

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

31 DECEMBER 2004

## 2004 FINANCIAL STATEMENT

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## BANCA MONTE DEI PASCHI DI SIENA – KEY FINANCIAL DATA

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#### Profit and loss aggregates

<i>(mln euro)</i>	31/12/04	31/12/2003 (1)
Total banking income	2.472	2.627
Income from Banking Activity	466	403
Net income	610	212

#### Balance sheet aggregates

<i>(mln euro)</i>	31/12/04	31/12/03
Direct funding - including subordinated debt	59.656	55.513
Indirect funding	68.455	69.720
<i>including: Funds under management</i>	40.103	41.671
<i>including: Funds under administration</i>	28.352	28.049
Customer loans and advances	38.818	36.768
Consolidated shareholders' equity	6.588	6.150

#### Credit quality indicators (%)

	31/12/04	31/12/03
Net non-performing loans / Customer loans and advances (%)	1,9	1,6
Watchlist credits / Customer loans and advances (%)	3,2	3,1

#### Profitability ratios (%)

	31/12/04	31/12/03
Banking commissions/Total banking income	32,4	30,3
Non interest income/Total banking income	50,7	50,3
Cost/Income ratio including depreciation	71,8	69,7
Cost/Income ratio (excl. tax collection, including depreciation)	71,0	68,4
R.O.E. (calculated on average net equity, excl. value adjustments on goodwill)	10,9	5,1
Non interest income/Total administrative expenses	74,0	76,2

#### Productivity ratios (mln.€)

	31/12/04	31/12/03
Direct funding/average number of employees	4,9	4,5
Customer loans and advances/average number of employees	3,2	3,0
Total banking income/average number of employees	0,20	0,21

#### Solvency ratios (%)

	31/12/04	31/12/03
Total capital ratio %	14,80	15,08
Tier 1 Ratio %	10,91	10,77

#### Share data

	31/12/04	31/12/03
Number of shares outstanding	2.448.491.901	2.448.491.901
Number of preferred shares outstanding	565.939.729	565.939.729
Number of savings shares outstanding	9.432.170	9.432.170
Ordinary share price during the year:		
- average	2,49	2,42
- low	2,30	1,93
- high	2,74	2,85

#### Operating structure

	31/12/04	31/12/03
Number of banking employees (end of period) (2)	12.364	12.132
Number of branches in Italy (*)	1.099	1.082
Number of foreign branches and foreign representative offices	13	13

- (1) **Reclassified data in compliance with the changes occurred in 2003 and 2004.**
- (2) **Actual workforce, or banking business employees excluding staff assigned to Group companies.**

## **RECLASSIFIED BALANCE-SHEET AND PROFIT AND LOSS STATEMENT**

**With reference to the layout of the Notes to the Financial Statements, the data for 2004 are not comparable to the figures of 2003, since they include the results of the first three months of operations of the subsidiaries BAM and BT. That being said, in order to better analyze the Bank's trends, the Profit and Loss Statement has been reclassified as follows:**

- A) the values concerning equity swap transactions and similar operations in the amount of EUR 92.7 million were eliminated from the account "dividends" as of 31/12/2004 and reclassified as "profits and losses from financial transactions". Furthermore, in order to facilitate the comparison, tax credit on infragroup dividends and from minority investments outside the Group (no longer acknowledged by the new tax regulations effective 2004) was eliminated from the same account as of 31/12/2003 and deducted from "Income taxes";
- B) expenses for personnel assigned to the Operating Consortium or seconded to other Group companies were eliminated and offset against the proceeds from the relative repayment (EUR 148.6 million as of 31/12/04);
- C) the losses resulting from non-securitized financial plans were eliminated from "Valuation adjustments and provisions for guarantees and commitments" and reclassified as "Extraordinary profits and losses" (EUR 41.8 million in 2004). A portion (EUR 0.9 million as of 31/12/04) of "valuation adjustments to loans" in relation to accrued but non-collected interest on junior securities was reclassified as "net valuation adjustments to non-current financial assets";
- D) "Extraordinary profits and losses" as of 31/12/04 include a portion of infragroup commissions expense (EUR 21.5 million), which was reclassified as "Other operating charges".

## BANCA MONTE DEI PASCHI DI SIENA

### Reclassified Consolidated Balance Sheet (in EUR mn)

ASSETS	31/12/04	31/12/03 (*)	Chg	
			abs	%
Cash on hand and deposits with central bank and post office	374	402	-28	-6,9
Loans:				
a) Customer loans and advances	38.818	36.636	2.183	6,0
b) Amounts due from banks	21.076	16.687	4.389	26,3
Trading Account Securities	9.238	8.435	803	9,5
Non-current assets				
a) Investment securities	3.136	3.439	-303	-8,8
b) Equity investments	7.570	7.229	341	4,7
c) Fixed assets and intangible assets	944	1.042	-98	-9,4
<i>Positive consolidation differences &amp; positive net equity differences</i>	773	837	-63	-7,6
Own shares or quotas	0	14	-14	-100,0
Other assets	10.006	11.116	-1.110	-10,0
<b>Total Assets</b>	<b>91.162</b>	<b>84.999</b>	<b>6.163</b>	<b>7,3</b>
LIABILITIES	31/12/04	31/12/03 (*)	Chg	
			abs	%
Liabilities				
a) Customer deposits and borrowed funds backed by negotiable instruments	55.227	50.816	4.411	8,7
b) Due to banks	15.286	13.312	1.975	14,8
Reserves for specific use				
a) Pension funds	257	264	-6	-2,4
b) Staff severance indemnity reserve	178	131	48	36,4
c) Other reserves for risks and charges	349	400	-51	-12,9
d) Reserve for taxes	126	225	-100	-44,2
Other liabilities	8.609	9.218	-609	-6,6
Reserve for loan losses	113	113	0	0,0
Subordinated debt	4.429	4.370	59	1,3
Shareholder's equity:				
a) Share capital	1.935	1.935	0	0,0
b) Paid-in capital	523	523	0	0,0
c) Reserves	3.484	3.436	48	1,4
d) Revaluation reserves	0,0	0,0	0	
e) Reserve for general banking risks	35	35	1	1,5
f) Retained earnings	0,0	0,1	-0,1	
g) Profit (loss) for the year	610	221	389	176,0
<b>Total Liabilities and Shareholders' Equity</b>	<b>91.162</b>	<b>84.999</b>	<b>6.163</b>	<b>7,3</b>

(\*) the amounts as of 31/12/03 do not incorporate proforma data concerning Banca Steinhauslin, which merged into BMPS in May 2004.

# BANCA MONTE DEI PASCHI DI SIENA

## ■ Reclassified profit and loss statement

	31/12/04	31/12/03	Chg	
			Restated (*)	abs
<b>Net Interest Income</b>	<b>1.218,5</b>	<b>1.306,3</b>	<b>-87,8</b>	<b>-6,7</b>
Net commissions	680,7	687,8	-7,1	-1,0
<b>Basic Income</b>	<b>1.899,2</b>	<b>1.994,2</b>	<b>-94,9</b>	<b>-4,8</b>
Dividends	308,9	294,2	14,7	5,0
Earnings of companies valued with net equity method	-22,9	43,2	-66,0	-152,9
Profit (loss) from financial transactions	287,0	295,6	-8,6	-2,9
Other operating income	<b>1.253,8</b>	<b>1.320,8</b>	<b>-67,1</b>	<b>-5,1</b>
<b>Non Interest Income</b>	<b>2.472,3</b>	<b>2.627,2</b>	<b>-154,9</b>	<b>-5,9</b>
Administrative expenses				
- personnel expenses	-883,4	-906,6	23,1	-2,6
- other administrative expenses	-810,0	-826,8	16,9	-2,0
<b>Total administrative expenses</b>	<b>-1.693,4</b>	<b>-1.733,4</b>	<b>40,0</b>	<b>-2,3</b>
<b>Gross Operating Profit</b>	<b>778,9</b>	<b>893,8</b>	<b>-114,9</b>	<b>-12,9</b>
Valuation adjustments to fixed and intangible assets	-81,1	-96,8	15,6	-16,2
<b>Net Operating Profit</b>	<b>697,8</b>	<b>797,0</b>	<b>-99,2</b>	<b>-12,5</b>
Valuation adjustments to loans net of recoveries	-231,6	-394,0	162,4	-41,2
<b>Income from Banking Activity</b>	<b>466,1</b>	<b>403,0</b>	<b>63,1</b>	<b>15,7</b>
Goodwill amortization	-85,8	-84,2	-1,6	1,9
Provisions for risks and charges	0,0	-60,5	60,5	-100,0
Writedowns to non-current financial assets	-89,1	-244,3	155,2	-63,5
<b>Profit for the period from ordinary operations</b>	<b>291,2</b>	<b>14,0</b>	<b>277,3</b>	<b>1.987,5</b>
Extraordinary income (charges)	301,3	-227,0	528,3	n.s.
Change in reserve for general banking risks	0,0	300,0	-300,0	n.s.
Income taxes	17,9	125,1	-107,2	-85,7
<b>Net profit</b>	<b>610,5</b>	<b>212,1</b>	<b>398,4</b>	<b>187,8</b>

(\*) reclassified data for comparative purpose with the changes occurred in 2003 and 2004



## **REPORT ON OPERATIONS**

In the first half of 2004, Banca Monte dei Paschi di Siena merged with its subsidiary Banca Steinhauslin & C. as of 1 January 2004, in compliance with the guidelines of the 2003-2006 Business Plan.

The joint effect of this transaction and the other transactions carried out in 2003 influenced the comparison between the data of 2003 and 2004.

Therefore, in order to facilitate the comparison, the economic trend of BMPS was analyzed on the basis of reclassified profit and loss statements which do not include the amounts in relation to Banca Agricola Mantovana and Banca Toscana, and the economic repercussions of newly-established MPS Immobiliare for 2003, but incorporate the effects of the merger by incorporation of Banca Steinhauslin. In light of the modest changes occurred with respect to this bank, capital aggregates in relation to Banca Steinhauslin were incorporated only in the charts included in the report on operations, but not in the reclassified balance-sheet. However, the data in relation to indirect funding and Real Bank illustrated in the chart entitled "Summary data" have been reclassified.

## PROFITABILITY/CAPITAL AGGREGATES

### CORE BANKING BUSINESS

#### THE COMPOSITION OF TOTAL BANKING INCOME

In 2004 the **total banking income** of BMPS stood at EUR 2,472.3 million with a 5.9% decrease with respect to 2003, attributable to the declining contribution from trading activities and an unfavourable operating scenario especially during the first part of the year. Nonetheless, the profits earned by the Commercial Division are in line with 2003, as a result of the growing contribution from new types of services rendered to the customers in particular during the second half of the year.

#### In particular:

- The Bank's **interest income** came to EUR 1,218.5 million, falling by EUR 87.8 million (or -6.7%) in comparison with 2003. The dynamics of the aggregate mainly reflects the increasingly important role played by the Parent Company as the centralized treasurer for structural funding transactions (such as FRESH and subordinated debt). The decline recorded by the Commercial Division is more moderate (-2.3%) and incorporates the reduction of lending volumes and short-term spreads;
- **Net commissions** dropped slightly year on year (-1%). The analysis of the dynamics of commissions for the purpose of identifying the mix of commissions in relation to core banking business (excluding commissions from the Tax Collection Area and integrating expense recoveries) shows a 0.5% growth. Income from traditional banking services progressed by 7.4%, whereas the contribution of funding fell by 9.4%. With reference to funding, commissions from asset management advanced by 5.9%, driven by the growth of volumes managed (*see also the section covering "Asset management"*). The weight of income from "innovative finance" was downsized (-51.5%), thus reflecting the operating guidelines indicated in the Budget for the year, which aimed at balancing the composition of this income by encouraging structural products and reducing upfront fees (decreasing from 14.5% in 2003 to 9.2% of total commissions), in addition to the minor contribution from the placement of hedging products for corporates and public entities;

#### ■ CUSTOMER'S COMMISSIONS

mln.€	31/12/04	31/12/03	Chg	
			Abs	%
<b>Asset management</b> including	<b>294</b>	<b>325</b>	<b>-31</b>	<b>-9,4</b>
<i>Funds under management</i>	194	183	11	5,9
<i>Innovative financial products</i>	32	65	-34	-51,5
<i>Funds under administration and related</i>	69	77	-8	-10,0
<b>Banking services</b>	<b>507</b>	<b>472</b>	<b>35</b>	<b>7,4</b>
<b>Total customers' commissions</b>	<b>802</b>	<b>797</b>	<b>4</b>	<b>0,5</b>

- “**Profits/losses from financial transactions**” totalled – EUR 22.9 million (+ 43.2 million in 2003);
- **Dividends** from equity investments (EUR 308.9 million) rose by EUR 14.7 million, or 5%, with respect to 31/12/2003, driven in particular by the growing profitability of the subsidiaries;
- **Other net income** declined by 2.9%, since in 2003 they incorporated income from the securitization of performing loans (EUR 57 million).

## ADMINISTRATIVE EXPENSES

In comparison with 2003, the trend of administrative expenses slowed down gradually (especially in the aggregate of depreciation and amortization), as a result of the structural initiatives of cost governance.

■ ADMINISTRATIVE EXPENSES				
mln.€	31/12/04	31/12/03	Chg	
			Abs	%
<b>Personnel expenses</b>	<b>883,4</b>	<b>906,6</b>	<b>-23,1</b>	<b>-2,6</b>
<i>Other administrative expenses</i>	810,0	826,8	-16,9	-2,0
<b>Total administrative expenses</b>	<b>1.693,4</b>	<b>1.733,4</b>	<b>-40,0</b>	<b>-2,3</b>
<i>Valuation adjustments to fixed and intang. assets</i>	81,1	96,8	-15,6	-16,2
<b>Total</b>	<b>1.774,5</b>	<b>1.830,2</b>	<b>-55,6</b>	<b>-3,0</b>

In particular:

A) **Administrative expenses** decreased by EUR 40 million, or 2.3%, with respect to 2003 due to:

- Declining *personnel expenses* in line with the Bank’s plans. The decline is attributable to the reduction of the workforce during the second half of 2003 and other initiatives targeted at containing costs, though incorporating higher charges in the amount of roughly EUR 12.5 million in relation to the renewal of the National Labour Contract ;
- *Other administrative expenses* dropped by 2% with a hefty decrease in current expenses which absorbs the increases in other types of expenses.

■ OTHER ADMINISTRATIVE EXPENSES				
mln.€	31/12/04	31/12/03	Chg	
			Abs	%
Current expenses	374,1	405,2	-31,0	-7,7
Real estate and IT service expenses	326,4	313,2	13,2	4,2
Non-income taxes and stamp tax recovery	89,6	89,5	0,1	0,1
Production costs (Tax collection)	19,8	19,0	0,9	4,7
<b>Total other administrative expenses</b>	<b>810,0</b>	<b>826,8</b>	<b>-16,9</b>	<b>-2,0</b>

- B) **Valuation adjustments to fixed and intangible assets** totalled EUR 81.1 million with a 16.2% decrease year on year, which is in line with the trends of 2003.

As a result, **the Gross Operating Profit came to EUR 697.8 million** with a decline of EUR 99.2 million in comparison with 2003. **However, the gross operating profit of the Commercial Division progressed by 4.3% on an annual basis.** The cost/income ratio<sup>1</sup>, calculated as usual on the basis of the Parent Company's direct expenses, stood at 57.8% (57% as of 31/12/03).

#### ADJUSTMENTS AND PROVISIONS

**In 2004 the Bank posted net valuation adjustments on loans** in the amount of EUR 189.2 million (EUR 340.9 million as of 31/12/03) on the basis of the usual conservative criteria. This is flanked by the portion of securitized non-performing loans in relation to 2001 (EUR 34.4 million in 2003 and 2004) and the lump-sum writedown of good loans in the amount of EUR 9 million (EUR 19 million as of 31/12/03), with the balance of the relative provision reaching EUR 199 million (the provision also includes EUR 63 million for the coverage of potential risks resulting from the exposure to the car industry).

**As a result, the gross profit from core banking business (gross operating profit excluding adjustments/provisions on loans) amounted to EUR 466.1 million with a 15.7% increase with respect to 2003.**

#### NON-CORE BANKING BUSINESS

#### ADJUSTMENTS AND PROVISIONS

The major adjustments and provisions made by the Bank embrace:

- **Amortization** on goodwill paid as a result of the mergers and acquisitions carried out, in the amount of EUR 85.8 million (EUR 84.2 million as of 31/12/03);
- **Net valuation adjustments to non-current financial assets** and other assets in the amount of EUR 89.1 million incorporating: a) the losses incurred during the year by some subsidiaries (including MPS Banca Personale, MPS Leasing & Factoring, MPS.net) in a total amount of EUR 73.8 million; b) the writedown of some components of the investment securities portfolio (see the Note to the Financial Statements, Part C, Section 5.3, paragraph 12.4) (- EUR 244.3 million in 2003).

**The provisions for risks and charges benefit from the reallocation of funds in accordance with actually changed risks** (EUR 60.5 million as of 31 December 2003).

**As a consequence, the profit from ordinary operations came to EUR 291.2 million, with an increase of EUR 277.3 million with respect to 2003.**

#### EXTRAORDINARY ITEMS, TAXES AND NET PROFIT

Rounding out the picture of profitability are the following items:

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<sup>1</sup> Inclusive of depreciation and amortization on fixed and intangible assets and – with respect to other administrative expenses – only of current expenses and indirect taxes.

- The balance of extraordinary items totalling EUR 301.3 million (- EUR 227 million in 2003) incorporates:
  - net capital gains in the amount of EUR 40.2 million resulting from the sale of equity investments including E-Biscom, Autostrade Torino-Milano, Sias, IBA, Monte Paschi Suisse, Monte Paschi Channel Islands and other minor investments;
  - extraordinary charges in relation to the Plan of reduction and recomposition of the workforce (mainly Solidarity Fund) in the amount of EUR 57.2 million, which are entirely posted to this year's profit and loss statement in compliance with conservative criteria;
  - contingent liabilities in the amount of EUR 67.5 million for charges incurred in relation to claims already settled with respect to savings plans and structured products;
  - extraordinary income (EUR 29 million) for the use of the provision for risks and charges in relation to the settlement of the disputes concerning the savings plans;
  - extraordinary income (EUR 362 million) in relation to the reversal of valuation adjustments on equity investments made as of 31/12/2003 in enforcement of tax regulations.

° An income tax credit in the amount of EUR 17.9 million resulting from tax-free income (capital gains on equity investments) or reduced taxation income (dividends) and the recovery of deferred taxes.

**Therefore, in view of such components, the Bank's net profit boomed (+187.8%) and reached EUR 610.5 million with a 10.9% ROE if compared to the 5.1 ROE registered in 2003.**

## OVERVIEW OF OPERATIONS

With reference to the Bank's commercial operations, following are the major results achieved which are based, as usual, on focus on customers and the growing customization of services.

### FUND MANAGEMENT

As regards fund management, the Bank's commercial network (Commercial Division) achieved appreciable results by gradually orienting the process of fund allocation towards investments in compliance with the customers' risk profile. Accordingly, the mix of products placed confirms the customers' conservative posture in their investments, with their preference going to lower-risk, highly liquid and/or capital-guaranteed products. The aggregate is driven by the strong performance of traditional insurance products, which is flanked by the decrease in the placement of investment funds/SICAVs – also experienced by the banking industry – with the weight of monetary and bond funds prevailing. Following is a breakdown of Total Funding as of 31/12/2003:

#### ■ CUSTOMER FUNDING (mln. euro) (\*)

	31/12/04	% chg vs 31/12/03	%	
			31/12/04	31/12/03
<b>Direct funding from customers</b>	<b>59.656</b>	<b>7,5</b>	<b>100,0</b>	<b>100,0</b>
<i>customer deposits</i>	33.930	6,0	56,9	57,7
<i>other borrowed funds backed by negotiable instruments</i>	21.297	11,4	35,7	34,4
<i>subordinated bonds</i>	4.429	1,3	7,4	7,9
<b>Indirect funding from customers</b>	<b>68.455</b>	<b>-1,8</b>	<b>100,0</b>	<b>100,0</b>
<i>Funds under management</i>	28.352	1,1	41,4	40,2
<i>Funds under administration</i>	40.103	-3,8	58,6	59,8
<b>Total funding from customers</b>	<b>128.111</b>	<b>2,3</b>		

(\*) the figures for 2003 are reclassified as proforma data including Banca Steinhauslin which merged into BMPS in May 2004

### DIRECT FUNDING

The trend of direct funding recorded an increase with respect to 31/12/2003 (+8%), driven by bonds, certificates of deposit issued for institutional customers by the foreign branches in the amount of EUR 1.6 billion and, to a lesser extent, current accounts. If including subordinated loans, direct funding progressed by 7.5% year on year. On 10 June 2004 the Bank issued a bonded loan expiring in 2009 in the amount of EUR 450 million with an offer targeted at non-Italian institutional investors. This loan is convertible into about 178 million ordinary shares of Banca Nazionale del Lavoro, corresponding to the equity investment held by Banca Monte Paschi and Banca Popolare di Vicenza. In its turn, BPV issued a bonded loan convertible into BNL shares, entirely underwritten by BMPS. Such transaction enabled the Bank to raise funds from the market at favourable economic conditions.

## ■ DIRECT FUNDING

<i>mln.€</i>	31/12/04	31/12/03	%chg vs 31/12/03 (*)	% vs 31/12/04	% vs 31/12/03 (*)
Savings deposits	2.709	2.496	8,6	4,5	4,5
Current accounts	27.220	26.178	4,0	45,6	47,2
Certificates of deposit	5.980	4.874	22,7	10,0	8,8
Repurchase agreements	3.087	2.997	3,0	5,2	5,4
Bonds	14.958	13.753	8,8	25,1	24,8
Other	1.272	845	50,6	2,1	1,5
<b>Sub total</b>	<b>55.226,7</b>	<b>51.143</b>	<b>8,0</b>	<b>92,6</b>	<b>92,1</b>
Subordinated bonds	4.429	4.370	1,3	7,4	7,9
<b>TOTAL</b>	<b>59.656</b>	<b>55.513</b>	<b>7,5</b>	<b>100,0</b>	<b>100,0</b>

(\*) the figures for 2003 are reclassified as proforma data including Banca Steinhauslin which merged into BMPS in May 2004

The distribution of the customers' traditional deposits (current accounts, savings deposits and CDs) by geographical area of residence shows that the Bank's area of traditional franchise accounts for more than 50% in central Italy, with a growth higher than 14% on an annual basis:

## DEPOSITS OF ORDINARY CUSTOMERS WITH ITALIAN BRANCHES

Breakdown by area of residence of the customers (in EUR million)

AREAS	31/12/04	%chg vs 31/12/03	% 31/12/04	% 31/12/03
North	5.140	9,9	17,4	17,4
Centre	15.179	14,4	51,5	49,2
South and the Islands	9.172	1,9	31,1	33,4
<b>Total</b>	<b>29.491</b>	<b>9,4</b>	<b>100,0</b>	<b>100,0</b>

## INDIRECT FUNDING

Indirect funding, which remained virtually stable (-1.8%) with respect to 31/12/03, stood at EUR 68,455 million due to the growth of asset management (+1.1%) and a 3.8% decrease in funds under administration.

In particular:

## FUNDS UNDER MANAGEMENT

Totalled EUR 28,352 million with an increase of about EUR 300 million in comparison with 31 December 2003, although the components of the aggregate showed diversified trends.

