**-**
	a) General and administrative expenses	-	-	-
70	**Changes in net assets available for payment of benefits before substitute tax (10+50+60)**	**(4,751,822)**	**(5,633,378)**	**881,556**
80	**Substitute tax**	-	**-**	-
	Changes in net assets available for payment of benefits (70+80)	**(4,751,822)**	**(5,633,378)**	**881,556**

Significant interests in unlisted companies as at 31/12/2012 held by Banca Monte dei Paschi di Siena S.p.A. directly and/or via Group companies pursuant to art. 120, paragraph 3 of Legislative Decree no. 58 of 24/02/98 and articles 125 and 126 of Consob resolution no. 11971 of 14/05/99

	Investee	Registered Office	City	Investor	Ownership			Pledge		Total		
1	AD. IMPRESA SPA	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	200,000.00	20.00 %	20.00 %	0.00	0.00 %	200,000.00	20.00 %	20.00 %
2	AEROPORTO DI SIENA SPA SOCIETA' IN LIQUIDAZIONE	SOVICILLE	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	11,974,581.00	21.38 %	21.38 %	0.00	0.00 %	11,974,581.00	21.38 %	21.38 %
3	AGENZIA PER LA TRASFORMAZIONE TERRITORIALE IN VENETO S.P.A.	BAGNOLI DI SOPRA	PD	BANCA ANTONVENETA S.P.A.	360,133.00	10.01%	10.01%	0.00	0.00 %	360,133.00	10.01%	10.01%
4	AGRICOLA FAVA SRL	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	1.00	50.00 %	1.00	50.00 %	50.00 %
5	AGRICOLA MERSE S.R.L.	MILANO	MI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	5,000,000.00	20.00 %	20.00 %	0.00	0.00 %	5,000,000.00	20.00 %	20.00 %
6	AGRIFORM SOCIETA' COOPERATIVA AGRICOLA	SOMMACAMPAGNA	VR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	2,000.00	13.91%	11.11%	0.00	0.00 %	2,000.00	13.91%	11.11%
7	AIACE REOCO S.r.l.	SIENA	SI	MPS GESTIONE CREDITI BANCA S.P.A.	1,500,000.00	100.00 %	100.00 %	0.00	0.00 %	1,500,000.00	100.00 %	100.00 %
8	ANTONIANA VENETA POPOLARE ASSICURAZIONI S.P.A.	TRIESTE	TS	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	6,700,000.00	50.00 %	50.00 %	0.00	0.00 %	6,700,000.00	50.00 %	50.00 %
9	ANTONIANA VENETA POPOLARE VITA S.P.A.	TRIESTE	TS	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	26,000,000.00	50.00 %	50.00 %	0.00	0.00 %	26,000,000.00	50.00 %	50.00 %
10	ANTONVENETA CAPITAL L.L.C. I	STATI UNITI D'AMERICA		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	10.00	100.00 %	100.00 %	0.00	0.00 %	10.00	100.00 %	100.00 %
11	ANTONVENETA CAPITAL L.L.C. II	STATI UNITI D'AMERICA		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	10.00	100.00 %	100.00 %	0.00	0.00 %	10.00	100.00 %	100.00 %
12	ANTONVENETA CAPITAL TRUST I	STATI UNITI D'AMERICA		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	5.00	100.00 %	100.00 %	0.00	0.00 %	5.00	100.00 %	100.00 %
13	ANTONVENETA CAPITAL TRUST II	STATI UNITI D'AMERICA		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	5.00	100.00 %	100.00 %	0.00	0.00 %	5.00	100.00 %	100.00 %
14	ASSET MANAGEMENT HOLDING S.P.A	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,246,817.00	21.63 %	21.63 %	0.00	0.00 %	1,246,817.00	21.63 %	21.63 %
15	AXA MPS ASSICURAZIONI DANNI SOCIETA' PER AZIONI	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,950,000.00	50.00 %	50.00 %	0.00	0.00 %	1,950,000.00	50.00 %	50.00 %
16	AXA MPS ASSICURAZIONI VITA SOCIETA' PER AZIONI	ROMA	RM	CASSA DI RISPARMIO DI BIELLA E VERCELLI S.P.A.	28,449,999.00	50.00 %	50.00 %	0.00	0.00 %	28,450,000.00	50.00 %	50.00 %
17	AZ S.P.A.	SCHIO	VI	BANCA ANTONVENETA S.P.A.	0.00	0.00 %	0.00 %	735,000.00	31.84 %	735,000.00	31.84 %	31.84 %
18	BANCA ANTONVENETA S.P.A.	PADOVA	PD	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,006,300,000.00	100.00 %	100.00 %	0.00	0.00 %	1,006,300,000.00	100.00 %	100.00 %
19	BANCA MONTE PASCHI BELGIO S.A.	1040 BRUXELLES BELGIQUE		BANCA ANTONVENETA S.P.A.	308.00	0.10 %	0.10 %	0.00	0.00 %	307,914.00	100.00 %	100.00 %
				BANCA MONTE DEI PASCHI DI SIENA S.P.A.	307,606.00	99.90 %	99.90 %	0.00	0.00 %	307,914.00	100.00 %	100.00 %
20	BASSILICHI S.P.A.	MONTERIGGIONI	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	277,980.00	11.74 %	11.74 %	0.00	0.00 %	277,980.00	11.74 %	11.74 %
21	BIOFUND S.P.A.	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	334,882.00	13.68 %	13.68 %	0.00	0.00 %	334,882.00	13.68 %	13.68 %
22	CAMPOVERDE S.P.A. AGRICOLA	CASTROVILLARI	CS	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	5,200,000.00	27.44 %	5,200,000.00	27.44 %	27.44 %
23	CANTINA SOCIALE DI ARCETO SOCIETA' COOPERATIVA AGRICOLA	SCANDIANO	RE	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	12,000.00	10.87 %	0.88 %	0.00	0.00 %	12,000.00	10.87 %	0.88 %
24	CASALBOCCONE ROMA S.P.A.	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	26,100.00	33.67 %	33.67 %	0.00	0.00 %	26,100.00	33.67 %	33.67 %
25	CASEIFICIO SOCIALE DEL PARCO SOCIETA' COOPERATIVA	RAMISETO	RE	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	300.00	23.10 %	3.33 %	0.00	0.00 %	300.00	23.10 %	3.33 %