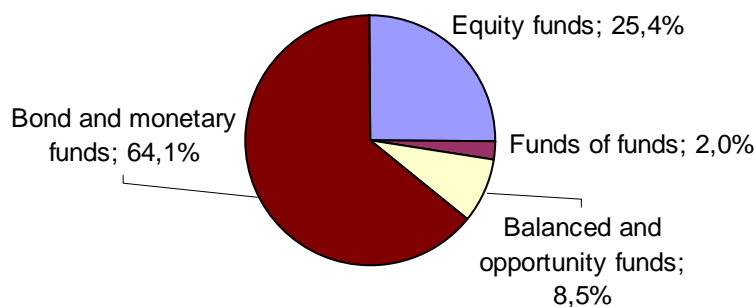
## Mutual investment funds

Net redemptions came to EUR 498 million inaugurating an opposite trend with respect to 2003 (+1,010 million), due to the critical operating scenario which penalized all the major competitors. As a result, the volumes managed fell by 6% to EUR 9,402 million in comparison with 31/12/2003.

With reference to the mutual investment funds of Monte Paschi Asset Management SGR placed by the Bank, the weight of equity funds partially recovered from 23% at the end of 2003 to 24.7% and 25.4% as of 30/06/2004 and 31/12/2004, respectively.

## Mutual investment funds

Mix of funds as os 31.12.2004



## Individual portfolios under management

Totaled EUR 7,182 million with a 5.5% decrease with respect to 31 December 2003, due to the critical operating scenario which penalized all the major competitors.

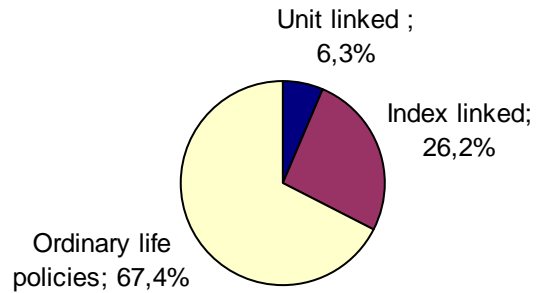
## Life insurance policies

The balance of premiums underwritten in 2004 was appreciable at EUR 2,271 million, in line with the high levels achieved in 2003. The contribution of traditional life policies remained virtually stable (EUR 1,531 million accounting for 64.7% of the total) with index linked policies making a strong contribution (climbing from 18.7% to 26.2%). In 2004 the growth of volumes managed – inclusive of pension funds – continued at a fast pace (+12.7% with respect to 31/12/2003 to EUR 11,768 million).

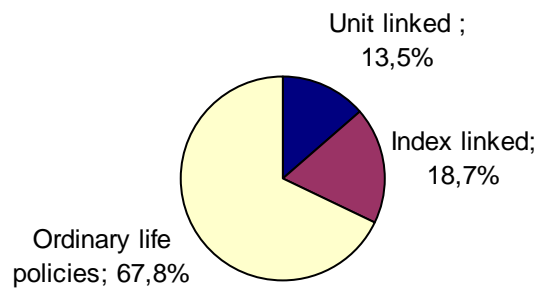


## Bancassurance

Mix of premiums underwritten : 31/12/2004



Unit Linked policies Mix of premiums underwritten : 31/12/2003



## FUNDS UNDER ADMINISTRATION

The aggregate fell by 3.8% to EUR 40,103 million with respect to 31/12/2003. The substantial flow of placements of innovative finance bonds which were focused on capital-guaranteed and/or return-guaranteed products stood at EUR 1,214 million, in line with the Budget for the year.

Following is a breakdown of the above-mentioned flows of placement:

Placement of BMPS products (in EUR million)

<i>mln.€</i>	31/12/04	31/12/03
Mutual investment funds/Sicavs	- 498	1.010
Life insurance policies, <i>including</i>	2.271	2.219
<i>Ordinary policies</i>	1.531	1.505
<i>Index linked policies</i>	596	415
<i>Unit linked policies</i>	144	299
Innovative finance products	1.214	2.155
Bonds	1.175	303
<b>Total</b>	<b>4.162</b>	<b>5.687</b>

Note: the figures for 2003 incorporate the data of Banca Steinhauslin which merged into BMPS in 2004.

The above table shows that the flow of bonds was clearly recovering with respect to 2003, thus confirming that the customers' preference was going to more liquid and steadier forms of funding.

## LENDING

### A) COMMERCIAL LENDING

As of 31 December 2004 outstanding loans totalled EUR 38,818 million with a 5.6% increase year on year, despite the critical operating scenario which characterized the first part of the year. The data of the Commercial Division show a moderate increase in loans to retail and corporate customers (+0.5% in terms of average balance) with respect to 31/12/2003, with medium-/long-term loans prevailing (with a 10% growth of average retail volumes) driven in particular by mortgage loans. The loans of the foreign branches dropped remarkably, as a result of the measures of reorganization started in the past, also for the purpose of reducing capital absorption.

Following are the main highlights concerning loans disbursed over the year:

- **The lending business channelled to the special credit companies** came to EUR 588 million in terms of **leasing** contracts executed by **MPS Leasing&Factoring – Banca per i Servizi Finanziari alle Imprese** and to EUR 747 in terms of loans disbursed by MPS Banca per l'Impresa (resulting from the merger of **MPS Merchant, MPS Banca Verde and a business unit of MPS Finance, which took place in the second half of 2004**);
- **The mortgage loan business** generated new flows (excluding public works) in the amount of EUR 3,429 million (+ 27.7% year on year);
- **With reference to consumer credit**, the subsidiary **Consum.it** disbursed EUR 902 million (+69%) (i) through a network of agreed *dealers* in the amount of EUR 559 million (+19.2%), (ii) in the form of *personal loans* in the amount of EUR 258 million (EUR 12 million in 2003) and (iii) in the form of advances on *credit card* in the amount of EUR 85 million (+58.6%).

## Specialized credit and corporate financial products (in EUR million)

<i>mln.€</i>	31/12/04	31/12/03
<b>MPS Finance</b>		
Risk Management	1.522	2.883
<b>MPS Banca per l'Impresa</b>		
Disbursements	747	749
<b>MPS Leasing&amp;Factoring</b>		
Incl. Leasing contracts executed	588	495
Factoring turnover	2.978	2.923
<b>Consumit</b>		
Disbursements	902	534

(1) data inclusive of the products directly issued by the Networks

A review of the aggregate by type of loans confirm the growing weight of mortgage loans (44.4% of total loans in comparison with 42.2% in December 2003).

## DISTRIBUTION OF LOAN PORTFOLIO BY TYPE OF LOANS (in EUR million)

<i>mln.€</i>	31/12/04	31/12/2003 (*)	%chg vs 31/12/03 (*)	% 31/12/04	% 31/12/03
Current accounts	8.844	8.554	3,4	22,8	23,3
Advances	1.173	1.017	15,3	3,0	2,8
Advances and subsidies	8.944	9.183	-2,6	23,0	25,0
Personal Loans	397	625	-36,5	1,0	1,7
Mortgages loans and advances against mortgages	17.229	15.529	10,9	44,4	42,2
Other	1.492	1.266	17,9	3,8	3,4
Non performing loans, net	740	594	24,4	1,9	1,6
<b>TOTAL</b>	<b>38.818</b>	<b>36.768</b>	<b>5,6</b>	<b>100,0</b>	<b>100,0</b>

(\*)the figures for 2003 are reclassified as proforma data including Banca Steinhauslin which merged into BMPS in May 2004

The geographical distribution of loans remained stable, with central Italy - the area of the Bank's traditional franchise - still accounting for the bulk of loan disbursements (44.7%) and northern Italy expanding as the second area of reference (29%).

## Loans to resident ordinary customers of Italian branches

Breakdown by area of residence of the customers – in EUR million

Areas	31/12/04	%chg vs 31/12/03 (*)	% 31/12/04	% 31/12/03
North	10.327	4,2	29,0	29,2
Central Italy	15.919	3,,4	44,7	45,3
South and the islands	9.343	8,1	26,3	25,5
<b>TOTAL</b>	<b>35.589</b>	<b>4,9</b>	<b>100,0</b>	<b>100,0</b>

A review of domestic loans by business sector shows that loans granted to financial companies and retail customers increase, whereas loans disbursed to Public Entities and Local Authorities decrease. Loans in support of production activity developed by 4.6%.

## BMPS

Loans to resident ordinary customers of Italian branches (in EUR million)

Areas	31/12/04	%chg vs 31/12/03 (*)	% 31/12/04	% 31/12/03
Loans to support production	19.892	4,6	55,9	56,0
<i>Non financial companies</i>	17.411	5,1	48,9	48,8
<i>Family businesses</i>	2.482	1,7	7,0	7,2
<i>Artisans</i>	507	1,6	1,4	1,5
<i>Other family businesses</i>	1.975	1,7	5,5	5,7
Retail customers	7.844	22,3	22,0	18,9
Other sectors	7.853	-7,8	22,1	25,1
<b>TOTAL</b>	<b>35.589</b>	<b>4,9</b>	<b>100,0</b>	<b>100,0</b>

(\*) Public Entities, financial and insurance companies, non-profit organizations and non-classifiable units.

The table below highlights the distribution of loans in support of production by economic sector, with growing loan disbursements to the service sector (49.5 % of total).

## Loans for production by sector of economic activity

Resident ordinary customers of Italian branches – in EUR million

Sector	31/12/04	%chg vs 31/12/03 (*)	% 31/12/04	% 31/12/03
Agriculture	894	7,0	4,5	4,4
Manufacturing industry	6.409	3,9	32,2	32,5
Building and publicworks	2.740	1,7	13,8	14,2
Services	9.850	5,8	49,5	49,0
<b>TOTAL</b>	<b>19.892</b>	<b>4,6</b>	<b>100,0</b>	<b>100,0</b>

The distribution of loans by amount outstanding shows that the Bank's risk concentration is moderate with 56.3 % of consolidated loans in an amount lower than EUR 2.5 million.

## LOANS BY AMOUNT OUTSTANDING

Cash loans, net of non-performing loans

Sector	% of total	% of total
	31/12/04	31/12/03
0-75	13,6	15,4
75-250	19,5	16,4
250-500	7,8	7,6
500-2,500	15,4	14,9
2,500-50,000	17,1	16,0
More than 50,000	26,6	29,7
<b>TOTAL</b>	<b>100,0</b>	<b>100,0</b>

### B) DOUBTFUL LOANS

In 2004 the Bank succeeded in keeping a reasonable level of doubtful loans. As a consequence, the weight of non-performing loans and watchlist credits (net of doubtful outcomes) stood at 3.2% versus 3.1 % as of 31/12/2003 and total doubtful loans came to 3.4% with respect to 3.5% as of the end of 2003. Therefore, if considering customer loans including the securitization of performing loans carried out at the end of 2003, such ratios are in line with the data as of 31 December 2003.

### DISTRIBUTION OF LOAN PORTFOLIO BY RISK CATEGORY (in EUR million)

Risk Category- Net Value	31/12/04	31/12/03	%	%
			31/12/04	31/12/03
Non-performing loans	740	594	1,9	1,6
Watchlist	488	544	1,3	1,5
Loans pending restructuring	-	22	0,0	0,1
Restructured loans	22	31	0,1	0,1
Unsecured loans to high-risk nations	80	87	0,2	0,2
<b>TOTAL DOUBTFUL LOANS</b>	<b>1.330</b>	<b>1278</b>	<b>3,4</b>	<b>3,5</b>
Performing Loans	37.489	35.490	96,6	96,5
<b>TOTAL CUSTOMER LOANS AND ADVANCES</b>	<b>38.818</b>	<b>36.768</b>	<b>100,0</b>	<b>100,0</b>

(°)the figures for 2003 are reclassified as proforma data including Banca Steinhauslin which merged into BMPS in May 2004

(\*) In accordance with the directives of the Bank of Italy and a more conservative posture, the item includes the Bank's exposure to the countries for which no provisions have been made. The aggregate amount of doubtful outcomes in this category as of 31.12.2004 decreased to EUR 2.4 million (EUR 4.6 million as of 31.12.2003).

As of 31 December 2004, the balance of net non-performing loans was EUR 740 million (EUR 594 million as of 31 December 2003). The percentage of writedown of their original value (inclusive of the losses posted in prior years) was about 60% (in line with 2003), but it rose to roughly 70%

excluding mortgage loans, which are characterized by a more limited level of doubtful outcomes because they are secured by collaterals.

### NON-PERFORMING CUSTOMER LOANS BY CATEGORY (31/12/2004)

*Including interest in arrears – in EUR million*

<i>Category</i>	<b>Gross value</b>	<b>%</b>	<b>Doubtful outcome</b>	<b>%</b>	<b>Net Value</b>
Ordinary Loans	986	68,5	585	83,7	401
Mortgage Loans	453	31,5	114	16,3	339
<b>TOTAL</b>	<b>1.439</b>	<b>100,0</b>	<b>699</b>	<b>100,0</b>	<b>740</b>

In particular, the ratio of doubtful outcomes to gross non-performing loans outstanding was 48.6 % (+0.2 % with respect to December 2003) and reached 59.3 % with reference to ordinary loans. If considering also “general provisions” (i.e. lump-sum adjustment on good loans and the loan loss provision which incorporate a prudential estimate of potential risks in relation to the critical cycle of the car industry), coming at 0.83% of good loans, the percentage of coverage of gross non-performing loans reached 70.2%.

As shown by the following breakdown of non-performing loans by amount, the positions in an amount of more than EUR 500,000 accounted for slightly over 1% of total, just like in 2003.

### NON-PERFORMING CUSTOMER LOANS BY AMOUNT OUTSTANDING

*Gross amounts in EUR million – excluding interest in arrears*

<i>Loan amount</i>	<b>N° pos. 31/12/2004</b>	<b>%</b>	<b>Amount 31/12/2004</b>	<b>%</b>
0-10	11.021	43,3	47	3,7
10-50	9.664	38,0	229	18,1
50-260	4.094	16	426	33,7
260-515	406	1,6	144	11,4
515-2580	245	1,0	252	19,9
2580-5165	16	0,1	54	4,3
More than 5165	7	-	113	8,9
<b>TOTAL</b>	<b>25.453</b>	<b>100,0</b>	<b>1.265</b>	<b>100,0</b>

The table below highlights the distribution of non-performing loans by economic sector of activity and indicates the broad fragmentation of the Bank’s portfolio:

### NON-PERFORMING CUSTOMER LOANS BY ECONOMIC SECTOR OF ACTIVITY

*Gross amounts in EUR million – excluding interest in arrears*

<i>Loan amount</i>	<b>31/12/04</b>	<b>%</b>
Public entities	-	-
Financial and credit institutions	7	0,6
Private-sector social institutions	1	0,1
Retail loans	250	19,8
Farming,forestry and fishing	64	5,1
Manufacturing industry	311	24,6
Bulding and public works	194	15,3
Services	426	33,7
<b>TOTAL DOMESTIC BRANCHES</b>	<b>1.253</b>	<b>99,1</b>
Foreign Branches	12	0,9
<b>TOTAL</b>	<b>1.265</b>	<b>100</b>

## **OTHER INFORMATION**

### THE PROGRAMMATIC PAPER ON SECURITY

In accordance with the Technical Specifications on Security – Annex B) of Legislative Decree no.196 of 30 June 2003 – also known as the “Code for the protection of personal data”, BMPS updated the “Programmatic Paper on Security” on 31 December 2004.

## **MATERIAL EVENTS SUBSEQUENT TO YEAR-END**

See the chapter with the same title of the Report on Consolidated Operations.

## **OUTLOOK FOR 2005**

In an operating scenario which is still characterized by uncertainty, and in line with the projects set forth by the 2003-2006 Business Plan, the Budget guidelines for the year of 2005 – as already illustrated in the Report on Consolidated Operations - give priority to:

- the monitoring and development of customers' relations
- stability of operating expenses
- the containment of the cost of borrowing
- the search for appropriate capital absorption ratios and their return

as the decisive tools for achieving the targets of development planned, both in terms of an increase in traded volumes and the relative growth of operating profitability.

Business development in the first months of 2005 is in line with the projections built into the budget for the year.



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

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004

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

FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004

NOTES TO THE FINANCIAL STATEMENTS

## **FORM AND CONTENT OF THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2004**

The financial statements as of 31 December 2004 have been prepared in accordance with laws and regulations in effect in Italy, and include the following:

- **Balance Sheet**
- **Profit and Loss Statement**
- **Notes to the Financial Statements**

The notes to the financial statements include the following:

### **Part A – Valuation Criteria**

### **Part B - Information on the Balance Sheet**

### **Part C - Information on the Profit and Loss Statement**

### **Part D – Other Information**

The following supplemental information is also provided and constitutes an integral part of the notes to the financial statements:

- **Statement of Changes in Financial Position**
- **Statement of Changes in Shareholders' Equity**

**FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2004**

Balance Sheet, Guarantees and Commitments, Profit and Loss Statement

<b>BALANCE SHEET</b>		(in EUR)
<b>Assets</b>		<b>31/12/2004</b>
10	Cash and cash on deposit with central banks and post offices	374,199,662
20	Italian government securities and similar instruments eligible for refinancing with central banks	37,185,029
30	Amounts due from banks	21,075,851,209
	<i>a) sight</i>	1,017,879,777
	<i>b) other</i>	20,057,971,432
40	Customer loans and advances	38,818,112,668
	<i>including:</i>	
	- <i>loans with third-party funds under administration</i>	8,127,118
50	Bonds and other fixed-income securities	11,259,791,360
	<i>a) of public issuers</i>	3,157,283,658
	<i>b) of banks</i>	4,136,445,164
	- <i>including: own securities</i>	1,131,851,217
	<i>c) of financial institutions</i>	2,605,043,163
	- <i>including: own securities</i>	
	<i>d) of other issuers</i>	1,361,019,375
60	Shares, quotas and other equity securities	1,077,202,547
70	Equity investments	2,320,710,274
80	Equity investments in Group companies	5,249,052,028
	<i>a) valued with net equity method</i>	
	<i>b) other</i>	5,249,052,028
90	Intangible assets	856,254,406
	<i>Including:</i>	
	- <i>start-up costs</i>	141,951
	- <i>goodwill</i>	773,392,425
100	Fixed assets	87,698,945
	<i>including: assets under financial lease</i>	
110	Unpaid subscribed capital	
120	Own shares or quotas	
130	Other assets	9,108,264,205
140	Accrued income and prepayments	897,519,088
	<i>a) accrued income</i>	749,446,549
	<i>b) prepayments</i>	148,072,539
	<i>including:</i>	
	- <i>issuing discounts</i>	76,074,902
<b>Total Assets</b>		<b>91,161,841,421</b>

**BALANCE SHEET**

(in EUR)

<b>Liabilities and Shareholders' Equity</b>		
10	Due to banks	15,286,300,350
	<i>a) sight</i>	4,387,437,623
	<i>b) time or requiring advance notice of withdrawal</i>	10,898,862,727
20	Customer deposits	33,929,704,270
	<i>a) sight</i>	28,498,301,829
	<i>b) time or requiring advance notice of withdrawal</i>	5,431,402,441
30	Other borrowed funds backed by negotiable instruments	21,297,032,573
	<i>a) bonds</i>	14,958,247,936
	<i>b) certificates of deposit</i>	5,979,635,070
	<i>c) other instruments</i>	359,149,567
40	Third-party funds under administration	21,653,309
50	Other liabilities	7,714,848,235
60	Accrued liabilities and deferred income	872,604,288
	<i>a) accrued liabilities</i>	728,649,921
	<i>b) deferred income</i>	143,954,367
70	Staff severance indemnity reserve	257,281,284
80	Reserves for risks and other charges	652,595,056
	<i>a) pension fund and similar obligations</i>	178,451,052
	<i>b) reserve for taxes</i>	125,596,307
	<i>c) other reserves</i>	348,547,697
90	Reserve for loan losses	112,607,932
100	Reserve for general banking risks	35,395,916
110	Subordinated debt	4,429,398,274
120	Share capital	1,935,272,832
130	Additional paid-in capital	522,925,054
140	Reserves	3,483,737,270
	<i>a) legal reserve</i>	357,137,034
	<i>b) reserve for own shares or quotas</i>	
	<i>c) statutory reserves</i>	1,095,312,397
	<i>d) other reserves</i>	2,031,287,839
150	Revaluation reserves	
160	Retained earnings	6,320
170	Profit (loss) for the year	610,478,458
<b>Total Liabilities and Shareholders' Equity</b>		<b>91,161,841,421</b>

<b>GUARANTEES AND COMMITMENTS</b>		(in EUR)
<b>Account</b>		<b>31/12/2004</b>
10	Guarantees released	6,468,447,049
	<i>including:</i>	
	- <i>acceptances</i>	28,082,110
	- <i>other guarantees</i>	6,440,364,939
20	Commitments	4,968,384,550
	<i>including:</i>	
	<i>for sales with obligation to repurchase</i>	-
30	Commitments relative to credit derivatives	2,921,222,763

**PROFIT AND LOSS STATEMENT**

(in EUR)

<b>Account</b>		<b>31/12/2004</b>
10	Interest and similar income	2,774,593,811
	<i>including:</i>	
	- on customer loans and advances	1,862,659,057
	- on debt securities	502,164,026
20	Interest expense and other expense on borrowed funds	1,556,070,625
	<i>including:</i>	
	- on customer deposits	358,015,813
	- on other borrowed funds backed by negotiable instruments	596,025,823
30	Dividends and other income	401,601,080
	a) on shares, quotas and other equity securities	131,873,767
	b) on equity investments	36,617,190
	c) on equity investments in Group companies	233,110,123
40	Commissions earned	793,599,084
50	Commissions expense	112,915,435
60	Profits/losses on financial transactions	(115,526,917)
65	Earnings on investment of pension funds and similar funds	7,313,856
70	Other operating income	454,840,142
80	Administrative expenses	1,842,047,990
	a) personnel expense	1,032,080,675
	<i>including:</i>	
	- salaries and wages	725,160,377
	- social-welfare charges	199,183,929
	- staff severance indemnity reserve	57,371,563
	- pension fund and similar obligations	15,503,741
	b) other administrative expenses	809,967,315
85	Allocation of earnings on investments of pension and similar funds	7,313,856
90	Valuation adjustments to fixed and intangible assets	166,918,757
100	Provisions for risks and charges	
110	Other operating expenses	40,673,043
120	Valuation adjustments to loans and provisions for guarantees and commitments	498,506,313
130	Recoveries on loans and on provisions for guarantees and commitments	224,193,725
140	Provisions to loan loss reserve	
150	Valuation adjustments to non-current financial assets	89,234,758
160	Recoveries on non-current financial assets	1,030,271
170	<b>Profit (loss) from ordinary operations</b>	<b>227,964,275</b>
180	Extraordinary income	475,808,059
190	Extraordinary charges	111,185,354
200	<b>Extraordinary profit (loss)</b>	<b>364,622,705</b>
210	Change in reserve for general banking risks	17,891,478
220	Income taxes	17,891,478
230	<b>Profit for the year</b>	<b>610,478,458</b>
240	Reserve provisions under Legislative Decree No. 153/99	
250	<b>Net profit for the year</b>	<b>610,478,458</b>