	Investee	Registered Office	City	Investor	Ownership			Pledge		Total		
26	CASTEL CARNI S.P.A.	CASTELNUOVO RANGONE	MO	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,800,000.00	16.40 %	16.40 %	0.00	0.00 %	1,800,000.00	16.40 %	16.40 %
27	CE.MI. 91 SRL	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	10,000.00	100.00 %	10,000.00	100.00 %	100.00 %
28	CENTRO SPORTIVO PETRARCA IMPIANTI RUGBY PADOVA S.P.A.	PADOVA	PD	BANCA ANTONVENETA S.P.A.	1,020.00	12.18 %	12.18 %	0.00	0.00 %	1,020.00	12.18 %	12.18 %
29	CIRENE FINANCE SRL	CONEGLIANO	TV	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	6,000.00	60.00 %	60.00 %	0.00	0.00 %	6,000.00	60.00 %	60.00 %
30	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE SPA IN BREVE CO.E.M. SPA	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	8,304,093.00	40.20 %	40.20 %	0.00	0.00 %	8,304,093.00	40.20 %	40.20 %
31	COLLE PROMOZIONE S.P.A.	COLLE DI VAL D'ELSA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	2,400.00	12.00 %	12.00 %	0.00	0.00 %	2,400.00	12.00 %	12.00 %
32	COMMERFIN SOCIETA' CONSORTILE PER AZIONI	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	303,798.00	15.00 %	15.00 %	0.00	0.00 %	303,798.00	15.00 %	15.00 %
33	CONSORZIO AGRARIO DI SIENA SOCIETA' COOPERATIVA	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,427.00	18.43 %	0.05 %	0.00	0.00 %	1,427.00	49.99 %	0.15 %
34	CONSORZIO AGRARIO LOMBARDO VENETO SOC. COOP. A R.L.	VERONA	VR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	200.00	11.47 %	0.02 %	0.00	0.00 %	200.00	11.47 %	0.02 %
35	CONSORZIO ETRURIA SOCIETA' COOPERATIVA A R.L. IN CONCORDATO PREVENTIVO	MONTELUPO FIORENTINO	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	435,091.00	23.90 %	0.00 %	0.00	0.00 %	435,091.00	23.90 %	0.00 %
36	CONSORZIO LATTERIE SOCIALI MANTOVANE VIRGILIO SOCIETA' AGRICOLA COOPERATIVA	MANTOVA	MN	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	120,000.00	22.26 %	3.88 %	0.00	0.00 %	120,000.00	22.26 %	3.88 %
37	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	SIENA	SI	BANCA ANTONVENETA S.P.A.	3,902,209.00	0.03 %	0.03 %	0.00	0.00 %	12,998,792,577.00	99.94 %	99.94 %
				BANCA MONTE DEI PASCHI DI SIENA S.P.A.	12,971,477,114.00	99.73 %	99.73 %	0.00	0.00 %	12,998,792,577.00	99.94 %	99.94 %
				CONSUM.IT S.P.A.	3,902,209.00	0.03 %	0.03 %	0.00	0.00 %	12,998,792,577.00	99.94 %	99.94 %
				MONTE DEI PASCHI DI SIENA LEASING & FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.P.A	3,902,209.00	0.03 %	0.03 %	0.00	0.00 %	12,998,792,577.00	99.94 %	99.94 %
				MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	7,804,418.00	0.06 %	0.06 %	0.00	0.00 %	12,998,792,577.00	99.94 %	99.94 %
				MPS GESTIONE CREDITI BANCA S.P.A.	3,902,209.00	0.03 %	0.03 %	0.00	0.00 %	12,998,792,577.00	99.94 %	99.94 %
38	CONSORZIO TRIVENETO SPA	PADOVA	PD	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	218,400.00	10.13 %	10.13 %	0.00	0.00 %	218,400.00	10.13 %	10.13 %
39	CONSUM.IT S.P.A.	CALENZANO	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	357,000,000.00	100.00 %	100.00 %	0.00	0.00 %	357,000,000.00	100.00 %	100.00 %
40	COSTRUZIONI EDILI MINNOZZI SRL	MONTECOSARO	MC	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	10,400.00	100.00 %	10,400.00	100.00 %	100.00 %
41	DBI SERVICES S.R.L.	ASCIANO	SI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	450,000.00	30.00 %	30.00 %	0.00	0.00 %	450,000.00	30.00 %	30.00 %
42	DOCUTEL COMMUNICATION SERVICES SPA	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	75,000.00	15.00 %	15.00 %	0.00	0.00 %	75,000.00	15.00 %	15.00 %
43	ECO PISANA SRL	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	10,000.00	100.00 %	10,000.00	100.00 %	100.00 %
44	EDI.B. SPA	GUBBIO	PG	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	189,749.00	18.05 %	18.05 %	0.00	0.00 %	189,749.00	18.05 %	18.05 %
45	ENEA REOCO S.r.l.	SIENA	SI	MPS GESTIONE CREDITI BANCA S.P.A.	1,500,000.00	100.00 %	100.00 %	0.00	0.00 %	1,500,000.00	100.00 %	100.00 %

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46	EUROBIC TOSCANA SUD S.R.L.	POGGIBONSI	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	414,880.00	18.49 %	18.49 %	0.00	0.00 %	414,880.00	18.49 %	18.49 %
47	EUROPROGETTI & FINANZA S.P.A. IN LIQUIDAZIONE	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,900,000.00	10.11 %	10.11 %	0.00	0.00 %	1,900,000.00	10.11 %	10.11 %
48	FABRICA IMMOBILIARE SOCIETA' DI GESTIONE DEL RISPARMIO S.P.A.	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	35,993.00	49.99 %	49.99 %	0.00	0.00 %	35,993.00	49.99 %	49.99 %
49	FENICE HOLDING S.P.A.	Calenzano	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,067,502.00	4.16 %	4.16 %	0.00	0.00 %	5,275,161.00	20.54 %	20.54 %
				MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	4,207,659.00	16.38 %	16.38 %	0.00	0.00 %	5,275,161.00	20.54 %	20.54 %
50	FIDI TOSCANA S.P.A.	FIRENZE	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	845,770.00	29.23 %	29.23 %	0.00	0.00 %	845,770.00	29.23 %	29.23 %
51	FINVETRO SRL	MONSELICE	PD	BANCA ANTONVENETA S.P.A.	0.00	0.00 %	0.00 %	19,531.00	100.00 %	19,531.00	100.00 %	100.00 %
52	FIRENZE PARCHEGGI S.P.A.	FIRENZE	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	81,568.00	16.46 %	16.46 %	0.00	0.00 %	81,568.00	16.46 %	16.46 %
53	FONDO ITALIANO D'INVESTIMENTO SGR SPA	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	500,000.00	12.50 %	12.50 %	0.00	0.00 %	500,000.00	12.50 %	12.50 %
54	G B S GROUP S.P.A. in liquidazione	PADOVA	PD	BANCA ANTONVENETA S.P.A.	0.00	0.00 %	0.00 %	5,120,000.00	51.20 %	5,120,000.00	51.20 %	51.20 %
55	G.A.L. PONTE LAMA SOCIETA' CONSORTILE A RESPONSABILITA' LIMITATA	BISCEGLIE	BA	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	18,000.00	12.08 %	12.08 %	0.00	0.00 %	18,000.00	12.08 %	12.08 %
56	G.IMM.ASTOR S.R.L.	LECCE	LE	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	988,000.00	52.00 %	52.00 %	0.00	0.00 %	988,000.00	52.00 %	52.00 %
57	GE.CO.ER SRL	POGGIBONSI	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	90,000.00	100.00 %	90,000.00	100.00 %	100.00 %
58	GOVONI SIM BIANCA SPA in fallimento	CASUMARO	FE	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	595,700.00	11.91 %	595,700.00	11.91 %	11.91 %
59	GROSSETO SVILUPPO S.P.A.	GROSSETO	GR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	19,580.00	15.62 %	15.62 %	0.00	0.00 %	19,580.00	15.62 %	15.62 %
60	HOLDING B.F. S.p.A. IN LIQUIDAZIONE	Calenzano	FI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	0.00	0.00 %	0.00 %	1,440,000.00	40.00 %	1,440,000.00	40.00 %	40.00 %
61	I.CASA SRL	Milano	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	90,000.00	100.00 %	90,000.00	100.00 %	100.00 %
62	IMMOBILIARE CENTRO MILANO S.P.A.	MILANO	MI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	40,000.00	33.33 %	33.33 %	0.00	0.00 %	40,000.00	33.33 %	33.33 %
63	IMMOBILIARE PARMA SRL IN LIQUIDAZIONE	PARMA	PR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	3,000.00	15.00 %	3,000.00	15.00 %	15.00 %
64	IMMOBILIERE VICTOR HUGO S.C.I.	75009 PARIS FRANCE		MONTE PASCHI BANQUE S.A.	99.00	99.00 %	99.00 %	0.00	0.00 %	100.00	100.00 %	100.00 %
				MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SIMPLIFIEE	1.00	1.00 %	1.00 %	0.00	0.00 %	100.00	100.00 %	100.00 %
65	IMPIANTI S.R.L. IN LIQUIDAZIONE	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	17,189.00	18.49 %	18.49 %	0.00	0.00 %	17,189.00	18.49 %	18.49 %
66	INDUSTRIA ELETTRICA INDEL SOCIETA' PER AZIONI IN LIQUIDAZIONE	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	2,616,000.00	14.95 %	14.95 %	0.00	0.00 %	2,616,000.00	14.95 %	14.95 %
67	INDUXIA S.R.L. IN LIQUIDAZIONE	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	6,000.00	15.00 %	15.00 %	0.00	0.00 %	6,000.00	15.00 %	15.00 %
68	INIZIATIVE IMMOBILIARI SRL IN LIQUIDAZIONE	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	693,463.00	13.87 %	13.87 %	0.00	0.00 %	693,463.00	13.87 %	13.87 %
69	INTEGRA SPA	FIRENZE	FI	CONSUM.IT S.P.A.	10,000.00	50.00 %	50.00 %	0.00	0.00 %	10,000.00	50.00 %	50.00 %
70	INTERMONTE SIM S.P.A.	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	8,000,000.00	17.41 %	17.41 %	0.00	0.00 %	8,000,000.00	17.41 %	17.41 %

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71	INTERPORTO TOSCANO A. VESPUCCI	COLLESALVETTI	LI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	8,264.00	36.30 %	36.30 %	0.00	0.00 %	8,264.00	36.30 %	36.30 %
72	K 7 SRL	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	118,000.00	100.00 %	118,000.00	100.00 %	100.00 %
73	LATTERIA SOCIALE MANTOVA SOCIETA' AGRICOLA COOPERATIVA	PORTO MANTOVANO	MN	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	20,000.00	11.86 %	2.89 %	0.00	0.00 %	20,000.00	11.86 %	2.89 %
74	L'AVVENIRE 1921 SOCIETA' COOPERATIVA	MONTELUPO FIORENTINO	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	26,068,334.00	23.91%	0.00 %	0.00	0.00 %	26,068,334.00	23.91%	0.00 %
75	LE ROBINIE SPA	REGGIO NELL'EMILIA	RE	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	830,000.00	20.00 %	20.00 %	0.00	0.00 %	830,000.00	20.00 %	20.00 %
76	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA SOCIETA' PER AZIONI	MANTOVA	MN	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,938,324.00	100.00 %	100.00 %	0.00	0.00 %	1,938,324.00	100.00 %	100.00 %
77	MANTEGNA FINANCE S.R.L. IN LIQUIDAZIONE	MANTOVA	MN	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	10,000.00	100.00 %	100.00 %	0.00	0.00 %	10,000.00	100.00 %	100.00 %
78	MARINA DI STABIA S.P.A.	CASTELLAMMARE STABIA	NA	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	12,790.00	15.37 %	15.37 %	0.00	0.00 %	12,791.00	15.37 %	15.37 %
79	MARINELLA S.P.A.	SARZANA	SP	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	4,924,600.00	25.00 %	25.00 %	0.00	0.00 %	4,924,600.00	25.00 %	25.00 %
80	MICROCREDITO DI SOLIDARIETA' SPA	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	40,000,000.00	40.00 %	40.00 %	0.00	0.00 %	40,000,000.00	40.00 %	40.00 %
81	MONCADA SOLAR EQUIPMENT S.R.L.	PORTO EMPEDOCLE	AG	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	26,000.00	21.67 %	21.67 %	0.00	0.00 %	26,000.00	21.67 %	21.67 %
82	MONTE DEI PASCHI DI SIENA LEASING & FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.P.A	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	357,965,745.00	100.00 %	100.00 %	0.00	0.00 %	357,965,745.00	100.00 %	100.00 %
83	MONTE PASCHI BANQUE S.A.	FRANCIA		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	4,569,043.00	100.00 %	100.00 %	0.00	0.00 %	4,569,043.00	100.00 %	100.00 %
84	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SIMPLIFIEE	75009 PARIS FRANCE		MONTE PASCHI BANQUE S.A.	2,500.00	100.00 %	100.00 %	0.00	0.00 %	2,500.00	100.00 %	100.00 %
85	MONTE PASCHI FIDUCIARIA S.P.A.	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	2,500,000.00	100.00 %	100.00 %	0.00	0.00 %	2,500,000.00	100.00 %	100.00 %
86	MONTE PASCHI INVEST FRANCE SOCIETE PAR ACTIONS SIMPLIFIEE	75009 PARIS FRANCE		MONTE PASCHI BANQUE S.A.	15,000.00	100.00 %	100.00 %	0.00	0.00 %	15,000.00	100.00 %	100.00 %
87	MONTE PASCHI IRELAND LTD	DUBLIN 1 IRELAND		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	300,000.00	100.00 %	100.00 %	0.00	0.00 %	300,000.00	100.00 %	100.00 %
88	MONTEPASCHI LUXEMBOURG S.A.	LUXEMBOURG		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	124.00	99.20 %	99.20 %	0.00	0.00 %	125.00	100.00 %	100.00 %
				MONTE PASCHI BANQUE S.A.	1.00	0.80 %	0.80 %	0.00	0.00 %	125.00	100.00 %	100.00 %
89	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	FIRENZE	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	891,016,938.00	99.92 %	99.92 %	0.00	0.00 %	891,016,938.00	99.92 %	99.92 %
90	MPS COVERED BOND 2 SRL	Conegliano	TV	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	9,000.00	90.00 %	90.00 %	0.00	0.00 %	9,000.00	90.00 %	90.00 %
91	MPS COVERED BOND SRL	CONEGLIANO	TV	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	9,000.00	90.00 %	90.00 %	0.00	0.00 %	9,000.00	90.00 %	90.00 %
92	MPS GESTIONE CREDITI BANCA S.P.A.	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	100,000.00	100.00 %	100.00 %	0.00	0.00 %	100,000.00	100.00 %	100.00 %
93	MPS IMMOBILIARE SPA	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,444,835,295.00	100.00 %	100.00 %	0.00	0.00 %	1,444,835,295.00	100.00 %	100.00 %
94	MPS PREFERRED CAPITAL I LLC	WILMINGTON DELAWAR 19801		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,000.00	100.00 %	100.00 %	0.00	0.00 %	1,000.00	100.00 %	100.00 %
95	MPS PREFERRED CAPITAL II LLC	NEW YORK NY 10022		BANCA MONTE DEI PASCHI DI SIENA S.P.A.	110.00	100.00 %	100.00 %	0.00	0.00 %	110.00	100.00 %	100.00 %