**FINANCIAL STATEMENTS WITH COMPARATIVE DATA FROM PRIOR  
YEAR**

## BALANCE SHEET

Assets		31/12/04	31/12/03	Absolute and % Changes	
<b>10</b>	<b>Cash and cash on deposit with central banks and post offices</b>	<b>374,200</b>	<b>401,875</b>	<b>(27,675)</b>	<b>(6.89)</b>
<b>20</b>	<b>Italian government securities and similar instruments eligible for refinancing with central banks</b>	<b>37,185</b>	<b>111,031</b>	<b>(73,846)</b>	<b>(66.51)</b>
<b>30</b>	<b>Amounts due from banks</b>	<b>21,075,851</b>	<b>16,686,506</b>	<b>4,389,345</b>	<b>26.30</b>
	<i>a) sight</i>	1,017,880	779,607	238,273	30.56
	<i>b) other</i>	20,057,971	15,906,899	4,151,072	26.10
<b>40</b>	<b>Customer loans and advances including:</b>	<b>38,818,113</b>	<b>36,635,561</b>	<b>2,182,552</b>	<b>5.96</b>
	<i>- loans with third-party funds under administration</i>	8,127	10,790	(2,663)	(24.68)
<b>50</b>	<b>Bonds and other fixed-income securities</b>	<b>11,259,791</b>	<b>11,081,655</b>	<b>178,136</b>	<b>1.61</b>
	<i>a) of public issuers</i>	3,157,284	2,907,941	249,343	8.57
	<i>b) of banks</i>	4,136,445	3,629,027	507,418	13.98
	<i>- including: own securities</i>	1,131,851	1,064,442	67,409	6.33
	<i>c) of financial institutions</i>	2,605,043	2,129,861	475,182	22.31
	<i>- including: own securities</i>				
	<i>d) of other issuers</i>	1,361,019	2,414,826	(1,053,807)	(43.64)
<b>60</b>	<b>Shares, quotas and other equity securities</b>	<b>1,077,203</b>	<b>681,303</b>	<b>395,900</b>	<b>58.11</b>
<b>70</b>	<b>Equity investments</b>	<b>2,320,710</b>	<b>2,039,453</b>	<b>281,25</b>	<b>13.79</b>
<b>80</b>	<b>Equity investments in Group companies</b>	<b>5,249,052</b>	<b>5,189,467</b>	<b>59,585</b>	<b>1.15</b>
	<i>a) valued with net equity method</i>				
	<i>b) other</i>	5,249,052	5,189,467	59,585	1.15
<b>90</b>	<b>Intangible assets</b>	<b>856,254</b>	<b>940,832</b>	<b>(84,578)</b>	<b>(8.99)</b>
	<i>Including:</i>				
	<i>- start-up costs</i>	142		142	
	<i>- goodwill</i>	773,392	836,613	(63,221)	(7.56)
		<b>87,699</b>	<b>100,849</b>	<b>(13,130)</b>	<b>(13.04)</b>
<b>100</b>	<b>Fixed assets</b>				
	<i>including: assets under financial lease</i>				
<b>110</b>	<b>Unpaid subscribed capital</b>				
	<i>including: called-up capital</i>				
<b>120</b>	<b>Own shares or quotas</b>				

<b>130</b>	<b>Other assets</b>	<b>9,108,264</b>	<b>10,332,140</b>	<b>(14,453)</b> <b>(1,223,876)</b>	<b>(100.00)</b> <b>(11.85)</b>
<b>140</b>	<b>Accrued income and prepayments</b>	<b>897,519</b>	<b>783,871</b>	<b>113648</b>	<b>14.50</b>
	<i>a) accrued income</i>	749,447	626,737	122,710	19.58
	<i>b) prepayments including:</i>	148,072	157,134	(9,062)	(5.77)
	<i>- issuing discounts</i>	76,075	74,522	1,553	2.08
	<b>Total Assets</b>	<b>97,161,841</b>	<b>84,998,996</b>	<b>6,162,845</b>	<b>7.25</b>

## BALANCE SHEET

(in EUR  
000's)

	Liabilities and Shareholders' Equity	31/12/04	31/12/03	Absolute and % Changes	
<b>10</b>	<b>Due to banks</b>	<b>15,286,301</b>	<b>13,311,738</b>	<b>1,974,563</b>	14.83
	<i>a) sight</i>	4,387,438	4,491,015	(103,577)	(2.31)
	<i>b) time or requiring advance notice of withdrawal</i>	10,898,863	8,820,723	2,078,140	23.56
<b>20</b>	<b>Customer deposits</b>	<b>33,929,704</b>	<b>31,736,708</b>	<b>2,192,996</b>	6.91
	<i>a) sight</i>	28,498,302	26,057,091	2,441,211	9.37
	<i>b) time or requiring advance notice of withdrawal</i>	5,431,402	5,679,617	(248,215)	(4.37)
<b>30</b>	<b>Other borrowed funds backed by negotiable instruments</b>	<b>21,297,033</b>	<b>19,079,258</b>	<b>2,217,775</b>	11.62
	<i>a) bonds</i>	14,958,248	13,712,268	1,245,980	9.09
	<i>b) certificates of deposit</i>	5,979,635	4,870,884	1,108,751	22.76
	<i>c) other instruments</i>	359,150	496,106	(136,956)	(27.61)
<b>40</b>	<b>Third-party funds under administration</b>	<b>21,653</b>	<b>26,371</b>	<b>(4,718)</b>	(17.89)
<b>50</b>	<b>Other liabilities</b>	<b>7,714,849</b>	<b>8,335,221</b>	<b>(620,372)</b>	(7.44)
<b>60</b>	<b>Accrued liabilities and deferred income</b>	<b>872,604</b>	<b>856,711</b>	<b>15,893</b>	1.86
	<i>a) accrued liabilities</i>	728,650	678,894	49,756	7.33
	<i>b) deferred income</i>	143,954	177,817	(33,863)	(19.04)
<b>70</b>	<b>Staff severance indemnity reserve</b>	<b>257,281</b>	<b>263,722</b>	<b>(6,441)</b>	(2.44)
<b>80</b>	<b>Reserves for risks and other charges</b>	<b>652,595</b>	<b>756,028</b>	<b>(103,433)</b>	(13.68)
	<i>a) pension fund and similar obligations</i>	178,451	130,832	47,619	36.40
	<i>b) reserve for taxes</i>	125,596	225,214	(99,618)	(44.23)
	<i>c) other reserves</i>	348,548	399,982	(51,434)	(12.86)
<b>90</b>	<b>Reserve for loan losses</b>	<b>112,608</b>	<b>112,608</b>		00
<b>100</b>	<b>Reserve for general banking risks</b>	<b>35,396</b>	<b>34,879</b>	<b>517</b>	1.48
<b>110</b>	<b>Subordinated debt</b>	<b>4,429,398</b>	<b>4,370,494</b>	<b>58,904</b>	1.35
<b>120</b>	<b>Share capital</b>	<b>1,935,273</b>	<b>1,935,273</b>		
<b>130</b>	<b>Additional paid-in capital</b>	<b>522,925</b>	<b>522,925</b>		
<b>140</b>	<b>Reserves</b>	<b>3,483,737</b>	<b>3,435,736</b>	<b>48,001</b>	1.40

	<i>a) legal reserve</i>	357,137	335,003	22,132	6.661
	<i>b) reserve for own shares or quotas</i>		14,453	(14,453)	(100.00)
	<i>c) statutory reserves</i>	1,095,312	1,065,812	29,500	2.77
	<i>d) other reserves</i>	2,031,288	2,020,466	10,822	0.54
<b>150</b>	<b>Revaluation reserves</b>				
<b>160</b>	<b>Retained earnings</b>		<b>6</b>	<b>124</b>	<b>(118)</b> (95.16)
<b>170</b>	<b>Profit (loss) for the year</b>		<b>610,478</b>	<b>221,200</b>	<b>389,278</b> 175.98
	<b>Total Liabilities and Shareholders' Equity</b>	<b>91,161,841</b>	<b>84,998,996</b>	<b>6,162,845</b>	<b>7.25</b>

**GUARANTEES AND  
COMMITMENTS**

(in EUR 000's)

<b>Account</b>	<b>31/12/04</b>	<b>31/12/03</b>	<b>Absolute and % Changes</b>	
<b>10 Guarantees released</b>	<b>6,468,447</b>	<b>6,504,255</b>	<b>(35,808)</b>	<b>(0.55)</b>
<i>including:</i>				
- <i>acceptances</i>	28,082	24,718	3,364	13.61
- <i>other guarantees</i>	6,440,365	6,479,537	(39,172)	(0.60)
<b>20 Commitments</b>	<b>4,968,384</b>	<b>4,577,701</b>	<b>390,683</b>	<b>8.53</b>
<i>including:</i>				
<i>for sales with obligation to repurchase</i>	-			
<b>30 Commitments relative to credit derivatives</b>	<b>2,921,223</b>	<b>1,658,828</b>	<b>1,262,395</b>	<b>76.10</b>

**PROFIT AND LOSS STATEMENT**

 (in EUR  
000's)

Account	31/12/04	31/12/03	Absolute and % Changes	
<b>10 Interest and similar income</b>	<b>2,774,594</b>	<b>3,169,687</b>	<b>(395,093)</b>	<b>(12.46)</b>
<i>including:</i>				
- on customer loans and advances	1,862,659	2,259,461	(396,802)	(17.56)
- on debt securities	502,164	430,202	71,962	16.73
<b>20 Interest expense and other expense on borrowed funds</b>	<b>1,556,071</b>	<b>1,714,723</b>	<b>(158,652)</b>	<b>(9.25)</b>
<i>including:</i>				
- on customer deposits	358,016	458,820	(100,804)	(21.97)
- on other borrowed funds backed by negotiable instruments	596,026	610,207	(14,181)	(2.32)
<b>30 Dividends and other income</b>	<b>401,601</b>	<b>686,649</b>	<b>(285,048)</b>	<b>(41.51)</b>
a) on shares, quotas and other equity securities	131,874	280,714	(148,840)	(53.02)
b) on equity investments	36,617	46,237	(9,620)	(20.81)
c) on equity investments in Group companies	233,110	359,698	(126,588)	(35.19)
<b>40 Commissions earned</b>	<b>793,599</b>	<b>854,164</b>	<b>(60,656)</b>	<b>(7.09)</b>
<b>50 Commissions expense</b>	<b>112,915</b>	<b>109,138</b>	<b>3,777</b>	<b>3.46</b>
<b>60 Profit (loss) from financial transactions</b>	<b>(115,527)</b>	<b>(164,073)</b>	<b>48,546</b>	<b>(29.59)</b>
<b>65 Earnings on investment of pension funds and similar funds</b>	<b>7,314</b>	<b>3,889</b>	<b>3,425</b>	<b>88.07</b>
<b>70 Other operating income</b>	<b>454,840</b>	<b>487,204</b>	<b>(32,364)</b>	<b>(6.64)</b>
<b>80 Administrative expenses</b>	<b>1,842,048</b>	<b>2,055,568</b>	<b>(213,520)</b>	<b>(10.39)</b>
a) personnel expense	1,032,081	1,162,225	(130,144)	(11.20)
<i>including:</i>				
- salaries and wages	725,160	819,889	(94,729)	(11.55)
- social-welfare charges	199,184	219,629	(20,445)	(9.31)
- staff severance indemnity reserve	57,372	65,912	(8,540)	(12.96)
- pension fund and similar obligations	15,504	17,458	(1,954)	(11.19)
b) other administrative expenses	809,967	893,343	(83,376)	(9.33)
<b>85 Allocation of earnings on investments of pension and similar funds</b>	<b>7,314</b>	<b>3,889</b>	<b>3,425</b>	<b>88.07</b>
<b>90 Valuation adjustments to fixed and intangible assets</b>	<b>166,919</b>	<b>205,257</b>	<b>(38,338)</b>	<b>(18.68)</b>
<b>100 Provisions for risks and charges</b>		<b>67,137</b>	<b>(67,137)</b>	<b>(100.00)</b>
<b>110 Other operating expenses</b>	<b>40,673</b>	<b>24,813</b>	<b>15,860</b>	<b>63.92</b>
<b>120 Valuation adjustments to loans and provisions for guarantees and commitments</b>	<b>498,506</b>	<b>588,923</b>	<b>(90,417)</b>	<b>(15.35)</b>
<b>130 Recoveries on loans and on provisions for guarantees and commitments</b>	<b>224,194</b>	<b>151,849</b>	<b>72,435</b>	<b>47.64</b>
<b>140 Provisions to loan loss reserve</b>				
<b>150 Valuation adjustments to non-current financial assets</b>	<b>89,235</b>	<b>449,426</b>	<b>(360,191)</b>	<b>(80.14)</b>

160	Recoveries on non-current financial assets	1,030	6,978	(5,948)	(85.24)
170	Profit (loss) from ordinary operations	227,964	(22,527)	250,491	
180	Extraordinary income	478,808	388,913	86,895	22.34
190	Extraordinary charges	111,185	542,546	(431,361)	(79.51)
200	Extraordinary profit (loss)	364,623	(153,633)	518,256	(337.32)
210	Change in reserve for general banking risks		300,000	(300,000)	(100.00)
220	Income taxes	17,891	97,360	(79,469)	(81.62)
230	Profit for the year	610,478	221,200	389,278	175.98
240	Provisions to reserves pursuant to Law 218/90 and Legislative Decree 153/99	-	-		
250	Net profit for the year	610,478	221,200	389,278	175.98



# NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements include the following:

## **Part A - Valuation criteria**

Description of valuation criteria

## **Part B - Information on the Balance Sheet**

Section 1 – Loans

Section 2 – Securities

Section 3 – Equity investments

Section 4 – Fixed and intangible assets

Section 5 – Other assets

Section 6 – Liabilities

Section 7 – Reserves

Section 8 – Capital, reserves, reserve for general banking risks and subordinated debt

Section 9 – Other liabilities

Section 10 – Guarantees and commitments

Section 11 – Concentration and distribution of assets and liabilities

Section 12 – Funds management and other transactions for the account of third parties

## **Part C - Information on the Profit and Loss Statement**

Section 1 – Interest income and interest expense

Section 2 – Commissions earned and commission expense

Section 3 – Profits and losses from financial transactions

Section 4 – Operating expenses

Section 5 – Valuation adjustments, recoveries and provisions

Section 6 – Other items

Section 7 – Additional notes to the profit and loss statement

## **Part D - Other information**

Section 1 – Directors and Statutory Auditors

Section 2 – Parent company or EU-based controlling entity

## **PART A**

### **VALUATION CRITERIA**

#### VALUATION CRITERIA

The valuation criteria indicated hereunder conform with the criteria provided by prevailing Italian laws and with the criteria adopted in the preparation of the financial statements as of 31 December 2003.

In compliance with the new corporate law regarding financial statements, the accounts concerned by tax interferences in the preceding financial years have been submitted to “tax clean-up”, as better specified in section 3.6.

#### **1. LOANS, GUARANTEES AND COMMITMENTS**

##### **1.1 LOANS**

Loans and advances to customers and banks are recorded at the total amount disbursed. Mortgages, deposits with third parties, long-term loans and other subsidies are stated at the equivalent of the residual principal amount. Loans include accrued and past-due interest computed and settled at year end. Interest accrued and unpaid at year end is recorded in the profit and loss statement with the offsetting entry to accrued income.

Loans are stated at their estimated realizable value, which is determined by taking into account the solvency of the debtor as well as difficulties in the servicing of debt by countries in which the debtors are resident. Estimated loan losses are computed based on analyses of outstanding loans whose collection may be at risk, with such analyses supplemented by evaluations of country risk.

In details:

- Non-performing loans (i.e. loans made to borrowers who are insolvent or in a comparable situation) and watch-list credits (i.e. loans made to borrowers in temporary difficulties) are analyzed by taking into account the financial condition of each borrower and the existence of any collateral or guarantees;
- Loans to countries at risk and loans to residents in countries having difficulties in servicing debt are valued in accordance with the directives of the Bank of Italy and the Italian Bankers Association with respect to the country of the counterparty;
- Performing loans are estimated on the basis of the Bank's ordinary risk;
- Past-due interest is mostly written off completely.

The determination of the estimated realizable value of loans also takes into account the existence of certain credit-risk hedging transactions effected through credit derivatives in which the Bank acts as the party purchasing protection.

The writedown of loans is effected by means of a direct charge to the carrying value; the writedown provisions may later be reversed should the reasons therefor no longer apply.

## **1.2 GUARANTEES AND COMMITMENTS**

Guarantees and commitments are valued as follows:

- Agreements covering loans and deposits to be funded: at the value of the underlying contract;
- Irrevocable credit lines: at the value of the residual amount available;
- Other guarantees and commitments: at the value of the contractual commitment.

Specific credit risks inherent to the guarantees and commitments are valued in accordance with the criteria adopted for valuing loans. Any estimated losses are recorded in the account "Reserve for risks and charges - other reserves". Any capital losses on credit derivatives contracts belonging to the banking book in which the Bank acts as the party selling the protection are also ascribed to the aforementioned reserve.

## **2. SECURITIES AND OFF-BALANCE-SHEET TRANSACTIONS (excluding those relating to foreign currency transactions)**

Transactions involving securities are recorded as of the settlement date; securities denominated in foreign currencies are converted in euros at the exchange rate prevailing at year end.

The cost of securities is determined according to the weighted daily average cost method, with any issuing premiums and discounts recorded in accordance with prevailing laws.

Transfers between the trading portfolio and the investment portfolio and vice versa are effected at the value resulting from the application, as of the date of the transaction, of the evaluation methods of the portfolio of origin.

### **2.1 INVESTMENT SECURITIES**

Securities held for long-term investment purposes are valued at purchase or subscription cost adjusted for any issuing or trading premiums and discounts accrued.

The criterion for the recognition of issuing premiums and discounts is considered along with the compulsory criterion for the pro-rata recognition of trading premiums and discounts in a strict sense; both types of premiums and discounts are included in the account "Interest and similar income".

The value of investment securities is written down to reflect permanent impairment of the solvency of the issuer and / or the debt-servicing capacity of the issuer's country of residence. Any writedown provisions taken may later be reversed should the reasons

therefor no longer apply.

## **2.2 TRADING ACCOUNT SECURITIES**

Securities held for trading purposes or for the purposes of the Bank's treasury management are valued as follows.

Securities quoted on official markets in Italy or abroad are valued on the basis of market prices prevailing as of the close of the final trading session of the year.

Investments in mutual funds are stated at market value as calculated by the funds management companies; this criterion is consistent with that adopted for the valuation of securities traded in organized markets.

Securities not listed on official markets are valued as follows:

- Unlisted debt securities are valued at the lower of cost and "normal value"; normal value is objectively determined by the present value of expected cash flows on the securities, and by taking into account current yields on securities with similar maturity dates as of the end of the year;
- Unlisted equity securities are valued at cost, adjusted to reflect any significant decreases in value;
- Debt or equity securities having an economic relationship with derivatives contracts are valued in accordance with the valuation criterion adopted for the derivatives contracts.

Any gains or losses recorded on the valuation of the trading account securities are booked to Account 60 "Profits/losses from financial transactions".

Any writedown provisions taken may later be reversed should the reasons therefor no longer apply.

## **2.3 OWN SHARES**

Own shares are held for trading purposes within the limits established by a special resolution of the Board of Directors. The shares are valued at market value in accordance with the criteria established for securities traded in organized markets which are part of the trading portfolio. The value of the asset is offset by a restricted reserve of the same amount in accordance with Article 2357 ter of the Italian Civil Code.

## **2.4 OFF-BALANCE-SHEET TRANSACTIONS (excluding those relating to foreign currency)**

### **2.4.1 Commitments for securities transactions to be settled**

Contracts covering the purchase or sale of securities which have not been settled as of the date of the financial statements are reported as commitments on the basis of contractual amounts. Such contracts are valued as follows:

- Purchase commitments are valued at the lower of settlement price and market value, using the criteria adopted for the portfolio to which the securities will be added;
- Sale commitments are valued at the lower of the settlement price and the book value of the securities.

#### **2.4.2 Derivatives contracts (on securities, interest rates, indices and other assets, excluding foreign currencies)**

The valuation of derivative contracts depends on the purpose for which the contracts were consummated.

Derivatives used for trading purposes are valued at market value, determined as follows:

- in the case of contracts quoted in organized markets, by using the market value as of the close of the year;
- in the case of contracts not quoted in organized markets, whose parameters of reference are prices, quotes or indices reported on information circuits normally used at an international level and in any case, parameters that may be objectively determined, by using the financial value as determined on the basis of quotations of the aforementioned parameters reported as of the close of the year;
- in the case of other contracts, by taking into account any other specific elements in an objective and standard manner.

Derivatives used for hedging assets and liabilities and off-balance-sheet assets and liabilities are valued in accordance with the hedged assets and liabilities, as indicated as follows:

- at market value, if used to hedge securities belonging to the trading portfolio;
- at cost, if used to hedge interest-bearing assets or liabilities other than trading account securities, in accordance with the accounts.

The differentials and margins on contracts for hedging interest-bearing assets and liabilities other than trading account securities are calculated as part of the interest margin. If the hedging is related to specific assets and liabilities, such differentials and margins are allocated in accordance with the accrual of interest on the underlying assets and liabilities; in the case of general hedging, the differentials and margins are accrued to the interest margin in accordance with the duration of the contracts.

Any gains or losses recorded on the valuation of the derivatives contracts are accrued to Account 60 – "Profits/losses from financial transactions" in the profit and loss statement. The balancing entries are made to Account 130 - "Other assets" and Account 50 - "Other liabilities", without any offsetting of the gains and losses.

Master netting agreements are taken into account only for determining the absorption of capital required for regulatory purposes, without any significance insofar as financial

statement reporting is concerned.

Derivatives contracts involved in long-term investment transactions which may eventually involve the purchase of securities to be classified as investments are valued with the criteria used for valuing investment securities.

## **2.5 REPURCHASE AGREEMENTS**

Repurchase agreements are reported as funding or lending transactions, with the relative income and expense recorded in the "Interest and similar income" and "Interest expense and other expense on borrowed funds" accounts in the profit and loss statement as accrued.

## **3. EQUITY INVESTMENTS**

Shareholdings considered as long-term investments are valued at cost, inclusive of revaluation required by the law, ancillary charges and any writedowns to reflect the permanent impairment of value on the investment whether in relation to a decrease in shareholders' equity or market trends.

The writedown provisions may be reversed in whole or in part should the reasons therefor no longer apply.

Dividends from subsidiary companies are accrued as earned, i.e. in the same year in which the earnings subject to distribution are actually generated. Other dividends are booked in the year in which their payment is authorized which coincides with the year in which they are received.

## **4. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (including off-balance-sheet transactions)**

Transactions in foreign currency are reported as of the settlement date.

Profits and losses from transactions denominated in foreign currency are reported using the exchange rates prevailing when the transaction was posted.

Assets and liabilities denominated in foreign currency or denominated in euros and indexed to a foreign currency are converted into euros by using the spot exchange rates prevailing at the end of the year; cross-exchange rates with the U.S. dollar as of year end were used for converting unlisted currencies into euros.

Off-balance-sheet spot transactions are converted into euros using spot rates prevailing at year end. Off-balance-sheet forward transactions and derivative contracts are valued as follows:

- in the case of trading transactions, at the forward rate as of year end for corresponding maturities;

- in the case of hedging transactions, at a value consistent with the assets and liabilities hedged; the spot-forward exchange-rate differential is accrued to interest income or interest expense over the life of the contracts.

The result of such valuations is accrued to the profit and loss statement.

## **5. FIXED ASSETS**

Fixed assets are recorded at purchase cost, which is increased to reflect any ancillary charges or costs for improvements. In the case of buildings, the original cost may be revalued in accordance with specific laws.

The values disclosed are net of accumulated depreciation determined on the basis of maximum rates allowed by law, and reflect the residual value of the assets in relation to the estimated useful life of the same. The estimated useful life of the assets is computed by taking into account the nature of the Bank's business and the rapid degree of obsolescence in the case of assets having a high technology content.

Expenses and charges for maintenance and repair which do not increase the value of the assets are charged to the profit and loss statement as incurred.

## **6. INTANGIBLE ASSETS**

Intangible assets are recorded at purchase or production cost, including any ancillary charges. Amortization is computed with reference to the residual possibilities for the use of the assets, as described hereunder:

- Costs sustained for capital increases and for the Bank's stock market listing and other deferred charges are amortized on a straight-line basis over a period of five years;
- Costs sustained for commissions paid on bond issues are amortized in relation to the relative redemption schedules;
- Costs incurred for the purchase and third-party production of software are amortized on a straight-line basis over five years;
- Any other deferred charges are amortized over a maximum period of five years.

## **7. ACCRUALS AND DEFERRALS**

Accruals and deferrals are calculated in accordance with the matching principle, on the basis of the conditions applicable to the individual relationships to which the amounts refer. No adjustments are made directly to such accounts.

## **8. OTHER INFORMATION**

## **8.1 DUE TO BANKS AND CUSTOMERS**

Savings deposits, certificates of deposit and current-account deposits of customers and banks are stated at nominal value, including interest paid as of 31 December 2004. Interest accrued on certificates of deposit and time deposits maturing after 31 December 2004 has been recorded as interest expense, with the offsetting entry to accrued liabilities.

## **8.2 STAFF SEVERANCE INDEMNITY RESERVE**

The staff severance indemnity reserve includes all amounts due to the employees as of the end of the year in accordance with prevailing laws and labor contracts. The reserve fully covers commitments to employees as of year end.

## **8.3 RESERVES FOR RISKS AND OTHER CHARGES**

### **8.3.1 Pension fund and similar obligations**

The reserve includes a pension fund to supplement the Government pensions for personnel in the Tax Collection Department, a complementary defined-contribution pension fund set up for employees hired as of 1 January 1991 and annual provisions for pensions to be paid to the Bank's present and past Chief Executives as calculated in relation to the terms and conditions of individual contracts.

### **8.3.2 Reserve for taxes**

The reserve represents provisions necessary to meet tax due from the bank and for the IRES (corporate income tax) due from the other companies of the group included in tax consolidation taxation, as realistically foreseeable, according to the current regulations and taxes.

Contracts regulating clearing concerning tax profit and loss transfers have been underwritten between the bank and the subsidiaries included in tax consolidation.

These flows are calculated by applying the current IRES rate to the taxable income of the companies included.

For the companies with tax losses, the clearing, calculated as above, is acknowledged by the consolidating company to the consolidated one subject to and to the extent that the consolidated company could have used the losses within five years as provided for by the law in case of non-inclusion in the tax consolidation.

Clearings are therefore recorded as assets and liabilities as to the tax consolidated companies classified in "other assets and "other liabilities" with the offsetting entry to "income taxes".

### **8.3.3 Deferred taxes**

Deferred taxes are booked in accordance with the directives of the Bank of Italy (order of 3 August 1999) and CONSOB (notice of 30 July 1999) as well as in accordance with the



Italian Accounting Principle n. 25 approved by the Italian Association of Professional Accountants ("Dottori Commercialisti e Ragionieri").

Pursuant to this accounting principle, deferred tax assets and deferred tax liabilities are recorded, respectively, in the balance sheet accounts, "other assets" and "reserve for taxes". In respect of the general principle of prudence, deferred tax assets are recognized only to the extent that there is reasonable certainty of sufficient taxable income being realized in future years so as to allow for full absorption of the taxes in the specific years in which the amounts prepaid due to timing differences become deductible for tax purposes. This determination must be made at the end of every year in order to ensure the condition of recoverability.

#### 8.3.4 Other reserves

Other reserves include provisions made to cover risks on guarantees released and commitments undertaken, and reserves to cover liabilities which are probable or certain but whose amount or settlement date were unknown as of the date of the financial statements.

#### **8.4 RESERVE FOR LOAN LOSSES**

The reserve covers only potential risks and therefore is not used for adjusting the value of any assets.

#### **8.5 RESERVE FOR GENERAL BANKING RISKS**

The reserve has been set up in accordance with Article 11, Paragraph 2 and 3 of Legislative Decree 87/92, in order to cover risks on general banking business.

#### **8.6 PROFIT AND LOSS STATEMENT**

Interest and commission income and expense are recognized in accordance with the accrual accounting method. Interest income and expense include other income and charges of the same nature, including issuing premiums and discounts on trading and investment securities.

The criteria used for the determination of accruals and deferrals make reference to the concept of the allocation of income and expenses applicable to two or more years.

#### **8.7 CURRENCY OF ACCOUNT**

All amounts in the balance sheet and the profit and loss statement are denominated in euros, whereas the amounts in the notes to the financial statements are denominated in thousands of euros.

In the schedules attached to the financial statements, specific indication is given of any amounts denominated in other currencies.

Comments regarding salient events occurring after the date of the financial statements, relationships between other Group companies, and future developments are provided in the Report of the Board of Directors.

**PART B**  
**INFORMATION ON THE BALANCE SHEET**

## Section 1 - LOANS

Amounts due from banks and customers are stated at the estimated realizable value.

### 1.1 Detail of Account 30 - Amounts due from banks

	31/12/2004	31/12/2003
<b>A) Amounts due from central banks:</b>	731,434	642,519
Amounts due from the Bank of Italy		
- mandatory reserves	716,433	627,519
- repurchase agreements	-	-
- other credits	-	-
Amounts due from other central banks	15,001	15,000
<b>B) Bills eligible for refinancing with central banks</b>	-	-
<b>C) Repurchase agreements</b>	2,939,643	2,999,586
<b>D) Securities lending</b>	-	-

The balance of the account in relation to the economic nature of the counterparty and the type of transaction is indicated in the following table.

	31/12/2004	31/12/2003
<b>Sight</b>	1,017,880	779,607
- Current accounts	681,188	521,210
- Demand deposit	295,578	193,402
- Other	41,114	64,995
<b>Other</b>	20,057,971	15,906,899
- Bank of Italy and other central banks	731,434	642,519
- Time deposits	11,219,513	6,740,735
- Repurchase agreements	2,939,644	2,999,586
- Loans and subsidies	5,144,748	5,450,803
- Other	22,632	73,256
<b>Total</b>	21,075,851	16,686,506

**Valuation of amounts due from banks (excluding past-due interest)**

Following is detail on the adjustments to principal amounts.

	31/12/2004		
	<i>Nominal Value</i>	<i>Doubtful Amounts</i>	<i>Net Amounts</i>
Non-performing loans	5,264	3,493	1,771
Watchlist credits			
Country risk <i>including: central banks banks</i>	336,516	1,001	335,515
	<i>336,516</i>	<i>1,001</i>	<i>335,515</i>
<b>Total</b>	341,780	4,494	337,286

	31/12/2003		
	<i>Nominal Value</i>	<i>Doubtful Amounts</i>	<i>Net Amounts</i>
Non-performing loans	9,456	8,224	1,232
Watchlist credits			
Country risk <i>including: central banks banks</i>	346,651	2,693	343,958
	<i>346,651</i>	<i>2,693</i>	<i>343,958</i>
<b>Total</b>	356,107	10,917	345,190

**Amounts due from banks (including past-due interest)**

31/12/2004

	Total Outstanding	Total Valuation Adjustments	Net Exposure
<b>A. Doubtful loans</b>	292,074	4,989	287,085
A.1 Non-performing loans	5,759	3,988	1,771
A.2 Watchlist credits	-	-	-
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	286,315	1,001	285,314
<b>B. Performing loans</b>	20,788,766	-	20,788,766

31/12/2003

	Total Outstanding	Total Valuation Adjustments	Net Exposure
<b>A. Doubtful loans</b>	306,913	11,342	295,571
A.1 Non-performing loans	9,881	8,649	1,232
A.2 Watchlist credits	-	-	-
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	-	-	-
A.5 Unsecured loans to high-risk nations	297,032	2,693	294,334
<b>B. Performing loans</b>	16,390,935	-	16,390,935

**1.2 Detail of Account 40 - Customer loans and advances**

31/12/2003

a) Bills eligible for refinancing with central banks	-	-
b) Repurchase agreements	119,225	85,855
c) Securities lending	-	-

Customer loans amount to EUR 38,818,113,000, net of writedowns of EUR 1,048,363,000. The distribution of loans by category is provided in the following table:

	31/12/2004	31/12/2003
Current accounts	8,844,084	8,504,289
Discounted bills	156,723	153,994
Repurchase agreements	119,225	85,855
Advances	1,172,972	1,016,601
Advances and subsidies	8,943,547	9,162,107
Personal loans	396,899	625,360
Non-performing loans	739,501	594,164
Mortgage loans and advances toward mortgage loans	17,228,738	15,467,667
Other	1,216,424	1,025,524
<b>Total</b>	<b>38,818,113</b>	<b>36,635,561</b>

### 1.3 Secured customer loans and advances

The table below summarizes secured loans. The table includes amounts for partially secured loans and excludes loans to governments and public-sector entities.

	31/12/2004	31/12/2003
<b>a) Secured by mortgages</b>	<b>10,358,817</b>	<b>8,171,762</b>
<b>b) Loans collateralized by:</b>		
1 - Cash deposits	310,467	267,718
2 - Securities	686,817	802,942
3 - Other negotiable instruments	20,797	8,366
<b>c) Loans backed by guarantees from:</b>		
1 - Governments		-
2 - Other public-sector entities	1,346	2,352
3 - Banks	78,255	80,338
4 - Others	6,876,535	6,546,832
<b>Total</b>	<b>18,328,034</b>	<b>15,880,310</b>

### 1.4 Non-performing loans (including past-due interest)

Non-performing loans, which include EUR 140,292,000 of past-due interest (all of which has been written off) can be summarized as follows:

	31/12/2004	31/12/2003
Nominal value	1,444,631	1,161,300
less: valuation adjustments	703,359	565,904
<b>Book value</b>	<b>741,272</b>	<b>595,396</b>

## 1.5 Past-due interest

The table below provides a breakdown of the nominal amount of past-due interest

	31/12/2004	31/12/2003
a) Non-performing loans	174,594	140,292
b) Other credits	12,349	18,013
c) Amounts due from taxpayers	-	442,739
<b>Total</b>	<b>186,843</b>	<b>601,044</b>

Past-due interest has been written off completely

## 1.6 Valuation adjustments to customer loans (excluding past-due interest)

Following is detail on the adjustments to principal amounts.

	<i>Original Value</i>	<i>Amount Written Off (loss)</i>	<b>Book Value as at 31/12/2004</b>	<i>Doubtful Amount</i>	31/12/2004 <i>Book Value</i>
Non-performing loans	1,658,484	393,711	<b>1,264,773</b>	525,272	739,501
<i>including: mortgage loans</i>	422,497	46,511	375,986	37,514	338,472
<i>other</i>	1,235,987	347,200	888,787	487,758	401,029
Watchlist credits					
And in arrears	646,013		<b>646,013</b>	135,819	510,194
Country risk	116,278		<b>116,278</b>	2,404	113,874
<b>Total</b>			<b>2,027,064</b>	663,495	1,363,569
Lump-sum adjustment on performing loans				198,520 (*)	
				862,015	

(\*)Resulting from EUR 176mn as lump-sum adjustment plus EUR 16mn as value of one single loan on the asset side. The amount also includes EUR 63mn to cover any risk resulting from exposures in the car industry.

Valuation adjustments to non-performing loans amount to 55.41 percent of the original loan value, or 67.55 percent excluding mortgage loans.

	<i>Original Value</i>	<i>Amount Written Off (loss)</i>	<b>Book Value as at 31/12/2003</b>	<i>Doubtful Amount</i>	31/12/2003 <i>Book Value</i>
Non-performing loans	1,345,284	333,732	<b>1,011,552</b>	417,388	594,164
<i>including: mortgage loans</i>	374,867	46,207	328,660	47,071	281,589



<i>Other</i>	970,417	287,525	682,892	370,317	312,575
Watchlist credits and in arrears	754,006		<b>754,006</b>	157,511	596,495
Country risk	173,863		<b>173,863</b>	4,555	169,308
<b>Total</b>			<b>1,939,421</b>	579,454	1,359,967
Lump-sum adjustment on performing loans				189,499 (*)	
				768,953	

(\*)Resulting from EUR 176mn as lump-sum adjustment plus EUR 15mn as value of one single loan on the asset side.

Valuation adjustments to non-performing loans amount to 55.83 percent of the original loan value, or 67.79 percent excluding mortgage loans.

**Customer loans (including past-due interest)**

31/12/2004

	Total Outstanding	Total Valuation Adjustments	Net Exposure
<b>A. Doubtful loans</b>	2,179,426	849,843	1,329,583
A.1 Non-performing loans	1,438,872	699,371	739,501
A.2 Watch-list credits	633,441	145,712	487,729
A.3 Loans in the process of restructuring	-	-	-
A.4 Restructured loans	24,821	2,356	22,465
A.5 Unsecured loans to countries at risk	82,292	2,404	79,888
<b>B. Performing loans</b>	37,687,050	198,520	37,488,530

31/12/2003

	Total Outstanding	Total Valuation Adjustments	Net Exposure
<b>A. Doubtful loans</b>	2,015,233	737,334	1,277,899
A.1 Non-performing loans	1,151,419	557,255	594,164
A.2 Watch-list credits	711,433	167,193	544,240
A.3 Loans in the process of restructuring	21,694	123	21,571
A.4 Restructured loans	38,893	8,208	30,685
A.5 Unsecured loans to countries at risk	91,794	4,555	87,239
<b>B. Performing loans</b>	35,547,162	189,499	35,357,663

**Trend of doubtful loans to customers**

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/2003	1,151,419	711,433	21,694	38,893	91,794
A.1 including: past-due interest	139,867	18,013			
B. Increases					
B.1 new performing loans	248,261	314,231		213	17,680
B.2 past-due interest	46,003	6,572			
B.3 transfer from other categories	194,450	8,342		3,575	
B.4 other increases	74,234	72,842		573	9,996
C. Decreases					
C.1 reclassified as performing	2,054	52,756	5,000	1	
C.2 cancellations	111,885	20,147			
C.3 recoveries	146,044	226,379	6,562	18,405	37,178
C.4 sales					
C.5 transfer to other categories	512	180,697	10,132	27	
C.6 other decreases					
D. Total outstanding as of 31/12/2004	1,438,872	633,441	-	24,821	82,292
D.1 including: past-due interest	174,099	12,249			

**Trend of total valuation adjustments (including loan value of financial leases)**

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecure Loans to High-Risk Nations	Performing Loans
A. Total outstanding as of 31/12/2003	557,255	167,193	123	8,208	4,555	189,499
A.1 including: past-due interest	139,867	18,013				
B. Increases						
B.1 valuation adjustments (1)	302,890	77,900	-	1,376	137	102,895
B.1.1 including: past-due interest	46,003	6,572				
B.2 use of loan loss reserves						
B.3 transfers from other categories	43,318	1,966		331		1,496
B.4 other increases	1,045	129				628
C. Decreases						
C.1 reversal of valuation adjustments	45,661	20,280	9	45	1,015	80,200
C.1.1 including: past-due interest	1					
C.2 cash recoveries	14,084	18,600	37	7,861	1,273	10,738
C.2.1 including: past-due interest	2,709	5,346				
C.3 cancellations	111,885	20,146				587
C.4 transfer to other categories	97	42,450	77	13		4,473
C.5 other decreases	33,410					
D. Total as of 31/12/2004	699,371	145,712		2,356	2,404	198,520
D.1 including: past-due interest	174,099	12,249				

(1) The account includes EUR 33,410,000 of adjustments relative to the securitization of non-performing loans in previous years

**Trend of doubtful loans to banks**

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations
A. Total outstanding as of 31/12/2003	9,881				297,032
A.1 including: past-due interest	425				
B. Increases					
B.1 new performing loans					
B.2 past-due interest					
B.3 transfer from other categories	69				
B.4 other increases					165,308
C. Decreases					
C.1 reclassified as performing					
C.2 cancellations	1,468				
C.3 recoveries	2,723				176,025
C.4 sales					
C.5 transfer to other categories					
C.6 other decreases					
D. Total as of 31/12/2004	5,759				286,315
D.1 including: past-due interest	495				

**Trend of total valuation adjustments**

Description/Category	Non-Performing Loans	Watchlist Credits	Loans in the Process of Restructuring	Restructured Loans	Unsecured Loans to High-Risk Nations	Performing Loans
A. Valuation adjustments as of 31/12/2003	8,649					2,693
A.1 including: past-due interest	425					
B. Increases						
B.1 valuation adjustments	69					752
B.1.1 including: past-due interest	69					
B.2 use of loan loss reserves						
B.3 transfers from other categories						
B.4 other increases						
C. Decreases						
C.1 reversal of valuation adjustments	540					70
C.1.1 including: past-due interest						
C.2 cash recoveries	2,722					2,734
C.2.1 including: past-due interest						
C.3 cancellations	1,468					
C.4 transfer to other categories						
C.5 other decreases						
D. Total as of 31/12/2004	3,988					1,001
D.1 including: past-due interest	495					

**1.7 Composition of Account 10- Cash and cash on deposit with central banks and post offices**

	31/12/2004	31/12/2003
Notes and coins	265,029	289,533
Money orders and bank drafts	30,754	44,598
Cash on deposit with the Bank of Italy and central banks	-	-
Cash on deposit with post offices	78,417	67,744
Other		-
<b>Total</b>	<b>374,200</b>	<b>401,875</b>

## Section 2 - SECURITIES

Securities held by the Bank are reported in the balance sheet as follows:

31/12/2004

Account/Transactions	Investment Securities	Trading Securities	Total
20 - Treasury bonds and similar instruments eligible for refinancing	8,421	28,764	37,185
50 - Bonds, debentures and other loan securities	3,127,877	8,131,914	11,259,791
60 - Shares and other equity securities	-	1,077,203	1,077,203
<b>Total</b>	<b>3,136,298</b>	<b>9,237,881</b>	<b>12,374,179</b>

31/12/2003

Account/Transactions	Investment Securities	Trading Securities	Total
20 - Treasury bonds and similar instruments eligible for refinancing	10,277	100,754	111,031
50 - Bonds, debentures and other loan securities	3,428,967	7,652,688	11,081,655
60 - Shares and other equity securities	-	681,303	681,303
<b>Total</b>	<b>3,439,244</b>	<b>8,434,745</b>	<b>11,873,989</b>

## 2.1 Investment securities

The table below summarizes the holdings in the investment securities portfolio:

	Book value 31/12/2004	Market value 31/12/2004	Book Value 31/12/2003	Market Value 31/12/2003
<b>1 Debt securities</b>				
1.1 Government securities				
- listed	597,179	624,977	600,098	609,219
- unlisted	13,214	13,786	14,252	15,228
1.2 Other securities				
- listed	1,545,183	1,513,944	1,746,035	1,801,761
- unlisted	980,722	921,999	1,078,859	1,034,745
<b>2 Equity securities</b>				
- listed			-	-
- unlisted			-	-
<b>Total</b>	<b>3,136,298</b>	<b>3,074,706</b>	<b>3,439,244</b>	<b>3,460,953</b>

Based on average market prices in the final six months of 2004, the investment portfolio included unrealized losses of EUR 117,999,000 and unrealized gains of EUR 56,407,000.

The hidden unrealized losses on securities issued by risk countries are set off with a special provision to "Reserves for risks and other charges" for EUR 8,071,000 (s. section 7.3).

The risk resulting from a set of investment securities referred to securitization originated by banks of the Group totally amounting to EUR 177,740,000 of nominal value through the "class" transaction is hedged by total rate of return swaps. Therefore EUR 81,825,000 of the above-mentioned unrealized losses is set off by unrealized gains on the hedging total rate of return swap of EUR 82,397,000.

The net unrealized losses on investment portfolio derivatives, excluding "total rate of return swap", amount to EUR 204,595,000.

Were the securities to have been considered as trading securities, the portfolio would have evidenced, based on the prices on 31 December 2004, capital losses of EUR 109,554,000 and capital gains of EUR 74,760,000.

## 2.2 Annual changes in investment securities

Annual changes in investment securities are as follows:

	31/12/2004	31/12/2003
<b>A. Opening balance</b>	3,439,244	2,612,699
<b>B. Increases</b>	471,239	3,166,567
B.1. purchases	429,390	1,202,845
B.2. recoveries in value	-	1,770
B.3. transfers from trading securities portfolio	-	400,348
B.4 other changes	41,849	1,561,604
<b>C. Decreases</b>	774,185	2,340,022
C.1. sales	-	-
C.2. redemptions	675,069	812,031
C.3. valuation adjustments	3,198	29,001
Including:		
- permanent writedowns	3,198	29,001
C.4. transfers to trading securities portfolio	-	1,190,208
C.5. other changes	95,918	308,782
<b>D. Closing balance</b>	3,136,298	3,439,244

Point B.1 includes acquisitions aimed at replacing expired securities

Point B. 4 includes accrual of issuing and trading discounts for EUR 14,877,000, exchange differences for EUR 26,881,000 and other changes for EUR 91,000.

Point C.5 includes accrual of issuing and trading discounts in the amount of EUR 28,985,000 and exchange differences in the amount of EUR 65,453,000 as well as other changes for EUR 1,480,000.

## 2.3 Trading account securities

The table below summarizes the holdings in the trading securities portfolio:

	Book value 31.12.2004	Market value 31.12.2004	Book Value 31/12/2003	Market Value 31/12/2003
<b>1 Debt securities</b>				
1.1 Government securities				
- listed	1,820,649	1,820,649	2,230,396	2,230,396
- unlisted	6,409	6,504	7,003	7,062
1.2 Other securities				
- listed	3,668,826	3,668,826	2,456,520	2,456,520
- unlisted	2,664,794	2,689,792	3,059,523	3,072,015
<b>2 Equity securities</b>				
- listed	877,202	877,202	545,504	545,504



- unlisted	200,001	203,358	135,799	137,074
<b>Total</b>	9,237,881	9,266,331	8,434,745	8,448,571

The positive difference of EUR 28,450,000 between market value and book value consists of unrealized capital gains on unlisted securities not covered by derivatives contracts which were not booked to the profit and loss statement.

The trading portfolio includes EUR 183,198,000 of revaluation and recoveries (including EUR 48,792,000 for unlisted securities on derivatives) and EUR 51,872,000 of valuation adjustments.

As of 31 December 2004, the trading portfolio includes securities relative to the defined-contribution pension fund for staff hired after 1 January 1991; such securities came to EUR 118,131,000 (including government securities in the amount of EUR 73,410,000, other debt securities in the amount of EUR 9,909,000 and equity securities in the amount of EUR 34,812,000). The trading portfolio as of the end of 2003 also included securities held by the defined-contribution pension fund for the tax collection area in the amount of EUR 17,956,000.

## 2.4 Annual changes in trading account securities

	31/12/2004	31/12/2003
<b>A. Opening balance</b>	8,434,745	7,753,255
<b>B. Increases</b>	21,988,360	23,023,404
B1. Purchases		
Debt securities		
- government securities	8,492,838	10,664,378
- other securities	6,568,617	4,261,495
Equity securities	6,461,283	5,593,446
B2. Recoveries and revaluations	183,198	144,208
B3. Transfers from investment securities portfolio	-	1,190,208
B4. Other changes	282,424	1,169,669
<b>C. Decreases</b>	21,185,224	22,341,914
C1. Sales and redemptions		
Debt securities		
- government securities	8,940,030	9,357,283
- other securities	5,932,335	4,477,449
Equity securities	6,057,759	5,450,731
C2. Valuation adjustments	51,872	82,528
C3. Transfers to investment securities portfolio	-	400,348
C4. Other changes	203,228	2,573,575
<b>D. Closing balance</b>	9,237,881	8,434,745

Point B.4 includes

- a) trading portfolio opening balance of the subsidiary Banca C. Steinhauslin & C. S.p.a., merged in the first half year of 2004 (EUR 89,061,000);
- b) issuing discounts in the amount of EUR 154,973,000 and trading income of EUR 38,390,000.

Point C.4 includes issuing discounts of EUR 115,202,000, initial technical overdrafts of EUR 25,177,000 trading losses of EUR 30,188,000, exchange differences of EUR 32,187,000 and other changes of EUR 474,000.

As shown in the notes following Section 2.3 above, the trading account securities include securities relative to the defined-contribution pension fund for staff hired after 1 January 1991. Accordingly, the values reported in the table above include changes relative to this pension fund, as follows:

purchases (B1) of EUR 164,279,000; revaluations (B2) of EUR 1,463,000; other increases (B4) for EUR 3,440; sales and reimbursements (C1) of EUR 117,377,000; valuation adjustments (C2) of EUR 126,000; and other decreases (C4) per EUR 20,000.

Point B1 also includes EUR 693,000 of securities purchased for the defined-contribution pension fund for the tax collection personnel and point C.1 sales for EUR 4,749,000.

The revaluation and recovery of value indicated in Points B2 and C2 have been accrued to Account 60 - "Profits (losses) on financial transactions", with the exception of the amounts relative to the aforementioned

defined-contribution pension plan, which, instead, were booked to Account 65 - "Revenues on investments of pension and similar funds".