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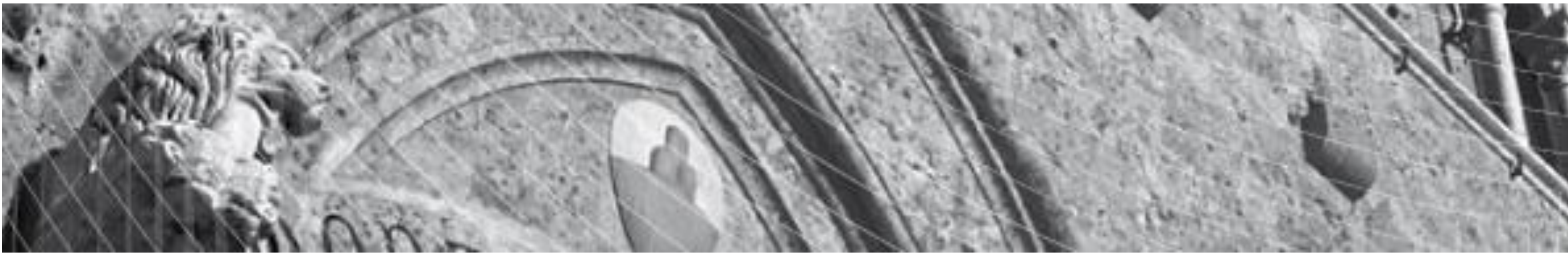
96	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOC. AGR. SPA	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	55,690,500.00	100.00 %	100.00 %	0.00	0.00 %	55,690,500.00	100.00 %	100.00 %
97	MPVENTURE SOCIETA' DI GESTIONE DEL RISPARMIO SPA IN FORMA ABBREVIATA MPVENTURE S.G.R. SPA	FIRENZE	FI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	3,600,000.00	48.00 %	48.00 %	0.00	0.00 %	3,600,000.00	48.00 %	48.00 %
98	NEWCOLLE SRL	COLLE DI VAL D'ELSA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	2,577,503.00	49.00 %	49.00 %	0.00	0.00 %	2,577,503.00	49.00 %	49.00 %
99	OMBRONE SPA	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	974,350.00	14.99 %	14.99 %	0.00	0.00 %	974,350.00	14.99 %	14.99 %
100	PASTIS CENTRO NAZIONALE PER LA RICERCA E LO SVILUPPO DEI MATERIALI SOCIETA' CONSORTILE PER AZIONI	BRINDISI	BR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,761.00	10.06 %	10.06 %	0.00	0.00 %	1,761.00	10.06 %	10.06 %
101	PORTO INDUSTRIALE DI LIVORNO S.P.A. IN FORMA ABBREVIATA SPIL S.P.A.	LIVORNO	LI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	849,600.00	15.96 %	15.96 %	0.00	0.00 %	849,600.00	15.96 %	15.96 %
102	PRIMA HOLDING 2 S.P.A.	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	123,448.00	31.79 %	31.79 %	0.00	0.00 %	123,448.00	31.79 %	31.79 %
103	PROMOZIONE E SVILUPPO VAL DI CECINA SRL IN LIQUIDAZIONE	CECINA	LI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	16,919.00	17.90 %	17.90 %	0.00	0.00 %	16,919.00	17.90 %	17.90 %
104	RE.GE.IM. REALIZZAZIONI E GESTIONI IMMOBILI DI QUALITA'	ROMA	RM	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	2,400,000.00	40.00 %	40.00 %	0.00	0.00 %	2,400,000.00	40.00 %	40.00 %
105	REALIZZAZIONI E BONIFICHE AREZZO S.P.A. IN LIQUIDAZIONE	AREZZO	AR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	159,683,468.00	19.58 %	19.58 %	0.00	0.00 %	159,683,468.00	19.58 %	19.58 %
106	RES TIPICA INCOMUNE S.C.A.R.L. IN LIQUIDAZIONE	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	77,500.00	14.05 %	14.05 %	0.00	0.00 %	77,500.00	14.05 %	14.05 %
107	S.A.T. - SOCIETA' AUTOSTRADA TIRRENICA P.A.	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	24,443,101.00	14.99 %	14.99 %	0.00	0.00 %	24,443,101.00	14.99 %	14.99 %
108	S.I.T. FINANZIARIA DI SVILUPPO PER L'INNOVAZIONE TECNOLOGICA	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	255.00	19.97 %	19.97 %	0.00	0.00 %	255.00	19.97 %	19.97 %
109	S.T.A. SPA	FIRENZE	FI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,936,026.00	12.15 %	12.15 %	0.00	0.00 %	1,936,026.00	12.15 %	12.15 %
110	S.T.B. SOCIETA' DELLE TERME E DEL BENESSERE S.P.A.	PRATO	PO	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	3,124,878.00	14.10 %	14.10 %	0.00	0.00 %	3,124,878.00	14.10 %	14.10 %
111	SANSEDONI SIENA SPA	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	65,156,920.00	33.67 %	33.67 %	0.00	0.00 %	65,156,920.00	33.67 %	33.67 %
112	SEI ENERGIA S.P.A.	MILANO	MI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	3,753,750.00	13.08 %	13.08 %	0.00	0.00 %	3,753,750.00	13.08 %	13.08 %
113	SERIN SERVIZI INDUSTRIALI SOCIETA' PER AZIONI FALLITA	SISSA	PR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	2,589,000.00	50.00 %	50.00 %	0.00	0.00 %	2,589,000.00	50.00 %	50.00 %
114	SIENA AMBIENTE SPA	POGGIBONSI	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	7,770.00	14.00 %	14.00 %	0.00	0.00 %	7,770.00	14.00 %	14.00 %
115	SOCIETA' GESTIONE CREDITI DELTA S.P.A.	BOLOGNA	BO	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	240,000.00	16.00 %	16.00 %	0.00	0.00 %	240,000.00	16.00 %	16.00 %
116	SOCIETA' ITALIANA DI MONITORAGGIO SOCIETA' PER AZIONI	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	1,160,000.00	12.89 %	12.89 %	0.00	0.00 %	1,160,000.00	12.89 %	12.89 %
117	SOVAGRI SOCIETA' CONSORTILE PER AZIONI IN LIQUIDAZIONE	NAPOLI	NA	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	320,000.00	16.00 %	16.00 %	0.00	0.00 %	320,000.00	16.00 %	16.00 %
118	SPOLETO CREDITO E SERVIZI SOC. COOP. A R.L.	SPOLETO	PG	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	750,000.00	29.47 %	0.01%	0.00	0.00 %	750,000.00	29.47 %	0.01%
119	SVILUPPO IMPRESE CENTRO ITALIA SOCIETA' DI GESTIONE DEL RISPARMIO S.P.A.	FIRENZE	FI	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A.	2,900.00	29.00 %	29.00 %	0.00	0.00 %	2,900.00	29.00 %	29.00 %
120	TARANTO SVILUPPO SOCIETA' CONSORTILE S.P.A. IN LIQUIDAZIONE	TARANTO	TA	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	15,000.00	15.00 %	15.00 %	0.00	0.00 %	15,000.00	15.00 %	15.00 %

	Investee	Registered Office	City	Investor	Ownership			Pledge		Total		
121	TECOR SRL	ROMA	RM	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	10,300.00	100.00 %	10,300.00	100.00 %	100.00 %
122	TEKSUD SPA IN LIQUIDAZIONE	Caltagirone	CT	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	271,000.00	15.80 %	271,000.00	15.80 %	15.80 %
123	TERME DI CHIANCIANO SPA	CHIANCIANO TERME	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	3,482,325.00	48.87 %	48.87 %	0.00	0.00 %	3,482,325.00	48.87 %	48.87 %
124	TICINESE DUE SRL IN LIQUIDAZIONE	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	12,000.00	60.00 %	12,000.00	60.00 %	60.00 %
125	TRA.IN S.P.A.	SIENA	SI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	170,183.00	13.82 %	13.82 %	0.00	0.00 %	170,183.00	13.82 %	13.82 %
126	TRIXIA S.R.L.	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	181,455.00	15.00 %	15.00 %	0.00	0.00 %	181,455.00	15.00 %	15.00 %
127	VALDARNO SVILUPPO SPA	MONTEVARCHI	AR	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	3,581.00	12.57 %	12.57 %	0.00	0.00 %	3,581.00	12.57 %	12.57 %
128	VARESINA REAL ESTATE SRL	MILANO	MI	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	10,000.00	100.00 %	10,000.00	100.00 %	100.00 %
129	VIRGINIA SRL	Modena	MO	BANCA MONTE DEI PASCHI DI SIENA S.P.A.	0.00	0.00 %	0.00 %	1.00	29.48 %	1.00	29.48 %	29.48 %
130	Zanella Confezioni Spa	Caldogno	VI	BANCA ANTONVENETA S.P.A.	0.00	0.00 %	0.00 %	1,967,680.00	22.36 %	1,967,680.00	22.36 %	22.36 %
131	ZANELLA HOLDING S.P.A	CALDOGNO	VI	BANCA ANTONVENETA S.P.A.	0.00	0.00 %	0.00 %	760,240.00	22.36 %	760,240.00	22.36 %	22.36 %
132	Zanella Limited	dover		BANCA ANTONVENETA S.P.A.	0.00	0.00 %	0.00 %	179.00	22.38 %	179.00	22.38 %	22.38 %



ADDITIONAL INFORMATION PURSUANT TO ART. 114, PARA. 5, OF LAW DECREE 58/1998

The following information was provided pursuant to art. 114, para. 5, of Law Decree no. 58/1998 at the request, dated 19 April 2013, of the Italian Securities and Exchange Commission (Consob), to substantiate the content of the press releases issued on 27 June 2012 and 6 February 2013, as well as of the Financial Statements published on 5 April 2013.

Precise indication of the provisions that, to the extent enforced, may result in the early termination of the contracts governing the transactions referred to as "Alexandria" and "Santorini" and, for each of them, indicate the effects which would derive from the early termination of such contracts

Contracts entered into between the Bank and Nomura relating to the Alexandria notes restructuring transaction

The transaction carried out in October 2009 consists of 40 Asset Swap Transactions, one Long Term Repo and one Repo Facility.

A) The *Asset Swap Transactions*, entered into between the Bank and Nomura International plc ("Nomura") on 9 October 2009 with *trade date* 28 September 2009, for a notional amount of EUR 3.05 billion, are governed by a series of contractual agreements to be construed having regard to the acceptance of both parties to certain protocols approved by the International Swaps and Derivatives Association ("ISDA"). The legal relationship is thus governed by the following documents regulated by English Law: by the *Confirmation* of 9 October 2009, by *ISDA Master Agreement* of 21 October 1994 (1992 version), by *ISDA Schedule* of 21 October 1994, by *ISDA Credit Support Annex* of 21 October 1994 (the "Schedule"), by *ISDA Definitions* of 2006 and by *ISDA Credit Derivative Definitions* of 2003 (as supplemented by the *2005 Matrix Supplement"*).

Art. 6 of the ISDA Master Agreement provides for the general clause of "*Early Termination*" and therefore early rescission and/or termination of the "*Asset Swap Transactions"* governed by the ISDA framework. The clause is applied, first and foremost, in the following cases of "*Event of Default"* as defined in Art. 5, letter (a) (as incorporated into Schedule and by the other contractual documents): (i) *"Failure to Pay or Deliver"*, *i.e.* failure to make, when due, any payment or delivery of sums or securities under this agreement, if such failure is not remedied on or before the third business day after notice of such failure is provided; (ii) *"Breach of Agreement"*, *i.e.* failure to comply with any obligations other than those referred to in the previous item, if such failure is not remedied on or before the thirteenth business day after notice of such failure is provided; (iii) *"Credit Support Default"* i.e. failure to comply with any obligation contained in the *"Credit Support Documents"* among which, and above all, the Credit Support Annex which regulates, inter alia, the obligations of collateralisation; (iv) *"Misrepresentation"* i.e. violation of representations and warranties granted by the parties within the framework of the agreements; (v) *"Default under Specified Transactions"* i.e. one of the parties disaffirms, disclaims, repudiates or rejects other specified transactions, referred to as *"Specified Transactions"* (i.e. other derivative, swap, option agreements and other transactions between the same parties, or combinations thereof, as defined under Art. 14 of the ISDA Master Agreement); (vi) *"Cross Default"*, *i.e.* the failure of a party (or Group entity entitled to operate it as specified in Schedule) to comply with other loan agreements or other debt transactions if the aggregate amount exceeds the threshold amount of USD 10,000,000; (vii) *"Bankruptcy"* i.e. bankruptcy, insolvency, possible dissolution and other cases in which a party declares and/or admits in writing its inability to pay its debts as they become due; (viii) *"Merger Without Assumption"*, ie. mergers or consolidations where the resulting entity fails to assume all the obligations (debts and/or liabilities) under the agreement.