### Section 3 - EQUITY INVESTMENTS

Investments are reported as follows:

	31/12/2004	31/12/2003
Equity investments in Group companies	5,249,052	5,189,467
Equity investments - other including: - significant equity investments	2,320,710	2,039,453
	-	6,003
<b>Total</b>	<b>7,569,762</b>	<b>7,228,920</b>

#### 3.1 Equity investments

The following table provides information relative to subsidiaries and affiliates and to companies over which the Bank has significant influence.

Group companies:

Name	Head Office	Net Equity	Profit/Loss	% Held	Book Value
Banca 121 Promozione Finanziaria S.p.A.	Lecce	120,231	(49,769)	100.00	120,500
Banca Agricola Mantovana S.p.A.	Mantua	892,637	71,515	100.00	825,400
Banca Monte Parma S.p.A.	Parma	137,180	2,363	41.00	133,930
Banca Monte Paschi Belgio S.A.	Brussels	56,492	5,172	77.53	39,224
Banca Popolare di Spoleto S.p.A.	Spoleto	122,693	7,169	20.00	38,722
Banca Toscana S.p.A.	Florence	1,124,990	90,057	100.00	1,020,000
CDO.Net	Milan	-	-	51.00	607
Cons. Operativo Gruppo MPS	Siena	140,246	-	99.78	140,035
Consum.it S.p.A.	Florence	64,836	21,451	70.00	20,302
Dipras	Rome	1,241	351	100.00	575
G. Imm. Astor S.r.l.	Lecce	1,686	121	52.00	1,312
G.I. Profidi Sim S.p.A.	Rome	2,567	(674)	100.00	2,641
GERIT S.p.A.	L'Aquila	2,736	272	99.98	2,513
Italriscossioni S.p.A.	Rome	9,838	(106)	100.00	2,488
Marinella S.p.A.	La Spezia	46,027	(1,234)	100.00	18,976
Monte Paschi Banque	Paris	81,483	(2,764)	70.18	57,625
Monte Paschi Fiduciaria S.p.A.	Siena	1,356	11	86.00	1,192
Monte Paschi Ireland	Dublin	127,573	(230)	100.00	205,708
Monte Paschi Life Ltd	Dublin	106,503	25,191	40.00	22,032
Monte Paschi Nederland	Amsterdam	-	-	100.00	-
Monte Paschi SERIT S.p.A.	Palermo	15,202	4,801	100.00	10,400
Monte Paschi Vita S.p.A.	Rome	440,760	42,895	91.52	367,688
Montepaschi Assicurazioni Danni S.p.A.	Rome	40,773	7,704	100.00	32,350
MPS Asset Management SGR	Milan	103,205	41,151	79.43	31,791

MPS Banca per l'Impresa	Florence	483,999	49,213	83.02	286,050
MPS Finance Banca Mobiliare S.p.A.	Siena	217,841	34,257	100.00	158,572
MPS Gestione Crediti Banca S.p.A.	Siena	108,044	6,959	99.50	158,572
MPS Immobiliare S.p.A.	Siena	1,325,307	27,958	100.00	1,296,430
MPS Leasing e Factoring S.p.A.	Siena	286,243	(13,584)	86.92	293,905
MPS Luxembourg	Luxembourg	938	178	99.20	124
MPS Net	Siena	15,923	(5,885)	99.00	16,418
MPS Preferred Capital I	Wilmington, Delaware	29,338	(284)	100.00	29,338
MPS Preferred Capital II	Wilmington, Delaware	44,973	(2,836)	100.00	44,715
MPS Professional S.p.A.	Siena	(383)	(2,806)	99.48	-
MPS Tenimenti S.p.A.	Siena	47,368	310	100.00	45,683
Paschi Gestioni Immobiliari S.p.A.	Siena	5,933	75	100.00	5,000
San Paolo Acque S.r.l.	Corigliano d'O.	194	(27)	100.00	268
SO.R.I.T S.p.A.	Foligno	505	(911)	54.59	508
121 Fund Management Ltd.	Dublin	-	-	100.00	-
Ulisse S.p.A.	Milan	80	1	60.00	60
Ulisse 2 S.p.A.	Milan	100	-	60.00	60
Ulisse 3 S.p.A.	Milan	100	-	60.00	60
					5,249,052

Net equity includes profit (loss) for the year.

### 3.2 Assets and liabilities with respect to Group companies

Asset and liability balances with respect to Group companies at year end are summarized in the following table:

		31/12/2004	31/12/2003
<b>a) Assets:</b>		18,258,936	14,665,053
1. Due from banks	14,650,335		11,587,107
including: subordinated amounts	9,841		275,498
2. Due from financial institutions	1,939,422		1,162,850
including: subordinated amounts	44,849		362
3. Due from other customers	585,109		767,672
including: subordinated amounts	-		66,545
4. Bonds and other debt securities	1,084,070		1,147,424
including: subordinated amounts	730,114		664,638
<b>b) Liabilities:</b>		9,365,562	7,823,115
1. Due to banks	6,409,792		4,427,104
2. Due to financial institutions	108,243		408,573
3. Due to other customers	331,308		1,898,281
4. Liabilities backed by securities	1,454,137		33,157
5. Subordinated liabilities	1,062,082		1,056,000
<b>c) Guarantees and commitments:</b>		3,404,353	3,589,155
1. Guarantees released	2,698,449		2,641,557

2. Commitments	705,904	947,598
<b>d) Income and charges</b>		
1. Income	641,638	693,171
2. Charges	578,014	544,537

### 3.3 Assets and liabilities with respect to companies in which investments are held (other than Group companies)

Asset and liability balances with respect to other companies at year end are summarized in the following table:

	31/12/2004		31/12/2003	
<b>a) Assets:</b>		974,600		1,174,577
1. Due from banks	46,359		115,684	
including: subordinated amounts	-		-	
2. Due from financial institutions	-333,179		469,108	
including: subordinated amounts	311,894		289,990	
3. Due from other customers	381,718		403,297	
including: subordinated amounts	9,748		9,748	
4. Bonds and other debt securities	213,044		186,488	
including: subordinated amounts	24,804		90,311	
<b>b) Liabilities:</b>		653,434		553,356
1. Due to banks	13,907		47,890	
2. Due to financial institutions	287,519		188,991	
3. Due to other customers	352,008		316,475	
4. Liabilities backed by securities	-		-	
5. Subordinated liabilities	-		-	
<b>c) Guarantees and commitments:</b>		59,255		217,163
1. Guarantees released	53,312		42,889	
2. Commitments	5,943		174,274	

### 3.4 Composition of Account 70- Equity investments

Investments are detailed as follows:

	31/12/2004		31/12/2003	
<b>a) In banks</b>		366,277		243,421
1. listed	315,757		182,420	
2. unlisted	5,0520		61,001	
<b>b) In financial institutions</b>		919,839		833,643
1. listed	-		16,424	
2. unlisted	919,839		817,219	
<b>c) Other</b>		1,034,594		962,389
1. listed	478,424		477,859	
2. unlisted	556,170		484,530	
<b>Total</b>		2,320,710		2,039,453

### 3.5 Composition of Account 80- Equity investments in Group companies

Investments in Group companies, analyzed by business sectors, are as follows:

	31/12/2004	31/12/2003
<b>a) In banks</b>	2,949,777	2,954,833
1. listed	38,721	38,722
2. unlisted	2,911,056	2,916,111
<b>b) In financial institutions</b>	351,900	338,144
1. listed	-	-
2. unlisted	351,900	338,144
<b>c) Other</b>	1,947,375	1,896,490
1. listed	-	-
2. unlisted	1,947,375	1,896,490
<b>Total</b>	5,249,052	5,189,467

### 3.6 Annual changes in equity investments

Annual changes in equity investments are summarized in the following two tables.

#### 3.6.1 Equity investments in Group companies

	31/12/2004	31/12/2003
<b>A. Opening balance</b>	5,189,467	4,046,683
<b>B. Increases:</b>	363,602	3,874,103
B1. purchases	228,417	3,228,881
B2. recoveries	-	-
B3. revaluations	-	-
B4. other changes	135,185	645,222
<b>C. Decreases:</b>	304,017	2,731,318
C1. sales	107,714	132,396
C2. valuation adjustments	74,203	189,768
including: permanent writedowns		
C3. other changes	122,100	2,409,154
<b>D. Closing balance</b>	5,249,052	5,189,467
<b>E. Total revaluations</b>		-
<b>F. Total adjustments</b>		-



### 3.6.2 Other equity investments

	31/12/2004	31/12/2003
<b>A. Opening balance</b>	2,039,453	1,392,169
<b>B. Increases:</b>	320,221	1,033,696
B1. purchases	113,355	702,106
B2. recoveries	1,030	5,207
B3. revaluations	-	-
B4. other changes	205,836	326,383
<b>C. Decreases:</b>	38,964	386,412
C1. sales	31,150	14,911
C2. valuation adjustments	1,353	211,097
including: permanent writedowns -	-	-
C3. other changes	6,461	160,404
<b>D. Closing balance</b>	2,320,710	2,039,453
<b>E. Total revaluations</b>	-	-
<b>F. Total adjustments</b>	-	-

Detail on the changes is provided in the following tables.

### Changes in the values of equity investments

#### Changes in the values of equity investments in Group companies

Name	Opening Balance	Purchases	Capital Increases & Subscript.	Recoveries	Valuation Adjustment	Sales	Other Increases	Other Decreases	Book Value
BA.SA.	9,039	2	-	-	-	(9,095)	-	-	-
Banca 121 Prom. Finanziaria	97,324	-	27,676	-	(49,500)	-	45,000	-	120,500
Banca C. Steinhauslin & C.	49,539	2,415	-	-	-	-	-	(51,954)	-
Banca Monte Paschi Belgio	29,224	-	10,000	-	-	-	-	-	39,224
Banca Monte Paschi Channel Island	8,327	-	-	-	-	(8,327)	-	-	-
Banca Monte Paschi Suisse	12,231	-	-	-	-	(12,231)	-	-	-
CDO Net	-	607	-	-	-	-	-	-	607
Consorzio Operativo Gr. Mps	139,996	-	-	-	-	-	39	-	140,035
E-Idea (in liquidation)	876	-	-	-	(876)	-	-	-	-
G.I. Profidi Sim	2,991	-	-	-	(350)	-	-	-	2,641
Italriscossioni	2,594	-	-	-	(106)	-	-	-	2,488
Mantova Ireland	78,060	-	-	-	-	(78,060)	-	-	-
Marinella	9,498	-	10,000	-	(722)	-	-	-	18,976
Monte Paschi Ireland	127,648	-	78,060	-	-	-	-	-	205,708
Monte Paschi Life Ltd	2,032	-	-	-	-	-	20,000	-	22,032
Monte Paschi Nederland	-	-	-	-	-	-	229	(229)	-
Monte Paschi Serit	2,719	-	7,681	-	-	-	-	-	10,400
Monte Paschi Vita	321-926	-	45,761	-	-	-	-	-	367,687
MPS Commercial Paper	1	-	-	-	-	(1)	-	-	-
MPS Bancaverde	69,917	-	-	-	-	-	-	(69,917)	-
MPS Banca per l'Impresa	215,999	-	134	-	-	-	69,017	-	286,050
MPS Net	21,418	-	-	-	(5,000)	-	-	-	16,418
MPS Preferred Capitl I	29,622	-	-	-	(284)	-	-	-	29,338
MPS Preferred Capital I	47,551	-	-	-	(2,836)	-	-	-	44,715
MPS Professional	-	-	2,423	-	(2,423)	-	-	-	-
MPS Leasing & Factoring	208,047	-	43,48	-	(11,600)	-	-	-	239,905
SO.R.I.T.	1,014	-	-	-	(506)	-	-	-	508
		3,024	225,393	-	(74,203)	(107,714)	135,185	(122,100)	

As to further observations concerning the changes in the values of equity investments in Group companies see the Report on Operations, Section Investments.

**Changes in the values of significant investments**

Name	Opening Balance	Purchases	Capital Increases & Subscript.	Recoveries	Valuation Adjustment	Sales	Other Increases	Other Decreases	Book Value
IBA A.G	6,003					(6,003)			
						(6,003)			

### Changes in the values of equity investments in other companies

Name	Opening Balance	Purchases	Capital Increases & Subscript.	Recoveries	Valuation Adjustment	Sales	Other Increases	Other Decreases	Book Value
24 ore Television	67	-	-	-	-	(67)	-	-	-
Abi Energia	-	1	-	-	-	-	-	-	1
Agenzia Sviluppo Lazio	858	-	56	-	-	-	-	-	914
Alerion Industries	16,424	-	-	-	(1,328)	-	-	-	15,096
Ama International	1,300	-	-	-	-	-	31	-	1,331
Auriga Immobiliare	4,788	-	-	-	-	-	-	(4,788)	-
Autostrada Torino Milano	3,354	-	-	-	-	(3,354)	-	-	-
Banca Nazionale del Lavoro(*)	166,838	-	52,288	-	-	-	81,049	-	300,175
Banca Popolare Lodi	-	2	-	-	-	(2)	-	-	-
C.B.I. Factor	355	-	-	-	-	(355)	-	-	-
Camporlecchio International	200	-	400	-	-	-	-	(400)	200
Centrale Rischi Finanziaria	130	-	-	-	-	(65)	-	-	65
Centrobanca	17	-	-	-	-	(23)	6	-	-
Charme Investments	939	-	10,100	-	-	-	-	-	11,039
Consorzio Patti Chiari	-	5	-	-	-	-	-	-	5
Cooplink	-	424	-	-	-	-	-	-	424
Dada	-	3,666	-	-	-	-	-	-	3,666
E-Biscom	13,873	-	-	-	-	(13,873)	-	-	-
Efibanca	2	-	-	-	-	-	-	(2)	-
Ecc Holding	5,351	-	1,381	-	-	-	-	-	6,732
Energia Italiana	14,468	-	2,960	-	-	-	-	-	17,428
Engineering	4,496	-	-	844	-	-	-	-	5,340
Etruria Innovazione	13	-	-	-	-	(12)	-	(1)	-
Euros	513	-	-	-	-	-	42	(555)	-
Fidi Toscana	7,788	-	925	-	-	-	-	-	8,713
Finlombarda	11	-	-	-	-	(31)	20	-	-
Firenze Mostre	12	-	98	-	-	-	-	(12)	98
Firenze Parcheggi	1,947	-	1,117	-	-	-	-	-	3,064
Fond. Mezzogiorno Tirrenico	269	-	269	-	-	-	-	-	538
Grosseto Sviluppo	64	-	94	-	(19)	-	-	(33)	106
Hi Spring	500	-	-	-	-	(500)	-	-	-
Hopa	353,46	-	-	-	-	-	10,000	-	363,445
Iniziative Immobiliari	534	-	-	-	-	-	-	(534)	-

Iniziative Immobiliari	-	-	5,323	-	-	-	-	5,323
Immobiliare Lombarda	526	-	-	186	-	-	-	712
Ljudska Banka	746	-	-	-	-	(746)	-	-
Ludova Bank	1,079	-	-	-	-	(1,079)	-	-
Meri S.O.A.	26	-	-	-	-	(26)	-	-
Magyarorszagi Volksbank	1,157	-	-	-	-	(1,157)	-	-
Ombrone	15	-	2,974	-	-	-	-	2,989
P.B.	9	-	-	-	-	-	2	11
Piaggio & C.	-	785	-	-	-	-	-	785
Reggio Sviluppo	5	-	-	-	(5)	-	-	-
Rncadin GmbH	444	-	-	-	-	(444)	-	-
Santa Lucia	5	-	-	-	-	-	2	7
Santorini Investment(*)	214,006	-	-	-	-	-	114,684	328,690
SIAS	2,000	-	-	-	-	(2,000)	-	-
Skillpass	411	-	-	-	-	-	(134)	277
So.Fin. Ind.	1,524	-	462	-	-	-	-	1,986
Soc. Sviluppo Materano	2	-	-	-	-	-	(2)	-
Spoletto Crediti e Servizi	-	30,000	-	-	-	-	-	30,000
Trasporti Ferroviari Casentino	1	-	25	-	(1)	-	-	25
Volksbank as	826	-	-	-	-	(826)	-	-
Volksbank d.d.	587	-	-	-	-	(587)	-	-
		34,883	78,472	1,030	(1,353)	(25,147)	206,836	(6,461)

### “Tax clean-up”

(\*) The Legislative Decree no. 37/2004 Article 7, paragraph 1, letters b) and c) annulled articles 15, paragraph 3, and 39, paragraph 2 of the Legislative Decree no.87/92 which, in the financial statements as of 31 December 2003, had allowed the bank to carry out “value adjustments and provisions only in pursuance of tax regulations”, in particular, implying the value adjustments on BNL investments for EUR 78mn and Santorini for EUR 115mn and to devalue the put option on former Bam shares for EUR 169mn.

In the financial statements as of 31 December 2004 these adjustments were submitted to “tax clean-up” which produced an economic benefit totaling EUR 362mn charged to the account “Extraordinary income”; no differed payable tax has been allocated to this amount since the underlying investments are deemed to be disinvested after 1 June 2006. In the light of the temporary provisions (Article 4, paragraph 1, letter C of the Legislative Decree no. 344/2003) concerning the “participation exemption”, if investment devaluations were fiscally deducted in 2002 and 2003, capital gains resulting from an investment sale are subject to taxation if they are realized within the second taxation period after the period ongoing as of 31 December 2003.

Against the restoration, according the Italian Civil Code, of values of the investments and of the put option on BAM shares no value adjustment was carried out since these investments do not report lasting value losses, in particular:

#### Santorini Investment Limited

The decreased asset value of the subsidiary is not considered lasting taking into account the security underlying the investment, which anyway increased in the last period; moreover, the contract was renewed for further 4 financial years (new expiry: 31 may 2009) , keeping the advance extinction right.

#### Put- Bam

As to put option on Bam shares, which became own shares further to the merger by incorporation of the Bam subsidiary into BMPS, the ordinary shareholders' meeting on 28 February 2003 authorized, as investment securities, the purchase of own shares to service the put option – in case of exercise - up to max. 92,401,908 own shares, at the unit price of EUR 4.356, with corresponding inscription of own share reserve of the same amount, to be set up, in case of exercise of the option, on the purchase.

There was no adjustment of the valuation in compliance with the accounting principle no. 20 and with article 2426, paragraph 3 of the Italian Civil Code.

## Section 4 – FIXED ASSETS AND INTANGIBLE ASSETS

### Fixed assets

Fixed assets consist of the following:

	31/12/2004	31/12/2003
Buildings	65,500	56,421
Furniture and equipment	22,199	44,428
<b>Total</b>	<b>87,699</b>	<b>100,849</b>

#### 4.1 Annual changes in the balances of fixed assets

The annual changes in the fixed asset accounts are summarized in the table below:

Account/Amount	31/12/2004		31/12/2003	
	Buildings	Furniture and Equipment	Buildings	Furniture and Equipment
<b>A. Opening balance</b>	56,421	44,428	939,015	78,874
<b>B. Increases:</b>	12,227	8,215	455,922	61,821
B1. purchases and improvements	1,942	6,017	1,990	13,412
B2. recoveries	-	-	-	-
B3. Revaluations	6,746	-	-	--
B4. other changes (1)	3,539	2,198	453,932	48,409
<b>C. Decreases:</b>	3,148	30,444	1,338,516	96,267
C1. Sales	-	110	1,515	667
C2. valuation adjustments:				
a. depreciation	2,794	30,290	16,504	50,408
b. permanent writedowns	-	-		
C3. other changes (1)	354	44	1,320,497	45,192
<b>D. Closing balance</b>	65,00	22,99	56,421	44,428
<b>E. Total revaluations</b>	75,13	-	68,567	-
<b>F. Total adjustments:</b>	30,601	500,726	23,918	466,392
a. depreciation	30,601	500,726	23,918	466,392
b. permanent writedowns	-	-	-	-

(1) Other changes include EUR 5,737,000 concerning the incorporation of Banca Steinhauslin

In accordance with prevailing legal regulations in Italy, assets have been revalued pursuant to Law No. 576 of 2 December 1975, Law No. 72 of 19 March 1983, Law No. 413 of 30 December 1991, Law No. 218/90 and Law 342/00. The list of these assets is herewith enclosed.

Advances toward the purchase of assets and amounts to be booked definitively to fixed assets came to EUR 10,000 for works in progress.

The value of the buildings used by the Bank for its own operating activity amounts to EUR 63,227,000.

### Intangible assets

Intangible assets consist of the following:

	31/12/2004	31/12/2003
Goodwill (1)	773,392	836,613
Purchases of software and start-up costs	8,842	14,287
Building improvements	19,964	
Commissions for placement of debentures	23,545	20,624
Other costs	30,511	69,308
<b>Total</b>	<b>856,254</b>	<b>940,832</b>

(1) The amount, which is stated net of amortization as of 31 December 2004, includes EUR 410,768,000 arising on the merger by incorporation of Banca Agricola Mantovana of 2003 and EUR 228,739,000 arising on the merger of former Banca 121 in 2002.

#### 4.2 Annual changes in the balances of intangible assets

The annual changes in the intangible asset accounts are summarized in the table below:

	31/12/2004		31/12/2003	
	Goodwill	Other	Goodwill	Other
<b>A. Opening balance</b>	836,613	104,219	362,410	112,212
<b>B. Increases:</b>	22,557	26,846	558,383	78,976
B1. Purchases	21,939	21,720	469,808	41,486
B2. Recoveries	-	-	-	-
B3. Revaluations	-	-	-	-
B4. other changes	618	5,26	88,575	37,510
<b>C. Decreases:</b>	85,78	48,203	84,180	86,969
C1. Sales	-	-	-	131
C2. valuation adjustments:				
a. amortization	85,778	48,057	84,180	54,165
b. permanent writedowns	-	-	-	-
C3. other changes	-	146	-	32.673
<b>D. Closing balance</b>	<b>773,392</b>	<b>82,862</b>	<b>836,613</b>	<b>104,219</b>
<b>E. Total revaluations</b>	-	-	-	-
<b>F. Total adjustments:</b>	255,798	164,401	175,162	157,429
a. amortization	255,798	164,401	175,162	157,429
b. permanent writedowns	-	-	-	-



## Section 5 – OTHER ASSETS

### 5.1 Composition of Account 130 - Other assets

The account includes the following:

	31/12/2004	31/12/2003
Amounts due from taxpayers – tax collection service	1,385,753	1,790,761
Advance payments of taxes and tax credits	793,969	640,356
Third-party checks held for collection	197,728	286,304
MPS checks held for collection	159,537	196,286
Clearing balances with branches	39,892	49,377
Amounts due on foreign-currency transactions	2	-
Revaluations of off-balance-sheet transactions (°)	3,786,533	3,445,857
Option premiums paid	769,836	966,908
Security deposits	15,472	7,754
Deferred tax assets (°°)	279,616	346,268
Credits for tax consolidation	383,325	
Other (°°°)	1,296,601	2,602,269
<b>Total</b>	<b>9,108,264</b>	<b>10,332,140</b>

(°) The revaluations of off-balance-sheet items includes the revaluation of forward foreign exchange transactions and derivatives outstanding at year end, as indicated in the criteria described in Part A, Section 1 of these notes.

(°°) See note in Section 7.4 "Reserve for taxes"

(°°°) Includes dividends accrued as of 31 December 2004 of the subsidiaries for EUR 229,027,000 and substitutive tax on goodwill of preceding financial years for EUR 129,667,000.