Early Termination (cf. art. 5, letter (b) and 6 letter (b) of the ISDA Master Agreement) also applies if a *"Termination Event"* occurs, that is to say, under articles 5 and 14 of the ISDA Master Agreement: (i) *Illegality* (*i.e.* unlawfulness of undertakings and/or obligations set forth in the agreements, due to the adoption of any new law or regulatory provision or any change in the interpretation of any previously applicable law); (ii) *Tax Event* (*i.e.* any changes in Tax Law and/or due to any action taken by any Authorities on or after the date on which the agreements were entered into, which will require an additional tax amount to be paid in respect of the original transaction structure); or (iii) *Tax Event upon Merger* (i.e. if the additional tax amount to be paid is the result of a merger or consolidation transaction); (iv) *Credit Event Upon Merger* (i.e., based on the *Schedule*, Part I, letter d), any material deterioration in the creditworthiness of one of the parties as a result of a merger and/or consolidation transaction). In addition, under the *Confirmation* of 9 October 2009, the parties have specified that an *Additional Termination Event* (art. 6 of the Confirmation) shall apply as an additional instance of *"Early Termination"*, whereby an *"Italy Early Termination Event"* – i.e. a *Credit Event* (failure to pay, moratorium, , failure to deliver or a restructuring) applying to the issuer of the securities of reference, namely the Italian Republic – results in the early termination of the agreements.

A supplemental case of early termination (the *Optional Termination* Event) is contemplated in art. 7 of the Confirmation. This event entitles Nomura to terminate the *Asset Swap Transactions* upon its discretion, thereby producing their immediate unwind/termination, should an early unwind and/or termination of the *Long Term Repo* in place between the parties occur.

In the event of *Early Termination* of the *Asset Swap Transactions* resulting from an *Event of Default* or *Termination Event,* article 6 letter e) of the ISDA Master Agreement provides for settlement and termination of the positions subsequent to determining the amount of the contracts and specifies that – under the various methods specified therein – *"Market Quotation"* and *"Second Method"* under the ISDA documentation shall apply (Schedule). If *Early Termination* is attributable to the Bank, the amount is determined by Nomura whereas, if Early Termination is attributable to Nomura, the opposite rule shall apply (art. 6 letter e) of the ISDA Master Agreement).

For the sake of clarity, it is specified that, in the case of an *Additional Termination Event*, i.e. termination associated with a "credit event" (insolvency and similar) concerning the Republic of Italy, the agreements provide for the parties to pay –in respect of the periodic unpaid amounts still due and payable- an amount determined by Nomura based on market quotations (e.g. swap rates) (article 6 of the Confirmation). In the case of an *Optional Termination Event*, the same provisions as for the *Additional Termination Event shall apply* (art. 7 of the Confirmation).

Although not contractually specified, market practice provides for the option of early termination upon agreement by the parties.

B) The *long term Repo (or Term Repo Transaction)* and *Repo Facility* entered into between the Bank and Nomura for a notional amount of Eur 3.05 billion (for the *Long Term Repo*) and a maximum amount of EUR 3.05 billion (for the *Repo Facility*) are governed by the *Deed of Amendment and Restatement* of 1 December 2010 (with Annexes I-IV) and the Global Master Repurchase Agreement of October 2000 ("GMRA").

Under the contractual agreements, to be construed in accordance with the English law, the early termination of transactions may be effected, first and foremost in the *Event of Default* of one of the parties (art. 10 of GMRA, as amended and integrated by Annex I); events of *"default"* applicable to either party include, in brief: (i) failure to pay the purchase price or repurchase price of the securities; (ii) failure to pay when due any sum payable under the agreements; (iii) failure to contribute to the margins of collateralisation; (iv) failure to make payments on interest and coupons deriving from securities; (v) presentation of a petition for admission to bankruptcy proceedings, the appointment of a liquidator and/or dissolution of the company; (vi) violation of any representations and/or warranties; (vii) declaration by a party that it is unable to, or intends not to, perform any of its obligations; (viii) revocation or suspension of authorisation to engage in the trading of securities; (ix) failure to comply with the obligations covered by the agreements, provided such failure is not remedied within 30 days after written notice is received. In addition, under the Deed of Amendment (Annex I, Art. 2 Letter aa)), the Events of Default which determine the early termination of a contract expressly include all *"Events of Default"* as defined in the ISDA Master Agreement entered into between the parties on 21 October 1994 (*see* above).

Furthermore, Annex I (Art. 2, letter o) provides for an additional condition for early termination *("Early Termination Event"*), namely the occurrence of a *Credit Event* for the *"Reference Entity"*, ie. the sovereign state issuer of debt securities subject to repo transactions which, in this case, is the Republic of Italy. In contractual terms, a Credit Event is a failure to pay, a repudiation/moratorium, failure to deliver or a restructuring involving the issuer.

In addition, the general rules of the GMRA provide for early termination of the agreements in the event of a *"Tax Event"* (Art. 11 of the GMRA), i.e. a change in the fiscal or regulatory regime and/or any action taken by a taxing authority with respect to the signing of the agreements, which will require a substantial additional tax amount to be paid (*"material adverse effect"*).

In general terms, Art. 10 letter b)-f) of the GMRA, provides that in the event of termination due to an *Event of Default* the securities shall be immediately repurchased (*Repurchase*) at the cash settlement amount that the non-defaulting party shall set forth based on the market value of the securities (under the various methods specified therein). In the event of *Early Termination* due to a *Credit Event* for the Republic of Italy, the Long Term Repo transaction shall be immediately terminated with the subsequent refund to Nomura of the total amount received and delivery of the BTP securities by Nomura to the Bank. In this case, Nomura shall have the right to choose which Italian treasury Securities to deliver to MPS. A similar treatment is provided for in relation to the Repo Facility.

Agreements entered into between the Bank and Deutsche Bank relating to the restructuring transaction of the vehicle company, Santorini

On 4 and 15 December 2008, MPS and Deutsche Bank entered into three Total Return Swap agreements, amended in July 2009, February 2010 and finally on 14 January 2011 (latest version currently in force). The contracts have a notional amount of EUR 500 mln, EUR 750 mln and EUR 750 mln respectively, for a total of EUR 2 billion. On 22 July 2009, upon the first amendment to the Total Return Swaps, a separate Interest rate Swap agreement was entered into by the parties for a notional amount of EUR 2 billion.

The 3 Total Return Swaps and the Interest Rate Swap are regulated by the: a) ISDA Master Agreement (1992 version), as supplemented by the relevant Schedule, signed by the parties on 25 October 1995, valid in general for all derivative transactions entered into between the parties; b) Confirmations for each individual transaction, as supplemented by the ISDA Definitions of 2006 and, with regard to the Total Return Swaps, the ISDA Credit Derivatives Definitions of 2003.

As already pointed out for the Nomura transaction, Art. 5 of the ISDA Master Agreement provides for the *"Events of Default and Termination Events"*, while Art 6. governs the events of *"Early Termination"*. Part 1 of the Schedule (*"Termination Provisions"*) specifies which general ISDA provisions regarding termination do not apply or apply differently.

More specifically, according to the provisions of the ISDA Master Agreement and the Schedule, the early termination clause (*Early Termination*) under Art. 6 is applied, first and foremost, in the *Events of Default* as defined under Art 5, letter (a): (i) *"Failure to Pay or Deliver"*, *i.e.* failure to make, when due, any payment or delivery of sums or securities under the agreements, if such failure is not remedied on or before the third business day after notice of such failure is provided; (ii) *"Breach of Agreement"*, *i.e.* failure to comply with any obligations other than those referred to in the previous item, if such failure is not remedied on or before the thirteenth business day after notice of such failure is provided; (iii) *"Credit Support Default"* i.e. failure to comply with any obligation contained in the *"Credit Support Documents"* among which the Credit Support Annex which regulates, inter alia, the obligations of collateralisation; (iv) *"Misrepresentation"* relating to the violation of representations and warranties granted by the parties within the framework of the agreements; (v) *"Default under Specified Transactions"* i.e. one of the parties disaffirms, disclaims, repudiates and/or rejects a specified transaction, referred to as *"Specified Transactions"* (i.e. other derivative, swap, option agreements and other transactions between the same parties, or combinations thereof, as defined under Art. 14 of the ISDA Master Agreement); (vi) *"Bankruptcy"* i.e. *"Bankruptcy"* i.e. bankruptcy, insolvency, possible dissolution and other cases in which a party declares and/or admits in writing its inability to pay its debts as they become due; (vii) *"Merger Without Assumption"*, i.e. mergers and consolidations where the resulting entity fails to assume all the obligations (debts and/or liabilities) under the agreement.

Early Termination, also applies if a *"Termination Event"* occurs, that is to say, under articles 5 and 14 of the ISDA Master Agreement, in the events of: (i) *"Illegality", i.e.* the unlawfulness of undertakings and/or obligations contained in the agreements, due to the adoption of any new law or regulatory provision or case-law decision; (ii) *"Tax Event"*, *i.e.* any changes in Tax Law and/or due to any action taken by any Authorities on or after the date on which the agreements were entered into, which require an additional tax amount to be paid; (iii) "*Tax Event upon Merger"*, occurring if the additional tax amount to be paid is the result of a merger or consolidation transaction; (iv) *Credit Event Upon Merger,* i.e. any material deterioration in the creditworthiness of one of the parties as a result of a merger and/or consolidation transaction).

With regard to the additional termination events contemplated by the Confirmations, the three Total Return Swaps (whose *Confirmations*, though separate, have a substantially uniform structure) provide for early termination also in the case of *Credit Events* applying to the *"Reference Entity"*, i.e. the Republic of Italy, namely the issuer of the securities referenced in the agreement, which constitute the *"Reference Obligations"*.

A *Credit Event* occurs in the instances of *Failure to pay*, for a minimum amount of USD 1,000,000; *Repudiation/Moratorium* and *Restructuring* for a minimum amount of USD 10,000,000.

The Confirmations also include an *"Optional Early Termination"*, providing for the option of an early termination of the agreement for all or part of its notional amount, at the discretion of one of the parties.

With regard to the *Interest Rate Swap*, the *Confirmation* does not provide for any additional options of early termination with respect to those generally set out in the *ISDA Master Agreement* (as supplemented by the Schedule) entered into between the parties on 25 October 1995.

As to the effects of *Early Termination of the Asset Swap Transactions* arising from *Events of Default* or *Termination Events,* article 6 letter e) of the ISDA Master Agreement provides for settlement and termination of the positions subsequent to determining the amount of the contracts and specifies that –among the various methods specified therein – *"Loss"* and *"Second Method"* under the ISDA documentation (Schedule) shall apply.

In the event of a *Credit Event* relating to the Republic of Italy, the *Total Return Swap* agreements provide for early termination and cash settlement equal to a Fallback Settlement Method, subordinate to Auction Settlement, as specified in the *Confirmations*). The amount payable by MPS is determined in accordance with the ISDA procedures, in connection with all bonds issued by the Republic of Italy.

The Interest Rate Swap agreement entered into with Deutsche Bank does not include any clauses of early termination in connection with the insolvency of the Republic of Italy; for the purposes of payment and settlement, the rules under the ISDA Master Agreement (*Loss* and *Second Method)* shall apply.

In the event of *Optional Early Termination,* the *Confirmations* include provisions that supersede the general ones contained in the *2006 ISDA Definitions*, based on which Deutsche Bank will, under the relevant referenced methods, determine the amount of positions by specifying the *"Early Cash Settlement Amount"*.

Description of when the "repo facility" granted in favour of Nomura may be activated and if the coupons on securities delivered by nomura as "collateral" under said "repo facility" are paid or not to Nomura as well as the total amount of the "repo facility" as at 31.12.2012 and to date

Nomura may, on a daily basis, activate the Repo Facility, on request by 11.00 a.m. (London time). The limit set for the total sum of individual utilisations cannot exceed the limit of EUR 3.05 billion.

The transferor of the security, i.e. Nomura, shall be entitled, from a contractual standpoint, to receiving coupon payment.

The *repo facility* as at 31.12.2012 and as at 31.03.2013 was utilised by Nomura in the nominal amount of EUR 2,000 mln.

Description of the economic terms and conditions of the different agreements governing the two transactions "Alexandria" and "Santorini"

The agreements governing the "Alexandria" transaction include:

- one Long Term Repo;
- a number of Asset Swap contracts having similar characteristics;
- an irrevocable line of credit ("Repo Facility") in favour of Nomura.

The Long Term Repo agreement entered into with Nomura provides for the exchange of the following periodic cash flows:

- quarterly payment, by MPS, of funding costs, linked to 3M Euribor a spread of 59.15 bps;
- half-yearly payment, by Nomura, of the coupon (5%) on BTP 1 August 34.

The Asset Swap agreements provide for the following periodic cash flows, calculated on the notional amounts of the transactions:

- the half-yearly payment, by MPS, of a 5% interest rate (corresponding to the BTP coupon rate);
- the quarterly payment, by Nomura, of the 3M Euribor increased by an average spread of approx. 98.3 bps.