### 5.2 Composition of Account 140 - Accrued income and prepayments

The account consists of the following:

	31/12/2004	31/12/2003
<b>Accrued income:</b>		
Interest on customer loans and advances	71,328	74,038
Owned securities	145,588	135,291
Differentials on hedging transactions	373,056	293,645
Interest on loans and advances to banks	50,115	44,264
Tax-collection commissions	-	-
Other	109,360	79,499
	<b>749,447</b>	<b>626,737</b>
<b>Prepayments:</b>		
Differentials on hedging transactions	13,506	15,724
Other	134,566	141,410
	<b>148,072</b>	<b>157,134</b>

<b>Total</b>	897,519	783,871
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**5.3 Adjustments to accrued income and prepayments**

	31/12/2004	31/12/2003
Asset accounts	-	-

#### 5.4 Subordinated loans receivable

The Bank holds the following assets whose repayment is subordinated to the respective borrowers' repayment of other obligations.

	31/12/2004	31/12/2003
a) Due from banks	9,841	9,867
b) Customer loans and advances (°)	407,676	371,233
c) Bonds and other fixed-income securities	1,144,431	1,151,491
<b>Total</b>	<b>1,561,948</b>	<b>1,532,591</b>

(°) The balance includes EUR 118,777,000 relative to the subordinated loans made to several special-purpose companies set up especially to facilitate securitization transactions.

#### 5.5 Composition of Account 120 – Own shares and quotas

	31/12/2004	31/12/2003
Own Shares (*)	-	14,453

### Section 6 - LIABILITIES

#### 6.1 Detail of Account 10 – Due to banks

	31/12/2004	31/12/2003
a) repurchase agreements	3,417,924	2,745,962
b) securities lending		-

Funding from banks consists of the following amounts:

	31/12/2004	31/12/2003
<b>Sight:</b>		
Current accounts	3,306,595	1,178,916
Demand deposits	871,304	3,102,245
Other	209,539	209,854
	4,387,438	4,491,015
<b>Time or requiring advance notice of withdrawal:</b>		
Borrowings from the Bank of Italy	176,199	178,147
Borrowings from international institutions	438,695	347,699
Borrowings from other central banks	179,132	63,840
Restricted deposits and borrowings	6,686,912	5,484,902
Mortgage loans	-	-
Refinancing from Artigiancassa	-	173
Repurchase agreements	3,417,925	2,745,962
Other	-	-
	10,898,863	8,820,723
<b>Total</b>	15,286,301	13,311,738

## 6.2 Detail of Account 20- Customer deposits

	31/12/2004	31/12/2003
a) repurchase agreements	3,087,224	2,994,985
b) securities lending		-

Customer deposits consist of the following amounts:

	31/12/2004	31/12/2003
<b>Sight:</b>		
Savings deposits	2,302,937	2,360,688
Current accounts	25,933,732	23,433,101
Other	261,633	263,302
	<u>28,498,302</u>	<u>26,057,091</u>
<b>Time or requiring advance notice of withdrawal:</b>		
Savings deposits	406,348	131,346
Restricted deposits and current accounts	1,286,162	2,467,679
Repurchase agreements	3,087,224	2,994,985
Funding from international entities	21,836	16,415
Other liabilities	629,832	69,192
	<u>5,431,402</u>	<u>5,679,617</u>
<b>Total</b>	<b>33,929,704</b>	<b>31,736,708</b>

## 6.3 Composition of Account 30- Other borrowed funds backed by negotiable instruments

Other borrowed funds backed by negotiable instruments consist of the following amounts:

	31/12/2004	31/12/2003
Bonds	14,958,248	13,712,268
Certificates of deposit	5,979,635	4,870,884
Other securities	359,150	496,106
<b>Total</b>	<b>21,297,033</b>	<b>19,079,258</b>

Total customer deposits	50,815,966
Change	1,12%

## Section 7 – RESERVES

This section summarizes the liabilities in Accounts 70, 80, and 90.

### 7.1 Composition of Account 90 - Reserve for loan losses

The reserve for loan losses has been calculated in accordance with Article 20, Paragraph 6 of Legislative Decree No. 87/92. The reserve does not represent an adjustment to any specific asset and is designed to cover credit risks only (if any).

### 7.2 Changes in Account 90 – Reserve for loan losses

	31/12/2004	31/12/2003
<b>A. Opening balance</b>	112,608	182,608
<b>B. Increases</b>	-	-
B1. provisions	-	-
B2. other changes (1)	-	58,794
<b>C. Decreases</b>	-	-
C1. use of reserve	-	70,000
C2. other changes (1)	-	58,794
<b>D. Closing balance</b>	112,08	112,608

### 7.3 Composition of Sub-Account 80 c) - Reserves for risks and other charges: other reserves

	31/12/2004	31/21/2003
Provisions for guarantees and commitments	21,253	25,049
Provisions for contingencies and other charges	327,295	374,933
<b>Total</b>	348,548	399,982

Changes in the sub-account are summarized in the following table:

#### Guarantees and commitments

	31/12/2004	31/12/2003
Opening balance	25,049	21,926
Other increase	-	24,198
Provisions	-	3,123
Usage	(3,796)	(1,035)
Other	-	(23,093)
<b>Total</b>	21,253	25,049

The provisions relate to losses with respect to guarantees given and commitments undertaken, and have been calculated pursuant to Article 20, Paragraph 7 of Legislative Decree 87/92.

## Provisions for contingencies and other charges

Provisions for contingencies and other charges include estimates relative to the following:

	31/12/2004	31/12/2004	31/12/2003
Pending litigation		84,004	102,957
Provisions for misappropriations		19,508	36,594
Risks of restitution of payments received from insolvent borrowers		91,705	89,929
Tax collection activities		33,501	43,899
Provisions for losses of companies in which investments are held		8,502	6,877
Securities issued by high-risk nations		8,071	11,783
Other		82,204	82,894
<b>Total</b>		<b>327,295</b>	<b>374,933</b>

The allocation of sums to the various accounts is adjusted during the year to reflect the changes in the underlying risks.

The "other" account includes a EUR 48,000,000 provision to cover probable risks relative to the worsening of the loans related to financial products and other structured products.

As far as the tax collection service also see section 12.5 and the Report of the Board of Directors.

As to renegotiation of interest rates on subsidized mortgage loans, the estimated charge was EUR 1,200,000 in the case of the installments due from 2005 to 2008.

In relation to the renegotiation of the so-called "usurious" loans (Law 24/2001), the estimated charge is equal to EUR 1,600,000 and regards installments due from 2005 to 2008.

As far as capitalization of interest is concerned the recent ruling of the Court of Cassation no. 21094/04 confirmed the trend of the Supreme Court in 1999 specifying the invalidity of the clauses concerning the "quarterly capitalization of interest".

Pending law suits were anyhow reviewed stating an amount of "probable" risk which was assessed while determining the provisions for contingencies and other charges.

Changes in the provisions for contingencies and other charges are summarized in the following table:

	31/12/2004	31/12/2003
Opening balance	374,933	314,996
Other increase	4,067	151,344
Usage (1)	(51,717)	(10,745)
Provision	-	67,137
Other changes	12	(16)
Sale of business units	-	(147,783)
<b>Total</b>	<b>327,295</b>	<b>374,933</b>

(1) Usage substantially concerns disputes related to financial products and lawsuits.



#### 7.4 Composition of Sub-account 80 b) - Reserve for taxes

	31/12/2004	31/12/2003
Direct taxes	63,962	177,199
Deferred taxes	28,390	11,995
Indirect and foreign taxes	11,784	12,788
Other	21,370	23,232
<b>Total</b>	<b>125,596</b>	<b>225,214</b>

The reserve for taxes includes provisions relative to:

- a) current corporate income taxes (IRES) and current taxes on productive activity (IRAP) due from the bank and from the companies of the Group joining the consolidated taxation;
- b) deferred tax liabilities;
  - a) C) taxes paid by foreign branches;
  - b) D) estimated taxes on litigation in process and possible future litigation as valued in accordance with the principle of prudence.

Deferred taxes are computed in accordance with the provisions issued by the Bank of Italy regarding deferred taxation (Order of the Governor of the Bank of Italy of 3 August 1999, published in the Official Journal of the Republic of Italy, General Series, First Part, No. 188 of 12 August 1999). Such taxes have been computed on the basis of the same criterion adopted as of the first year of their computation (1999), namely, the balance-sheet liability method.

In accordance with the foregoing, the conditions for the reporting of deferred tax assets and deferred tax liabilities were verified in the case of amounts previously booked, as well as with reference to the amounts not booked in 2004.

The time horizon considered for the reporting of deferred tax assets and liabilities was extended over the 2005-2012 period, following the same guideline already adopted as of 31 December 2002, since there are currently no reasons to suggest the recovery of the sums is uncertain or unreasonable when taking into account the virtual stability of earnings in the past and the positive expectations with regard to future earnings capacity.

Deferred tax assets were booked to the profit and loss statement principally as a result of timing differences and are connected to:

- direct writedowns of loans deductible over nine years in accordance with Article 71, Paragraph 3 of the Income Tax Act (7 years according to previous rule);
- the writedown of deferred charges booked as part of mergers which are deductible in future years in accordance with the original amortization plan;
- repair and maintenance expenses in excess of five percent of the aggregate cost of all depreciable assets as of the beginning of the year, deductible over five years pursuant to Article 102, Paragraph 6 of the Income Tax Act;
- differences between the computation of goodwill amortization for reporting purposes and the similar computation for tax purposes (relating to some goodwill items);
- expenses relative to one or more years deductible over five years, pursuant to Article 108, of the Income Tax Act;
- the portion of the provision to the reserve for future charges referring to the potential charges arising from
  - the worsening of loans referred to financial products as well as other structured products;
  - settlement of outstanding disputes with customers;
  - payment to the employees for holidays not taken;
  - valuation differences on investment and trading-account securities deductible in future years;

- adjustments to the value of equity investments deductible in 20-percent quotas over the 2005-2007 period, in accordance with the provisions of Law Decree n. 209/2003 which was converted into Law n. 265/2003;
- fiscal losses of the incorporated Banca 121 relative to 2000 and 2001, and the fiscal loss relative to 2002 and 2003.
- value adjustments on trading account shares.

Comments on the deferred tax assets offset by entries to the balance sheet are set forth below.

No deferred taxes were calculated with reference to the residual balance of the reserve for risks and other charges or with respect to the loan loss reserve since the time horizon over which such deferred taxes would be used is considered highly uncertain.

The main deferred tax liabilities relate to the recognition of capital gains, which are taxable over a five-year period pursuant to Article 86, Paragraph 4 of the Income Tax Act, to capital gains registered in shares of Italian open investment funds and to capital gains registered in trading shares.

Provisions for taxes have not been made relative to reserves totaling EUR 1,556,625,000, since the payment of taxes on such amounts is not considered probable. Such amounts are held in the following reserves: monetary revaluation reserves and the reserve for capital gains to be reinvested, which are part of share capital pursuant to Law 169/83; the reserve maintained pursuant to Article 13 of Law 124/93, the reserve maintained pursuant to Article 21 of Legislative Decree No. 213/98, the special reserve set up in accordance with Law 218/90, the monetary revaluation reserves of the merged companies resulting from the relative merger surpluses, and also what already mentioned in the Section 3.6 "Changes in the values of equity investments".

Deferred taxes were calculated separately for corporate income taxes and taxes on productive activity, applying rates of 33 and 4.25 percent, respectively.

No deferred taxes are ascribed to any account other than Account 80 b), "Reserve for taxes", since there are no premises for the same.

Changes in the reserve for taxes are summarized in the following table:

	31/12/2004	31/12/2003
A) Opening balance	225,214	381,289
B) Increases		
B.1 Annual tax provision	65,860	180,178
B.2 Deferred taxes booked during the year	21,626	5,685
B.3 Other changes	257	202,796
C) Decreases		
C.1 Usage for payments made during the year	182,092	351,687
C.2 Deferred taxes used during the year	5,231	173,638
C.3 Other changes	38	19,409
D) Closing balance	125,596	225,214

Tax litigation in process mainly regards direct taxes and is the result of protests over tax assessments mainly filed by merged companies. The disputes for the years settled to date have repeatedly been in favor of the Bank, in various instances of judgment.

Provisions for taxes were made taking in account outstanding and potential disputes for financial years which were not assessed yet; other liabilities against outstanding provisions are not deemed likely.

In compliance with the Law Decree no. 282 of 24 December 2002, in 2003 the Bank paid EUR 50 million to the revenue, plus 5.5% yearly interest, corresponding to fiscal benefits according to the Ciampi Law for the 1999 and 2000 financial years. The Bank has taken legal steps with the European Court of Justice since it had taken advantage of fiscal benefits provided for by the law.

Changes in the balances of deferred tax assets and deferred tax liabilities are presented in the following tables:

**Deferred tax assets offset by entries to the profit and loss statement**

	31/12/2004	31/12/2003
Opening balance	309,091	356,232
	29,808	
Increases		249,581
- deferred taxes booked during the year (1)	17,716	153,245
- other increases	12,092	96,336
Decreases		296,722
- deferred taxes cancelled during the year (2)	80,263	231,263
- other decreases	332	65,459
Closing balance	258,304	309,091

(1) The decrease is due to the absence of adjustments to the value of equity investments deductible in 20-percent quotas because of the changes in regulations and the absence of adjustments to the value of loans exceeding tax limits.

(2) The decrease is mainly due to the changes in regulations not allowing any longer any tax credit on dividends collected in the current financial year and booked in the preceding financial year on an accrual basis.

**Deferred tax assets offset by entries to the balance sheet**

	31/12/2004	31/12/2003
Opening balance	37,177	36,950
Increases	-	15,217
- deferred taxes booked during the year	-	8,107
- other increases	-	7,110
Decreases	15,865	14,990
- deferred taxes cancelled during the year	15,865	14,210
- other decreases	-	780
Closing balance	21,312	37,177

The amounts are relative to the 20-percent quotas of losses arising from securitization transactions pursuant to Article 6 of Law n. 130/99.

**Deferred tax liabilities offset by entries to the profit and loss statement**

	31/12/2004		31/12/2003	
Opening balance		11,95		163,114
Increases		21,26		22,519
- deferred taxes booked during the year	19,63			
- other increases	2,63		22,519	
Decreases		5,31		173,638
- deferred taxes cancelled during the year (1)	5,31		169,989	
- other decreases	-		3,649	
Closing balance		28,390		11,995

(1) The decrease is mainly due to the changes in regulations not allowing any longer any tax on dividends collected in the current financial year and booked in the preceding financial year on an accrual basis if related to companies joining the consolidated taxation.

**Deferred tax liabilities offset by entries to the balance sheet**

	31/12/2004		31/12/2003	
Opening balance		-		-
Increases		-		-
- deferred taxes booked during the year	-		-	
- other increases	-		-	
Decreases		-		-
- deferred taxes cancelled during the year	-		-	
- other decreases	-		-	
Closing balance		-		-

There are no premises for any deferred tax liabilities offset by entries to the balance sheet

## 7.5 Composition of Sub-Account 80 a) – Pension fund and similar obligations

The changes in the account balance over 2004 are summarized below:

	31/12/2004	31/12/2003
Opening balance	130,832	110,467
Other increases (*)	-	265,745
Usage	(11,749)	(13,050)
Provisions and Bank contributions	3,486	4,080
Employee contributions	20,324	18,672
Adjustment of balance for reinvestment income	7,314	3,889
Transfers from another fund	28,244	2,971
Other	-	23
Business line transfer to BAM and BT	-	(261,965)
Total	178,451	130,832

(\*) Almost all resulting from the merger by incorporation of BAM and Bat.

The balance consists of the following amounts:

- a) EUR 20,723,000 of defined benefit pension funds for the Bank's tax collection staff.
- b) EUR 5,172,000 of provision against individual contractual commitments for the Bank's chief executives life annuities (no. 3 positions);
- c) EUR 18,325,000 of defined contribution pension funds for the Bank's tax collection staff;
- d) EUR 134,231,000 of defined contribution supplemental pension funds for the Bank's staff hired after 1 January 1991.

The actuarial evaluations of the defined benefit pension funds is carried out according to the special expertise of an external actuary up-dated on the basis of the payments.

## 7.6 Staff severance indemnity reserve

The changes in account 70 “Staff severance indemnity reserve” over 2004 are summarized below:

	31/12/2004	31/12/2003
Opening balance	263,722	274,527
Other increases	2,487	137,347
Indemnities paid	(22,364)	(30,467)
Advances under Law 297/82	(5,974)	(5,863)
Other advances	-	-
Transfer to the supplemental pension fund	(30,226)	(29,995)
Provisions	49,585	58,662
Acquisition of business unit	-	-
Sale of business unit	-	(140,330)
Other changes	51	(159)
Total	257,281	263,722

The staff severance indemnity reserve includes all amounts due to the employees as of the end of the year in accordance with prevailing laws and labor contracts.

## Section 8 - CAPITAL, RESERVES AND RESERVE FOR GENERAL BANKING RISKS

### 8.1 Composition of Account 100 – Reserve for general banking risks

	31/12/2004	31/12/2003
Total	35,936	34,879

### 8.2 Composition of Account 110 - Subordinated debt

Currency	Issue Date	Expiry Date	Interest Rate	Book Value
EUR	01 12 1998	01 12 2005	Floating	154,886
EUR	01 12 1998	01 12 2005	Fixed	154,876
EUR	12 03 1999	12 03 2009	Floating	418,636
EUR	15 05 2000	15 05 2007	Fixed	90,000
EUR	15 05 2000	15 05 2007	Floating	90,000
EUR	07 07 2000	07 07 2015	Floating	30,000
EUR	20 07 2000	20 07 2015	Floating	25,000
EUR	21 12 2000	21 12 2010	Floating	300,000
EUR	07 02 2001	07 02 2031	Floating	356,000
EUR	18 05 2001	18 05 2011	Floating	250,000
EUR	20 07 2001	20 07 2011	Floating	250,000
EUR	20 12 2002	20 12 2007	Floating	53,100
EUR	20.12.2002	20.06.2005	Floating	100,000
EUR	31.12.2002	31.12.2007	Floating	6,900
EUR	24 09 2003	24 09 2015	Floating	400,000
EUR	24 09 2003	24 09 2015	Floating	200,000
EUR	30 12 2003	30 12 2033	Floating	700,000
EUR	30.03.2004	02.10.2006	Fixed	600,000
EUR	01.06.2004	01.06.2014	Floating	250,000
				4,429,398

The subordinated debt agreements do not include any provisions for prepayment or for the conversion into equity or into other types of liabilities. The subordinated debt issues have been structured and placed in accordance with the Bank of Italy requirements, and may be included as supplemental net equity for regulatory purposes. The following conditions are expressly provided:

- Should the Bank be placed in liquidation, the debt would be reimbursed only after other creditors with a higher-ranking claim have been satisfied;
- The term of the loans is no less than five years;

- The prepayment of the debt may only take place upon the Bank's initiative and must be approved by the Bank of Italy.

### 8.3 Composition of Account 120 - Share capital

	Par Value €	Number of Shares	31/12/2004 Par Value €
Ordinary shares	0.64	2,448,491,901	1,567,034,816.64
Savings shares	0.64	9,432,170	6,036,588.80
Preferred shares	0.64	565,939,729	362,201,426.56
		3,023,863,800	1,935,272,832.00

	Par Value €	Number of Shares	31/12/2003 Par Value €
Ordinary shares	0.64	2,448,491,901	1,567,034,816.64
Savings shares	0.64	9,432,170	6,036,588.80
Preferred shares	0.64	565,939,729	362,201,426.56
		3,023,863,800	1,935,272,832.00

### 8.4 Composition of Account 130 - Additional paid-in capital

	31/12/2004	31/12/2003
Total	522,925	522,925

### 8.5 Composition of Account 140 - Reserves

	31/12/2004	31/12/2003
Legal reserve	357,137	335,005
Statutory reserves	1,095,312	1,065,812
Extraordinary reserve	351,961	342,039
Reserve per Law 218/90	163,794	163,794
Reserve per Legislative Decree 153/99	318,638	318,638
Reserve per Legislative Decree 213/98	9,335	9,335
Reserve per Law 124/93 (Article 13)	4,726	3,826
Reserve for own shares	-	14,453
Merger surplus	606,515	606,615
Other reserves	575,027	575,027
Reserve for employee profit sharing	1,1912	1,192
<b>Total</b>	<b>3,483,737</b>	<b>3,435,736</b>

Tax-exempt reserves amount see Section 7.4 "Reserve for taxes".



**8.6 Composition of Account 150 - Revaluation reserves**

		31/12/2004	31/12/2003
Total	-	-	--

**Shareholders' equity**

The Statement of Changes in Shareholders' Equity is provided as a supplement to these notes.

## 8.7 Capitalization and capital adequacy

Category/Amounts	31/12/2004	31/12/2003
<b>A. Calculation of capital for regulatory purposes</b>		
A.1 Total Tier 1 capital	6,167,827	5,726,067
A.2 Total Tier 2 capital	2,816,893	2,847,940
A.3 Deductions	(958,110)	(860,147)
A.4 Capital for regulatory purposes	8,026,610	7,713,860
<b>B. Capital required for regulatory purposes</b>		
B.1 Credit risks	3,336,558	3,152,061
B.2 Market risks	338,722	302,035
<i>- including:</i>		
<i>- risks on trading securities portfolio</i>	338,722	302,035
<i>- exchange-rate risks</i>	-	--
B.3 Tier 3 subordinated debt	338,722	302,035
B.4 Other	281,701	265,959
B.5 Total capital required for regulatory purposes	3,956,981	3,720,055
<i>Excess capital</i>	4,408,351	4,295,840
<b>C. Risk-weighted assets and capital adequacy ratios</b>		
C.1 Total risk-weighted assets	56,528,301	53,143,648
<i>credit risks</i>	47,665,115	45,029,448
<i>market risks</i> °	4,838,886	4,314,786
C.2 Tier 1 capital/risk-weighted assets	10.91	10.77
C.3 Capital for regulatory purposes/risk-weighted assets	14.80	15.08

° Capital required for regulatory purposes multiplied by the reciprocal of the minimum obligatory ratio for credit risk

The solvency ratio for credit risk was 16.84% as of 31.12.2004 (17.13 percent as of 31 December 2003)

## Section 9 – OTHER LIABILITIES

### 9.1 Composition of Account 50 - Other liabilities

Following are the principal amounts in the account:

	31/12/2004	31/12/2003
Sums available to customers	349,838	119,916
Liabilities relative to Tax Collection activity	554,507	1,221,805
Clearing balances with branches	137,210	85,464
Items related to foreign currency transactions	5,908	52
Valuation adjustments to off-balance-sheet transactions (*)	4,112,271	3,747,904
Taxes withheld for account of third parties	97,850	69,792
Sums of third parties for security deposits	5,212	7,103
Premiums received for options sold	64,100	808,984
Other (**)	216,873	2,274,201
<b>Total</b>	<b>7,714,849</b>	<b>8,335,221</b>

(\*) The balance in the account "Valuation adjustments to off-balance-sheet transactions" is offset by the revaluations effective on forward foreign-currency transactions and derivatives contracts outstanding as of year end in accordance with the criteria described in Part A, Section 1 of these notes.

(\*\*) It includes items to be charged to the tax collection service for EUR 224,604,000 and amounts due to suppliers for EUR 170,632,000.