Finally, the Repo Facility agreement provides for the periodic payment, by Nomura, of a "commitment fee" equal to 5 bps of the facility. The total amounts borrowed, from time to time, (subject to delivery of government bonds as collateral) under this facility are paid by Nomura at the 3M Euribor rate.

The agreements regulating the "Santorini" transaction include:

- 3 Total Return Swap agreements;
- one Interest Rate Swap agreement.

The 3 TRS agreements provide for the half-yearly exchange of the following periodic cash flows:

- payment, by MPS, of funding costs, linked to the 6M Eonia Index Swap (as determined by the European Banking Federation) increased by an average spread of around 282 bps, calculated on the initial amount of EUR 2,195 mln;
- payment, by Deutsche Bank, of the coupon (6%) on the BTPs 1 May 31, calculated on the notional amount of EUR 2 billion.

The IRS agreement provides for the following half-yearly flows, calculated with reference to the notional amount of EUR 2 billion:

- payment, by MPS, of a fixed annual interest of 6% (corresponding to the BTP coupon rate);
- payment, by Deutsche Bank, of an interest rate equal to the 6M Euribor increased by 148.5 bps.

Represent, for each of the two above-cited transactions, the: "securitisation" mechanisms provided for by the agreements; conditions of payment IN CONNECTION WITH THE "collateral" deposited; book values as at 31.12.2012 and to date of loans to banks/customers arising from "deposits pledged as collateral"; and costs in connection with "securitisation" obligations;

Generally speaking, in accordance with market practice, all transactions in place between MPS and Nomura (i.e. asset swaps, LTR and repo facility) are subject to deposits pledged as collateral with a periodic adjustment mechanism ("collateralisation terms") settled in cash on a daily basis.

In particular, the LTR provides for the following collateralisation terms for MPS:

- an initial constant margin ("Margin Ratio") equal to 15% of the amount to be repaid and, therefore, amounting to Euro 465 mln;
- a margin reflecting the difference between the amount to be repaid and the present value of the securities under the repo term transaction ("Transaction Exposure");
- an additional amount linked to the substitution costs which Nomura would incur in the event of early termination of the transaction ("Adjusted Paragraph 10(k) Collateral Amount");
- the sum of the present values of all 3-M Euribor spreads (59.15bps) which MPS is required to pay to Nomura until transaction maturity ("Scheduled Spread Amount") for a total amount of EUR 330 mln.

The Repo Facility provides for the following collateralisation terms for Nomura:

- a margin equal to 5% of the amount actually used by Nomura ("Margin Ratio");
- a margin reflecting the difference between the amount to be repaid and the present value of the securities pledged as collateral for the *repo* (Transaction Exposure);
- the present values of all *repo facility commitment f*ees (5 bps) which Nomura is required to pay to MPS until transaction maturity ("Commitment Termination Cost") for a total amount of EUR 33 mln

EONIA rates are used for payment of all components.

For transaction "Alexandria", the book value of collateral deposited amounts to EUR 1,911.2 mln as at 31.12.2012 and EUR 1,871.5 mln as at 31.03.2013.

In general, in accordance with market practice, all transactions in place between MPS and Deutsche Bank (i.e. Total Return Swaps and the Interest Rate Swap) are similarly subject to deposits as collateral with a periodic adjustment mechanism ("collateralisation terms") settled in cash on a daily basis.

Deposits as collateral for the TRS consist in the sum of three components:

- a fixed part, corresponding to 2.5% of the transaction's notional value, paid at 3 month-Euribor + 80 bps;
- a part depending on the 10-year Italian CDS and calculated by applying the percentages reported in the following table to the notional value of the transaction, paid at 3 month-Euribor.

CDS level	% of notional
<200	0%
>=200 <300	2.5%
>=300 <400	10.0%
>=400 <500	17.5%
>=500 <600	22.5%
>=600 <700	27.5%
>=700 <800	32.5%
>800	42.5%

Finally:

- a component, calculated from the pricing of 10Y Italian CDSs and swap rates, so as to represent the transaction's *mark to market*. The EONIA rate is used for payment of this component.

While the former two components are paid by MPS to Deutsche Bank, the latter is paid by the defaulting to the non-defaulting counterparty.

With regard to the Interest rate Swap (IRS), the margin payable as collateral is equal to the transaction's fair value.

For transaction "*Santorini*", collateral pledged amounts to EUR 959.7 mln as at 31.12.2012 and EUR 939.1 mln as at 31.03.2013.

The costs in connection with securitisation obligations for the two transactions are quantified at EUR 114 mln for 2012 (operational data).

Indicate, for each of the above-cited transactions, the contribution to interest income as at 31.12.2012 and relevant components. explain, furthermore, how the transactions in question condition future profitability and the capital position of the bank and provide all relevant data on the contribution to interest income contained in the 2012-2015 business plan;

In 2012, the contribution of transactions "Santorini" and "Alexandria" to interest income was negative by approximately EUR 117 mln, without considering the effects from the correction of errors in the previous fiscal years (re-statements). If these items are included (+ EUR 34 mln), the overall contribution of the transactions in question was negative by EUR 83 million. The aforementioned amounts include the input from securities and hedging swaps, the cost of the repo facility (which present the indexing mechanisms and spreads illustrated in the paragraph on the economic conditions of the transactions) as well as the net cost of the Repo Facility and that from the financing of deposits as collateral.

On the basis of trends in the variables assumed in the 2012-2015 Business Plan - which, for the 2013-2015 period, are based on an increase in interest rates and a reduction in the BTP-BUND spread (in this regard, please see the Business Plan Presentation which is available on the MPS Corporate website) – it should be noted that within the 2015 interest income target for the MPS Group, amounting to EUR 2.682 mln, these transactions have an overall negative contribution of EUR 16 mln, gross of a total contribution of EUR 26 mln from the effect of re-statements, not included in the Business Plan forecasts.

With regard to the capital adequacy, the transactions "Alexandria" and "Santorini", owing to their long maturity, accounted for over 40% of the negative balance of the *Available for Sale* reserve relating to securities issued by sovereign states as at 30 September 2011. Based on the value of this reserve, a capital shortfall was determined which, upon recommendation by the EBA, led the Bank to seek state aid. This aid consisted in the issue of New Financial Instruments subscribed to by the Ministry of Economy and Finance for a total amount of EUR 4.071 mln, of which EUR 1,900 mln for full substitution of the Tremonti Bonds already issued by the Bank in 2009, and EUR 171 mln as early payment of interest accrued on Tremonti Bonds up to 31 December 2012.

Finally, due to their very nature (size, maturity, collateralisation method, etc.) and on the basis of market trends, these transactions have also had major negative impacts on the Bank's liquidity position.

Specify which of the two above-cited transactions is characterised by the "non concomitance" between "purchase of securities and entry into the swap"

It should be noted that in the "Santorini" transaction, entry into the IRSs to hedge interest rate risk did not coincide with the purchase of securities while, in the "Alexandria" transaction, it was the signing of the repo agreement which was not concomitant with the purchase of securities.