## 9.2 Composition of Account 60 - Accrued liabilities and deferred income

Following is a breakdown of the account:

	31/12/2004	31/12/2003
<b>Accrued liabilities:</b>		
- interest on customer deposits	8,661	6,361
- interest on debt securities	220,535	203,525
- interest on certificates of deposit	30,175	26,119
- interest on amounts due to banks	51,595	42,818
- differentials on hedging transactions	225,677	218,022
- administrative expenses	159,511	155,239
- other	32,496	26,810
	728,650	678,894
<b>Deferred income:</b>		
- on discount portfolio	4,317	3,685
- on commissions receivable on guarantees	7,427	6,434
- on differentials on hedging transactions	61,888	89,211
- on rents and lease payments	-	-
- other	70,322	78,487
	143,954	177,817
<b>Total</b>	872,604	856,711

## 9.3 Adjustments to accrued liabilities and deferred income

	31/12/2004	31/12/2003
a) Liability accounts	-	-

## Section 10 – GUARANTEES AND COMMITMENTS

### 10.1 Composition of Account 10- Guarantees released

	31/12/2004	31/12/2003
<b>a) Endorsement credits of a commercial nature:</b>		
- documentary credits	157,158	170,966
- bankers' acceptance	15,759	12,677
- guarantees	1,854,537	2,021,108
- other	127,508	136,324
	2,154,962	2,341,075
<b>b) Endorsement credits of a financial nature:</b>		
- acceptances	12,323	12,041
- guarantees	4,113,653	3,979,905
- other	178,691	154,498
	4,304,667	4,146,444
<b>c) Assets pledged under guarantees:</b>		
- third-party bonds	8,818	16,736
<b>Total</b>	<b>6,468,447</b>	<b>6,504,255</b>

## 10.2 Composition of Account 20 – Commitments and Account 30 - Commitments relative to credit derivatives

	31/12/2004	31/12/2003
<b>a) Commitments to disburse funds for which usage is certain:</b>		
- mortgage loans to be disbursed to customers	8,431	14,240
- loans and deposits to be funded to banks	71,148	98,886
- commitments to purchase securities	293,765	183,270
- other commitments and risks (°)	2,972,122	1,729,835
	3,345,466	2,026,231
<b>b) Commitments to disburse funds for which usage is not certain:</b>		
- margins available on lines of credit to banks	240,036	358,431
- margins available on lines of credit to customers	2,931,285	2,802,346
- Interbank Deposit Protection Fund	55,563	54,926
- commitments against future advances on tax payments not yet due	-	-
- put options issued (°°)	1,266,903	896,787
- other commitments	50,354	97,808
	4,544,141	4,210,298
<b>Total</b>	<b>7,889,607</b>	<b>6,236,529</b>

(°)The amount includes EUR 2,921,123,000 relative to credit derivatives

(°°) Includes the put options issued in relation to the public tender offer for BAM (additional information is provided at the end of Section 10.5 hereunder).

Credit risk on guarantees and commitments is estimated using the criteria adopted for loans; such risk has been quantified at EUR 21,253,000 and is covered by provisions made to the reserve for risks and other charges.

## 10.3 Assets pledged to guarantee the Bank's own liabilities

Fixed-income securities have been pledged as follows:

	31/12/2004	31/12/2003
Guarantees for advances from the Bank of Italy	385,450	436,090
Guarantees for issuance of cashier checks	72,530	97,172
Guarantees for repurchase agreements	6,239,187	5,407,782
<b>Total</b>	<b>6,697,167</b>	<b>5,941,044</b>

#### 10.4 Margins available on lines of credit

The Bank had the following availability under credit lines in effect as of year end:

	31/12/2004	31/12/2003
Central banks	716,433	627,519
Banks	-	-
<b>Total</b>	<b>716,433</b>	<b>627,519</b>

#### 10.5 Forward transactions

Forward transactions at the end of the year are summarized in the following table:

Type of Transaction	Hedging	Trading	Other
1 Transactions:			
1.1 Securities:			
- purchases		293,765	
- sales		9,738	
1.2 Foreign exchange:			
- currency against currency	3,089,233	86,838	
- purchases against Euro	5,360,508	145,678	
- sales against Euro	722,380	748,075	
2 Deposits and loans:			
- to be disbursed			79,579
- to be received			406,410
3 Derivatives contracts:			
3.1 With exchange of principal			
a) Securities:			
- purchases (1)	2,420,592	4,500,300	778,028
- sales (2)	235,858	5,688,018	447,700
b) Foreign exchange:			
- currency against currency	10,794	14,925,580	
- purchases against Euro	224,910	6,574,361	
- sales against Euro	132,639	6,390,570	
c) Other negotiable instruments:			

- purchases			
- sales			
3.2 Without exchange of principal:			
a) Foreign exchange:			
- currency against currency			
- purchases against Euro	9,471		
- sales against Euro	3205		
b) Other negotiable instruments:			
- purchases(3)	16,392,426	100,633,510	402,471
- sales (4)	23,575,277	102,761,042	402,471

The trading transactions include contracts to hedge EUR 1,339,405,000 of positions in trading securities.

Hidden net capital losses on the derivatives hedging interest-bearing assets/liabilities amount to EUR 520,716,000

- 1) The "other transactions" mainly include:
  - a) option contracts amounting to EUR 608,585,000 effected as part of the acquisition of Banca Agricola Mantovana which expired in March 2002 and were renewed for another three years. Following the merger by incorporation of Banca Agricola Mantovana, implemented in the first quarter of 2003, now the BMPS shares are underlying the options in relation to the share exchange ratio adopted for the merger.
  - b) Put option on Banca Monte Parma shares for EUR 169,443,000.
- 2) The amounts under "other" totally refer to the option implied in the loan stock convertible in BNL shares, issued by the Bank during the financial year. The risk resulting from the conversion option (underlying shares no. 188,309,510) is partially hedged (no. 103,546,030 shares) by BNL shares owned by the Bank in the investment portfolio and, for the remaining part, by the purchase of a hedging option. Moreover the Bank owns, in the trading portfolio, the similar convertible loan stock issued by Banca Popolare Vicentina for an amount of EUR 203,900,000; this loans was entirely hedged both as to rate risk and to the optional part.
- 3) "Other" includes swaps effected as part of the acquisition of Banca Agricola Mantovana amounting to EUR 402,471,000 (s. note 1 letter a).



## 10.6 Credit derivatives

Type of Transaction	Trading	Other
1 Purchase of protection		
1.1 With exchange of principal		
1.1.1 Credit default swap	512,617	
1.1.2 Total rate of return swaps		
1.1.3 Credit-linked notes		
1.2 Without exchange of principal		
1.2.1 Credit default swap		15,752
1.2.2 Total rate of return swaps(1)	23,980	177,740
1.2.3 Credit-linked notes		
2 Sale of protection		
2.1 With exchange of principal		
2.1.1 Credit default swap	945,196	
2.1.2 Total rate of return swaps		
2.1.3 Credit-linked notes	720,000	
2.1.4 Credit spread option		
2.2 Without exchange of principal		
2.2.1 Credit default swap	118,000	91,353
2.2.2 Total rate of return swaps	23,980	
2.2.3 Credit-linked notes	218,354	804,340

(1)EUR 177,740,000 entirely refers to total return swaps aimed at acquiring protection on a set of securities resulting from securitization of Group banks charged to the Bank's investment portfolio. (s. note following breakdown 2.1 "investment securities").

## Section 11 – DISTRIBUTION AND CONCENTRATION OF ASSETS AND LIABILITIES

### 11.1 Material risks

	31/12/2004	31/12/2003
Amount	1,317,065	1,964,146
Number	1	2

The amount refers to exposure to "groups of customers" which has been appropriately weighted in accordance with prevailing regulations.

### 11.2 Distribution of customer loans by principal categories of borrowers

The following table provides a summary of loans by principal categories of borrowers:

	31/12/2004	31/12/2003
a) Governments	1,180,034	1,091,837
b) Other public-sector entities	2,584,152	2,743,350
c) Non-financial companies	18,426,285	17,993,637
d) Financial institutions	5,208,117	5,136,695
e) Family-owned businesses	2,658,823	2,592,595
f) Other	8,760,702	7,077,447
<b>Total</b>	<b>38,818,133</b>	<b>36,635,561</b>

### 11.3 Distribution of loans to non-financial companies and resident, family-owned businesses

The distribution of loans to non-financial companies and resident family-owned businesses by economic sector is summarized in the following table:

	31/12/2004	31/12/2003
a) Other marketable services	3,831,961	3,442,970
b) Commercial services, recoveries and repairs	3,841,412	3,545,767
c) Construction and public works	2,899,755	2,821,679
d) Textiles, leather, footwear, and apparel	917,933	951,714
e) Food and beverage products	877,609	849,219
f) Other	7,733,776	7,148,292
<b>Total</b>	<b>20,102,446</b>	<b>18,759,641</b>

#### 11.4 Distribution of guarantees released by principal categories of counterparties

Guarantees are subdivided as follows, according to the nature of the counterparty who is guaranteed:

	31/12/2003	
a) Governments and Central Banks	320	6,611
b) Public-sector entities	44,888	209,295
c) Banks	2,575,965	2,551,428
d) Non-financial companies	2,964,704	3,292,301
e) Financial institutions	661,450	200,428
f) Family-owned businesses	69,335	74,531
g) Other	151,785	169,661
<b>Total</b>	<b>6,468,447</b>	<b>6,504,255</b>

#### 11.5 Geographic distribution of assets and liabilities

The geographic distribution of the balances of the principal asset and liability accounts is shown in the following table on the basis of the counterparty's residence:

Account/Countries	Italy	Other EU Countries	Other Countries	Total
<b>1. Assets</b>	61,342,634	7,908,184	3,017,325	72,268,143
1.1 Amounts due from banks	17,140,711	2,917,418	1,017,722	21,075,851
1.2 Customer loans and advances	37,660,072	824,216	222,825	38,818,113
1.3 Securities	6,541,851	4,166,550	1,665,778	12,374,179
<b>2. Liabilities</b>	60,411,516	8,915,813	5,636,760	74,964,089
2.1 Due to banks	8,428,107	3,155,503	3,702,691	15,286,301
2.2 Customer deposits	31,890,973	1,760,195	278,536	33,929,704
2.3 Other borrowed funds backed by negotiable instruments	16,760,022	3,581,478	955,533	21,297,033
2.4 Other liabilities	3,332,414	418,637	700,000	4,415,051
<b>3. Guarantees and commitments</b>	13,399,085	704,165	254,805	14,358,054

## 11.6 Distribution of maturities of assets and liabilities

The maturity distribution of the balances of the principal asset and liability accounts and off-balance-sheet transactions is shown in the following tables:

### 11.6.1 Distribution of maturities of assets

Account	Residual maturity							Unspecified maturity	Total
	Sight	To and including 3 months	Up to 12 months	Up to 5 years		Over 5 years			
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
<b>Assets:</b>									
1.1 Government bonds eligible for refinancing	8,424	2,439	8,759	900	4,968	1,192	10,502	-	37,185
1.2 Amounts due from banks	1,029,782	12,825,569	2,958,478	1,237,797	120,344	2,110,373	74,651	718,857	21,075,851
1.3 Customer loans and advances	10,487,212	7,095,296	5,194,017	2,446,970	3,657,688	2,576,324	6,160,044	1,200,562	38,818,113
1.4 Bonds and other fixed-income securities	71,555	564,098	2,025,540	1,606,655	2,914,681	1,739,495	1,388,010	949,757	11,259,791
1.5 Off-balance-sheet transactions	34,518,036	67,017,495	52,054,197	19,282,650	586,046	21,040,738	428,649	-	194,927,811
<b>Total Assets</b>	<b>46,115,009</b>	<b>87,504,897</b>	<b>62,240,991</b>	<b>24,574,972</b>	<b>7,283,727</b>	<b>27,468,122</b>	<b>8,061,856</b>	<b>2,869,176</b>	<b>266,118,751</b>

### 11.6.2 Distribution of maturities of liabilities

Account	Residual maturity							Unspecified maturity	Total
	Sight	To and including 3 months	Up to 12 months	Up to 5 years		Over 5 years			
				Fixed rate	Indexed rate	Fixed rate	Indexed rate		
<b>Liabilities:</b>									
2.1 Due to banks	4,436,747	8,517,152	1,673,445	47,992	-	610,965	-	-	15,286,301
2.2 Customer deposits	28,912,871	4,707,120	308,193	217	-	1,303	-	-	33,929,704
2.3 Other borrowed funds backed by negotiable instruments:	448,624	4,521,368	2,340,868	3,184,014	6,641,301	1,955,961	2,115,055	89,842	21,297,033
including:									
- Bonds	54,070	286,716	900,465	2,923,238	6,632,901	1,955,961	2,115,055	89,842	14,958,248
- Certificates of deposit	60,404	4,234,652	1,440,403	235,776	8,400	-	-	-	5,979,635
- Other securities	334,150	-	-	25,000	-	-	-	-	359,150
2.4 Subordinated debt	-	-	489,761	660,000	518,637	550,000	2,211,000	-	4,429,398
2.5 Off-balance-sheet transactions	28550,176	71,586,916	51,830,961	20,033,800	531,840	21,987,913	415,000	-	194,936,606
<b>Total Liabilities</b>	<b>62,348,418</b>	<b>89,332,556</b>	<b>56,643,228</b>	<b>23,926,0023</b>	<b>7,691,778</b>	<b>25,106,142</b>	<b>4,741,055</b>	<b>89,842</b>	<b>269,879,042</b>

### 11.7 Foreign-currency-denominated assets and liabilities

The Bank's balance sheet includes the following assets and liabilities denominated in foreign currencies:

	31/12/2004	31/12/2003
<b>a) Assets:</b>	5,247,423	3,888,882
1. Amounts due from banks	3,125,030	1,412,295
2. Customer loans and advances	1,200,604	1,342,840
3. Securities	851,538	1,034,117
4. Equity investments	63,649	91,439
5. Other	6,602	8,191
<b>b) Liabilities:</b>	9,792,837	7,181,154
1. Due to banks	5,095,884	3,320,302
2. Customer deposits	1,294,448	1,414,022
3. Other borrowed funds backed by negotiable instruments	3,402,505	2,446,830
4. Other	-	--

### 11.8 Distribution of credit derivatives by principal category of counterparty

	31/12/2004	31/12/2003
a) Banks	2,141,229	2,135,335
b) Financial companies	1,510,172	420,553
c) Other	-	46,000
<b>Total</b>	<b>3,651,401</b>	<b>2,601,888</b>

## 11.9 SECURITIZED ASSETS

### Securities secured by loans

In accordance with the directives handed down by the Bank of Italy in its Circular No. 178890 of 25 July 2001, the tables below disclose information relative to the securities held in the portfolio, the assets covered by the securitization and the servicing activity in relation thereto.

The credits covered by the securitization transactions include: mortgages, leases, securities and other credits. The tranches relative to the securities held in the portfolio are also shown.

#### 11.9 A Investment securities backed by loans of BMPS

##### Senior securities

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Securities</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	127,508	(166)	127,342

##### Mezzanine securities

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Securities</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	70,442	(3,192)	67,250

**Junior securities**

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Mortgages</b>			
1 Non-performing loans	20,325	(3,579)	16,746
2 Watchlist credits			
3 Other assets	10,678		10,678
<b>Securities</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	65,162		65,162
<b>Other</b>			
1 Non-performing loans	348,623		348,623
2 Watchlist credits			
3 Other assets			

**11.9 B Trading securities backed by loans of BMPS****Senior securities**

No senior securities are to be found in portfolio.

**Mezzanine securities**

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Mortgages</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	10,300	117	10,417
<b>Other</b>			
1 Non-performing loans	2,280	(7)	2,273
2 Watchlist credits			
3 Other assets	4,965	(8)	4,957

**Junior securities**

No junior securities are to be found in portfolio.

**11.9 C Investment securities backed by loans of third-party institutions****Senior securities**

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Mortgages</b>			
1 Non-performing loans			



2 Watchlist credits	952		952
3 Other assets			
<b>Credit cards</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	6,975		6,975
<b>Securities</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	49,824		49,824
<b>Other</b>			
1 Non-performing loans	6,010		6,010
2 Watchlist credits			
3 Other assets	44,606		44,606

#### Mezzanine securities

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Mortgages</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	3,173		3,173
<b>Securities</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	3,176		3,176
<b>Other</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	32,738		32,738

#### Junior securities

There are no securities of this type in the Bank's portfolio.

#### 11.9 D Trading securities backed by loans of third-party institutions

##### Senior securities

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Mortgages</b>			
1 Non-performing loans	8,659	(1)	8,658
2 Watchlist credits			
3 Other assets	1,878	26	1,904
<b>Leasing</b>			

1 Non-performing loans			
2 Watchlist credits			
3 Other assets	31,260	(42)	31,218
<b>Securities</b>			
1 Non-performing loans	48,500	1,500	50,000
2 Watchlist credits			
3 Other assets	265,000	(5,880)	259,120
<b>Other</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	1,002		1,002

#### Mezzanine securities

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Mortgages</b>			
1 Non-performing loans	10,000	(55)	9,945
2 Watchlist credits	27,000	181	27,181
3 Other assets	17,551	187	17,738
<b>Leasing</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	3,000	30	3,030
<b>Securities</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	23,000		23,000
<b>Other</b>			
1 Non-performing loans	3,519	32	3,551
2 Watchlist credits			
3 Other assets	22,000	6,373	28,373

#### Junior securities

	Total Outstanding	Recoveries/ Adjustments	Net Exposure
<b>Mortgages</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	8,910	90	9,000
<b>Leasing</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	6,500	65	6,565

<b>Securities</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	2,246	(325)	1,921
<b>Other</b>			
1 Non-performing loans			
2 Watchlist credits			
3 Other assets	14,540	258	14,798

**11.9 E Underlying Assets of BMPS**

	Book Value
Non-performing loans	675,689
Watchlist credits	
Other assets	1,157,747
<b>Total</b>	<b>1,833,436</b>

**11.9 F Underlying Assets of Third Parties**

	Book Value
Non-performing loans	-
Watchlist credits	-
Other assets	608,525
<b>Total</b>	<b>608,525</b>

**11.9 N Servicing****Collections by individual securitization transaction**

	Total
MPS Assets Securitisation S.p.A.	174,244
Seashell II S.r.l.	71,576
Seashell Securities P.l.c.	9,022
Segesta 2 Finance S.A	6,452
Segesta Finance S.r.l.	192,390
Siena Mortgages 00-1 S.p.A.	92,875
Siena Mortgages 01-2 S.p.A.	143,822
Siena Mortgages 02-3 S.r.l.	124,297
Siena Mortgages 03-4 S.r.l.	121,960
Tiziano Finance S.p.A.	68,707
Ulisse S.p.A.	36,404
Ulisse 2 S.p.A.	77,113
Ulisse 3 S.p.A.	34,801
<b>Total</b>	<b>1,153,663</b>

**11.9 O Credit enhancement**

	Excess Spread	Subordinated assets	Total
Siena Mortgages 00-1 S.p.A.	39,086		39,086

Siena Mortgages 01-2 S.p.A.	31,921		31,921
Siena Mortgages 02-3 S.r.l.	63,746		63,746
Siena Mortgages 03-4 S.r.l.	57,100	10,176	67,276
MPS Assets Securitisation S.p.A.	68,655	51,183	119,838
Mantegna Finance 2 S.r.l.	9,748	7,977	17,725
Seashell II S.r.l.	18,644	4,592	23,236
Ulisse 3 S.p.A.		44,849	44,849
Total	288,900	118,777	407,677

**SECTION 12 - FUNDS MANAGEMENT AND OTHER TRANSACTIONS FOR THE ACCOUNT OF THIRD PARTIES**

**12.1 Securities trading**

	31/12/2004	31/12/2003
<b>a) purchases</b>	9,409,042	12,093,634
1. settled	9,409,042	12,093,634
2. unsettled		-
<b>b) sales</b>	9,344,108	12,093,777
1. settled	9,344,108	12,093,777
2. unsettled		

**12.2 Portfolio management**

Assets of customers under the Bank's management totaled EUR 7,401,690,000 as of 31 December 2004, on the basis of market values. The aggregate includes investments in securities managed by the open-end pension fund "Paschi Previdenza" which was set up pursuant to Article 9 of Legislative Decree 124/93. The balance also includes EUR 305,721,000 of cash and cash equivalents.

	31/12/2004	31/12/2003
<b>a) Securities</b>	7,095,969	6,758,444
1. securities issued by the Bank	203,180	162,079
2. other instruments	6,892,789	6,596,365
<b>b) Other transactions</b>		-
<b>Total</b>	7,095,969	6,758,444

### 12.3 Administration and safekeeping of securities

The following table provides a summary of securities under administration and in safekeeping with the Bank:

	31/12/2004	31/12/2003
a) Securities of third parties held in custody (excluding portfolio management)	195,861,538	203,231,220
1. Securities issued by the Bank	9,760,828	9,652,700
2. Other	101,019,952	107,517,980
Including:		
Securities of third parties held by others	85,080,758	86,060,540
c) Own securities in third-party custody	15,844,049	15,830,609

The amounts reflected above are stated at nominal value.

Own securities on deposit with third parties include securities to be purchased upon the maturity of repurchase agreements.

### 12.4 Collections for the account of third parties: debit and credit adjustments

	31/12/2004	31/12/2003
<b>a) Debit adjustments</b>	1,376,833	1,270,193
1. Current accounts	39,112	420,40
2. Head office portfolio	1,165,458	1,073,979
3. Cash		
4. Other accounts	172,263	154,174
<b>b) Credit adjustments</b>	6,894,872	6,449,436
1. Current accounts	172,264	154,174
2. Notes and other documents	6,683,497	6,253,222
3. Other accounts	39,111	42,040

## 12.5 Other transactions

	31/12/2004
<b>a) Third-party portfolio accepted for collection</b>	1,319,563
<b>b) Tax collection activity</b>	67,478,219
Tax rolls with payment obligation to the Revenue by the tax collector and not yet collected	
- amounts overdue and advanced to the Tax Authorities	2,037,908
- amounts overdue and not yet advanced to the Tax Authorities	
Tax rolls without payment obligation received and not yet collected	65,440,311

Temporary relief and allowances for EUR 1,755,868,000 are available in respect of overdue amounts already advanced to the Tax Authorities.

The underlying risk relative to the collection of tax payments due cannot currently be quantified exactly but is covered by provisions in the "reserve for risks and other charges" as shown in Section 7 - Reserves.

	31/12/2003
<b>a) Third-party portfolio accepted for collection</b>	1,242,193
<b>b) Tax-collection activity</b>	81,915,344
Tax rolls with payment obligation to the Revenue by the tax collector and not yet collected	
- amounts overdue and advanced to the Tax Authorities	2,182,766
- amounts overdue and not yet advanced to the Tax Authorities	-
Tax rolls without payment obligation received and not yet collected	79,732,578

Temporary relief and allowances for EUR 1,787,145,000 are available in respect of overdue amounts already advanced to the Tax Authorities.



**PART C**

**INFORMATION ON THE PROFIT AND LOSS  
STATEMENT**

## Section 1 – INTEREST INCOME AND INTEREST EXPENSE

### 1.1 Composition of Account 10 - Interest and similar income

Interest and similar income consist of the following amounts:

	31/12/2004	31/12/2003
a) Amounts due from banks	408,818	477,902
Including:		
- amounts related to central-bank financing	18,784	18,119
b) Customer loans and advances	1,862,659	2,259,461
Including:		
- loans using third-party funds under administration	762	1,133
c) Debt securities	501,164	430,202
d) Other interest income	953	2,122
e) Positive balance of differentials on hedging transactions		
<b>Total</b>	<b>2,774,594</b>	<b>3,169,687</b>

### 1.2 Composition of Account 20- Interest expense and other expense on borrowed funds

Interest and other expense on borrowed funds consist of the following amounts:

	31/12/2004	31/12/2003
a) Amounts due to banks	279,917	397,211
b) Amounts due to customers	351,014	450,885
c) Other borrowed funds backed by negotiable instruments	596,026	610,207
including:		
- certificates of deposit	67,999	73,146
d) Third-party funds under administration	7,002	7,935
e) Subordinated debt	180,023	150,471
f) Negative balance of differentials on hedging transactions	142,023	98,014
<b>Total</b>	<b>1,556,071</b>	<b>1,714,723</b>

### 1.3 Detail of Account 10 - Interest and similar income

	31/12/2004	31/12/2003
Interest and similar income on foreign-currency-denominated assets	98,995	91,160

1.1 **Detail of Account 20- Interest expense and other expense on borrowed funds**

	31/12/2004	31/12/2003
Interest and other expense on liabilities denominated in foreign currency	129,947	129,763

## Section 2 – COMMISSIONS

### 2.1 Composition of Account 40- Commissions earned

Commissions earned consist of the following amounts:

	31/12/2004	31/12/2003
a) Guarantees released	23,916	28,159
b) Credit derivatives	149	245
c) Trading, management and advisory services	387,247	425,417
1. Securities trading	7,222	7,081
2. Foreign-exchange trading	30,582	36,313
3. Asset management:		
3.1 Individual portfolios under management	47,009	32,965
3.2 Investments in mutual funds	9,914	5,153
4. Securities safekeeping and administration	88,877	101,293
5. Custodian bank	21,683	25,111
6. Securities placement	34,404	62,701
7. Order taking	23,096	26,879
8. Advisory services		-
9. Distribution of third parties' services:		-
9.1 Asset management:		-
a) Individual portfolios under management		-
b) Investments in mutual funds		-
9.2 Insurance products	49,583	62,516
9.3 Other products	74,877	65,405
d) Collection and payments services	73,092	70,479
e) Servicing for securitization transactions	13,165	11,967
f) Tax collection services	122,923	119,993
g) Other services	173,107	197,904
- Commissions on loans to customers	24,071	35,316
- Recoveries, expenses and other profits on customer loans	103,612	119,990
- Penalties on interbank transactions	7,564	7,263
- Sundry commissions	11,409	13,088
- Safe-deposit boxes	1,195	1,188
- Other	25,256	20,858
Total	793,599	854,164

## 2.2 Detail of Account 40 – Commissions earned

Following is a breakdown of commissions earned based on the distribution channel.

	31/12/2004	31/12/2003
a) Branches:		
1. Asset management	56,923	38,118
2. Securities placement	34,404	62,701
3. Third party's services and products	124,460	127,921
b) Other distribution channels (off-site):		
1. Asset management	-	
2. Securities placement	-	
3. Third party's services and products	-	

## 2.3 Composition of Account 50 - Commission expense

Commission expense consists of the following amounts:

	31/12/2004	31/12/2003
a) Guarantees released	452	498
b) Credit derivatives	237	417
c) Trading and intermediation	15,626	17,678
1. Securities trading	5,489	6,229
2. Foreign-exchange trading		
3. Asset management		
3.1 Own portfolio		
3.2 Third party's portfolio		
4. Securities safekeeping and administration	9,766	9,313
5. Securities placement	371	2,002
6. Off-site offer of securities, products and services		134
d) Collection and payment services	13,758	9,548
e) Other services:	82,842	80,997
- Commissions paid to brokers	7,085	6,243
- Commissions on services to third parties	31,679	25,229
- Commissions paid to banks	33,657	35,975
- Penalties on interbank transactions	5,661	6,582
- Leasing commissions		
- Commissions on tax-collection activity		
- Other	4,760	6,968
<b>Total</b>	<b>112,915</b>	<b>109,138</b>

### Section 3 – PROFITS AND LOSSES ON FINANCIAL TRANSACTIONS

#### 3.1 Composition of Account 60- Profits (losses) on financial transactions

Account/Transaction	31/12/2004		
	Securities	Foreign Currency	Other
A.1 Revaluations	335,503 a)		1,483,049 i)
A.2 Writedowns	(198,858) b)		(1.581,345) l)
B. Other profits/losses	(170,010) c)	(12,117) h)	28,251 m)
Total	(33,365)	(12,117)	(70,045)
1. Government securities	8,089 d)		
2. Other debt securities	125,927 e)		
3. Equity securities	76 f)		
4. Securities-related derivatives	(167,457) g)		

#### Notes

##### Securities transactions:

- a) revaluations of securities in the amount of EUR 181,735,000 and revaluations of securities-related derivatives in the amount of EUR 153,768,000.
- b) writedowns of securities in the amount of EUR -51,746,000, writedowns of securities to be received and delivered in the amount of EUR - 785,000 and writedowns of securities-related derivatives in the amount of EUR - 146,327,000.
- c) other profits/losses on securities in the amount of EUR 4,888,000 (including own shares in the amount of EUR -69,000) and losses on securities-related derivatives in the amount of EUR -174,898,000.
- d) revaluations in the amount of EUR 788,000, writedowns in the amount of EUR - 3,206,000, other profits and losses in the amount of EUR 9,907,000.
- e) revaluations in the amount of EUR 144,395,000, writedowns in the amount of EUR - 25,977,000, other profits and losses in the amount of EUR 7,509,000.
- f) revaluations in the amount of EUR 36,552,000, writedowns in the amount of EUR - 23,948,000, other profit and losses in the amount of EUR - 12,528,000.
- g) revaluations in the amount of EUR 153,768,000, writedowns in the amount of EUR - 146,327,000, other profit and losses in the amount of EUR - 174,898,000.

##### Foreign-currency transactions:

- h) net loss on currency derivatives in the amount of EUR – 19,905,000, writedown of the endowment funds of the foreign branches in the amount of EUR - 4,086,000, other profits/losses on foreign-exchange trading in the amount of EUR 11,874,000.

##### Other transactions:

- i) revaluations of interest-rate derivatives in the amount of EUR 1,483,049,000 (swaps in the amount of EUR 1,340,387, options in the amount of EUR 141,878,000, futures and forwards in the amount of EUR 784,000).
- l) writedowns of interest-rate derivatives in the amount of EUR - 1,581,345,000 (swaps in the amount of EUR – 1,431,572,000, options in the amount of EUR - 149,162,000, and futures and forwards in the amount of EUR – 611,000).
- m) differentials and premiums settled on interest-rate derivatives contracts in the amount of EUR 36,965,000 (swaps in the amount of EUR 37,601,000, options in the amount of EUR -367,000, futures and

forwards in the amount of EUR 269,000), net differentials on credit derivatives in the amount of EUR -- 9,682,000 and net negative differentials on other contracts in the amount of EUR 968,000.

Account/Transaction	31/12/2004		
	Securities	Foreign Currency	Other
A.1 Revaluations	413,878 a)		421,500 i)
A.2 Writedowns	(460,821) b)		(409,095) l)
B. Other profits/losses	(94,019) c)	(6,253) h)	(29,263) m)
Total	(140,962)	(6,253)	(16,858)
1. Government securities	4,325 d)		
2. Other debt securities	63,464 e)		
3. Equity securities	53,425 f)		
4. Securities-related derivatives	(262,176) g)		

## Section 4 – OPERATING EXPENSES

### 4.1 Average number of employees by category

	Bank		Tax		Total	
	31/12/2004	31/12/2003	31/12/2004	31/12/2003	31/12/2004	31/12/2003
a) Executives	353	340	5	4	358	344
b) Senior, Middle & Junior managers	3,728	3,594	205	207	3,933	3,801
c) Remaining personnel	10,222	10,498	720	790	10,942	11,288
<b>Total</b>	<b>14,303</b>	<b>14,432</b>	<b>930</b>	<b>1,001</b>	<b>15,233</b>	<b>15,433</b>

Actual employment at year end is summarized in the following table:

	Bank		Tax		Total	
	31/12/2004	31/12/2003	31/12/2004	31/12/2003	31/12/2004	31/12/2003
<b>Total</b>	<b>14,387</b>	<b>14,218</b>	<b>898</b>	<b>961</b>	<b>15,285</b>	<b>15,179</b>

(1) This table includes 54 and 61 cleaning staff at the end of 2004 and 2003, respectively.

### 4.2 Composition of Account 80 - Administrative expenses

	31/12/2004	31/12/2003
<b>a) Personnel expense:</b>	<b>1,032,081</b>	<b>1,162,225</b>
- salaries and wages	725,160	819,889
- social-welfare charges	199,184	219,629
- staff severance indemnity reserve	57,372	65,912
- pension fund and similar obligations	15,504	17,458
- other	34,861	39,337
<b>b) Other administrative expense</b>	<b>809,967</b>	<b>893,343</b>
<b>Total</b>	<b>1,842,048</b>	<b>2,055,568</b>

For comments on the most remarkable changes in administrative expenses see the Report on Operations.



**Detail of b) Other administrative expenses**

The principal administrative expenses are summarized in the following table:

	31/12/2004	31/12/2003
Stamp duties	82,252	86,922
Rental costs of Bank premises	125,798	103,721
Cost of professional services	50,676	61,579
Maintenance of personal and real property	9,247	21,306
Postage	33,305	36,228
Telephone and telex	14,067	16,808
Advertising	31,395	31,974
Other rentals	6,606	14,959
Information and surveys	29,480	26,525
Transportation	23,771	26,202
Electricity, heating and water	14,507	15,459
Security	18,325	21,037
Employee vehicles and travel expenses	19,523	22,024
Cleaning	11,041	13,102
Local property tax	5,523	6,119
Cable rental for data transfer	4,484	5,618
Indirect taxes and rates	1,803	1,665
Expenses for personnel of other Group companies	12,475	11,190
Stationery and printing	3,935	6,037
Insurance	14,996	12,829
Data processing carried out by third parties	6,139	8,384
Membership fees (incl. for automated tax-processing consortium)	6,340	7,317
Entertainment expenses	3,637	4,222
Condominium fees and amounts paid for release of buildings	8,446	4,540
Subscription and purchase of publications	1,145	1,462
Equipment leases	1,005	1,081
Expenses for services provided by MPS Group companies	255,204	303,394
Other	14,311	21,533
<b>Total</b>	<b>809,936</b>	<b>893,237</b>
Contribution to Interbank Deposit Protection Fund	3	5
Contribution to Interbank Guarantee Fund	28	101
<b>Total other administrative expenses</b>	<b>809,967</b>	<b>893.343</b>

## Section 5 – VALUATION ADJUSTMENTS, RECOVERIES AND PROVISIONS

### 5.1 Composition of Account 120 - Valuation adjustments to loans and provisions for guarantees and commitments

	31/12/2004	31/12/2003
<b>a) Valuation adjustments to loans to customers and central banks</b>	497,754	582,821
including:		
adjustments for country risk	138	711
other lump-sum adjustments	285	5,044
<b>a.1) Valuation adjustments to loans to banks</b>	752	2,979
including:		
adjustments for country risk	752	1,404
<b>b) Provisions for guarantees and commitments</b>		3,123
including:		
provisions for country risk		1,207
other lump-sum adjustments		-
<b>Total</b>	498,506	588,923

### 5.2 Composition of Account 90 - Valuation adjustments to fixed and intangible assets

	31/12/2004	31/12/2003
<b>a) Intangible assets:</b>	133,835	138,345
- goodwill	85,778	84,180
- other (start-up costs and software)	8,334	8,888
- commissions paid on securities placement	5,836	3,487
- other	33,887	41,790
<b>b) Fixed assets:</b>	33,084	66,912
- buildings	2,794	16,504
- furniture and equipment	30,290	50,408
- assets under financial lease		-
	166,919	205,257
<b>Total</b>		205,257

Intangible assets are amortized on a straight-line basis over five years, excluding commissions paid on securities placement which are amortized over the life of the securities and the goodwill which is amortized over ten years, with the exception of the goodwill of BAM which is amortized over fourteen years and representing the expected recoverability of the investment.

Depreciation rates are deemed representative of the residual useful life of the assets, taking into consideration obsolescence and the type of activity carried out by the Bank.

Following is a schedule of ordinary depreciation rates, according to the more intense usage in the first years of useful life:

Buildings	3%
Office fixtures and equipment	12%
Computer equipment	20%
Motor vehicles	25%
File cabinets	10%
Various equipment	15%
Furniture	15%
Alarm systems	30%
Communications and remote signaling systems	25%
Bullet-proof counters and glass	20%
Fork lifts	7.50%
Heavy vehicles and internal transport	20%

### 5.3 Composition of Account 150- Valuation adjustments to non-current financial assets

	31/12/2004	31/12/2003
Capital losses on equity investments	78,856	416,351
Capital losses on investment securities (°)	12,379	33,075
<b>Total</b>	<b>89,235</b>	<b>449,426</b>

(°) See Section 2.2.

The detail on the losses on equity investments is provided in the comments on the relative balance-sheet account.

## Section 6 - OTHER PROFIT AND LOSS ACCOUNTS

### 6.1 Composition of Account 70 - Other operating income

	31/12/2004	31/12/2003
Rental and similar income	17,353	16,800
Expense recovery and other income: deposits and current accounts	122,432	115,355
Expense recovery: personnel working off-site with other companies	148,642	161,607
Recovery of duties and other expenses	74,843	77,591
Premiums received	16,841	430
Recovery of expenses on mortgage loans	14,978	12,876
Revenues from the transfer of loans		57,100
Other	59,751	45,445
<b>Total</b>	<b>454,840</b>	<b>487,204</b>

### 6.2 Composition of Account 110 - Other operating expenses

	31/12/2004	31/12/2003
Other options and premiums settled	17,386	595
Other	23,287	24,218
<b>Total</b>	<b>40,673</b>	<b>24,813</b>

### 6.3 Composition of Account 180 - Extraordinary income

	31/12/2004	31/12/2003
Gains on disposal of equity investments (1)	43,272	281,772
Profit on disposal of investment securities	498	-
Profit on disposal of fixed assets	171	188
Usage of future charges fund	51,625	
Tax clean-up (2)	361,961	
Deferred tax assets regarding previous years		-
Earnings to be realized from derivatives contracts relative to investments		-
Other	18,281	106,953
<b>Total</b>	<b>475,808</b>	<b>388,913</b>

(1) The amount mainly includes the disposal of Banca MP Suisse for EUR 12,556,000, of Autostrade TO-MI for EUR 10,981,000 and of E.Biscom for EUR 6,995,000 and of SIAS for EUR 6,989,000.

(2)s. section 3.6

#### 6.4 Composition of Account 190- Extraordinary charges

	31/12/2004	31/12/2003
Losses on disposal of fixed assets	4	167
Losses on robberies	1,996	1,916
Losses on tax-collection activity	977	842
Losses on disposal of equity investments	2,990	3,116
Early-retirement incentives (1)	57,221	49,408
Prior year taxes	-	-
Loss on disposal of investment securities	1,978	87
Losses from cancellation of derivatives contracts related to investments	-	-
Other (2)	46,019	487,010
<b>Total</b>	<b>111,185</b>	<b>542,546</b>

(1) The amount includes EUR 5,569,000 for early retirement incentives and EUR 51,652,000 for solidarity fund compensation.

(2) The amount includes charges resulting from financial products for EUR 25,740,000.

#### 6.5 Composition of Account 220 - Income taxes

	31/12/2004	31/12/2003
Current taxes (1)	86,730	(103,899)
Change in deferred tax assets	(52,444)	31,019
Change in deferred tax liabilities	(16,359)	170,240
<b>Income taxes</b>	<b>17,891</b>	<b>97,360</b>

(1) Includes the substitution tax of 19 percent for 2004 (EUR 13,636,000) on the goodwill originated by Banca 121, Banca Agricola Mantovana, Cooperbanca and Saped mergers, pursuant to Article 6 of Legislative Decree n. 358/97.

The reduction of the fiscal burden is mainly due to tax-loss of the dividends, as provided for by the new tax regulations in force starting from 1 January 2004 and to the tax clean-up.

**Section 7 – ADDITIONAL NOTES TO THE PROFIT AND LOSS STATEMENT**

**7.1 Geographical distribution of income**

	ITALY	EU COUNTRIES	OTHER COUNTRIES	31/12/2004 TOTAL
Interest and similar income	2,563,019	183,089	28,486	2,774,594
Dividends and other income	401,601			401,601
Commissions earned	789,596	2,308	1,695	793,599
Profits from other financial transactions	(117,003)	1,249	227	(115,527)
Other operating income	454,537	296	7	454,840
<b>Total</b>	<b>4,091,750</b>	<b>186,942</b>	<b>30,415</b>	<b>4,309,107</b>

	ITALY	EU COUNTRIES	OTHER COUNTRIES	31/12/2003 TOTAL
Interest and similar income	2,903,118	232,770	33,799	3,169,687
Dividends and other income	686,489	-	-	686,649
Commissions earned	801,415	42,373	10,376	854,164
Profits from other financial transactions	(174,709)	10,375	261	(164,073)
Other operating income	371,567	115,632	5	487,204
<b>Total</b>	<b>4,588,040</b>	<b>401,150</b>	<b>44,441</b>	<b>5,033,631</b>

**PART D**

**OTHER INFORMATION**

**Section 1 – DIRECTORS AND STATUTORY AUDITORS**

**1.1 Compensation**

	31/12/2004		31/12/2003
a) Directors			2,120
b) Statutory Auditors			419

**1.2 Loans receivable from directors and statutory auditors and guarantees released to the same**

	31/12/2004		31/12/2003
a) Directors			379
b) Statutory Auditors			223





**PARENT COMPANY**

**2.1 Name**

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

**2.2 Head Office**

Piazza Salimbeni, 3 - Siena

Registered with the Court of Siena under n. 9782 on 23 August 1995

Registered on the Register of Banks under n. 325 Code No. 1030.6

Participant in the Interbank Deposit Protection Fund

## **SUPPLEMENTAL INFORMATION**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

	31/12/2004	31/12/2003
<b>Sources of funds:</b>		
Net profit to be allocated	610,478	221,200
Provision for loan loss reserve	517	-
Provisions for other reserves	9,922	605,351
Share capital increase		260,250
Provision for staff severance indemnity reserve	52,123	55,679
Provision for pension fund	59,368	33,415
<b>Funds generated from operations</b>	<b>732,408</b>	<b>1,175,895</b>
<b>Increases:</b>		
Amounts due to customers	2,192,996	(960,523)
Amounts due to banks	1,974,563	(3,767,522)
Borrowed funds backed by negotiable instruments	2,217,775	1,525,227
Subordinated debt	58,904	1,170,294
Other reserves	15,893	(189,043)
<b>Decreases:</b>		
Cash and current assets	27,675	120,784
Fixed assets	97,728	450,831
Other assets	1,223,876	1,793,227
Own shares	14,453	(12,159)
<b>Total sources of funds</b>	<b>8,556,271</b>	<b>1,307,011</b>
<b>Uses of funds:</b>		
Payment of dividends	168,786	217,831
Use of reserve for own shares	14,453	-
Use of reserve for loan losses		70,000
Use of staff severance indemnity reserve	58,564	66,484
Use of pension funds	11,749	13,050
Use of other reserves		41,247
Use of reserve for general banking risks		300,000
<b>Increases:</b>		
Equity investments	340,842	1,790,069
Accrued income and prepayments	113,648	(322,127)
<b>Decreases:</b>		
Other liabilities	620,372	1,749,054
Third-party funds under administration	4,718	4,960
Reserve for taxes	99,618	156,075
Other funds	51,434	(63,060)
<b>TOTAL USES OF FUNDS</b>	<b>1,484,184</b>	<b>4,023,583</b>

Difference	7,072,087	(2,716,572)
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**CHANGES IN INTEREST-BEARING USES OF FUNDS**

Customer loans and advances	2,182,552	(167,087)
Amounts due from banks	4,389,345	(4,057,520)
Securities and certificates of deposit	500,190	1,508,035
	7,072,087	(2,716,572)

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## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Additional paid-in Capital	Legal Reserve	Statutory Reserve	Reserve for Own Shares	Other Reserves	Other Tax-Exempt Reserves	Reserve for General Banking Risks	Retained Earnings	Net Profit to be Allocated	Total Shareholders' Equity
Balances as of 31/12/2002	1,675,023	522,925	271,231	974,812	2,294	666,654	575,027	334,879	70	599,497	5,622,412
Allocation of 2001 net profit:											
- residual earnings of prior year									(70)	70	-
- to the legal reserve			63,744							(63,774)	-
- to the statutory reserves				91,000						(91,000)	-
To the extraordinary reserves						226,000					
									(266,000)		
- to the reserve established under Art. 13 Law 124/93						838				(838)	-
- payment of dividends										(217,831)	(217,831)
- retained earnings									124	(124)	
Prepayment of taxes on losses on securitization						(6,883)					(6,883)
Use of reserve for adjustments to securities related to securitization transactions						(27,205)					(27,205)
Reconstruction of reserve for losses on securitization transactions						42,591					42,591
Usage of reserve for Euro adjustments						(8,788)					(8,788)
Usage of/additions to extraordinary reserve for adjustments for purchase of own shares, net of writedown					12,158	(40,960)					(28,801)
Use of extraordinary reserve for employee profit sharing											-
Use of revaluation reserve set up under Law 342/2000											(425,318)
Capital increase in relation to BT merger, surplus from share exchange and from merger	137,352					382,612					519,964
Capital increase in relation to BAM merger, surplus from share exchange	122,898					210,580					333,478
Capital increase in relation to Banca 121 merger											
Use of reserve for general banking risks								(300,000)			(300,000)
Transfer to free reserves						341,312	(341,312)				
Net profit to be allocated										221,200	221,200
Balances as of 31/12/2003	1,935,273	522,925	335,005	1,065,812	14,453	1,786,751	233,715	34,879	124	221,200	6,150,137
Allocation of 2003 net profit:											
- residual earnings of prior year									(124)	124	-
- to the legal reserve			22,132							(22,132)	-
- to the statutory reserves				29,500						(29,500)	-
- to the extraordinary reserve											
- to the reserve established under Art. 13 Law 124/93						900				(900)	-
- payment of dividends											(168,786)
- retained earnings									6	(6)	-
Addition to reserve for losses on securitizations						42,591					42,591
Prepayment of taxes on losses on securitizations						(15,865)					(15,865)
Usage of/additions to extraordinary reserve for adjustments for purchase of own shares, net of writedown					(14,725)	14,725					
Addition to the general banking risk fund resulting from the Banca Steinhauslin merger								517			517
Use of reserve for employee profit sharing						(31,257)					(31,257)
Transfer to own shares to be assigned to trading securities					272	(272)					
Transfer to free reserves						(10,771)	10,771				-
Net profit to be allocated										610,478	610,478
Balances as of 31/12/2004	1,935,273	522,925	357,137	1,095,312	-	1,786,802	244,486	35,396	6	610,478	6,587,815



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(Translation from the Italian original which remains the definitive version)

## Report of the auditors in accordance with article 156 of legislative decree no. 58 of 24 February 1998

To the shareholders of  
Banca Monte dei Paschi di Siena S.p.A.

- 1 We have audited the financial statements of Banca Monte dei Paschi di Siena S.p.A. as at and for the year ended 31 December 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2 We conducted our audit in accordance with the auditing standards recommended by Consob, the Italian Commission for Listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, reliable. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. The responsibility for the audit of the financial statements of certain subsidiary and associated companies, representing 38% and 3% of the captions "investments" and "total assets", respectively, rests with other auditors.

Reference should be made to the report dated 10 April 2004 for our opinion on the prior year figures which are presented for comparative purposes as required by law.

- 3 In our opinion, the financial statements of Banca Monte dei Paschi di Siena S.p.A. as at and for the year ended 31 December 2004 comply with the Italian regulations governing their preparation; therefore they are clearly stated and give a true and fair view of the financial position and results of the company.
- 4 We draw your attention to the following matters:
  - 4.1 As described in the notes to the financial statements, pursuant to the new legislation governing financial statements introduced with legislative decree no. 37 of 6 February 2004, the company eliminated the fiscally-driven adjustments made in previous years to the value of a number of investments and a derivative contract which, from 1 January 2004, are no longer allowed. The accounting treatment applied and the related effects on the financial statements are described in the notes.



- 4.2 As described in the notes to the financial statements, in previous years, the company partly charged directly to reserves and partly deferred to future years the write-down of junior securities and the effects of the losses incurred following a number of non-performing loan securitisation transactions. This treatment is permitted by Law no. 130/1999 as an alternative to fully charging the profit and loss account of the year in which the write-down is recorded or the losses are incurred as required by correct accounting principles. The accounting treatment applied and the related effects on the financial statements are described in the notes thereto.
- 4.3 The company holds significant controlling interests and, in accordance with current legislation, has prepared consolidated financial statements. Such statements are presented in addition to its own financial statements in order to furnish adequate information on the financial position and results of both the company and the group. We have audited the consolidated financial statements and these, with our audit report thereon, are presented together with the statutory financial statements.

Florence, 13 April 2005

KPMG S.p.A.

(signed on the original)

Roberto Todeschini  
Director of Audit