MONTE DEI PASCHI DI SIENA BANK

2015
Annual Report

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

Monte dei Paschi di Siena Bank
Separate Annual Report 2015

Banca Monte dei Paschi di Siena S.p.a.
Share Capital: € 9,001,756,820.7 fully paid in
Siena Companies' Register no. and tax code 00884060526
Member of the Italian Interbank Deposit Protection Fund. Banks Register no. 5274
Monte dei Paschi di Siena Banking Group, registered with the Banking Groups Register

NOTICE OF ORDINARY SHAREHOLDERS' MEETING

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

AGENDA

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

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

Siena, 14th March 2016

GOVERNING AND CONTROL BODIES

BOARD OF DIRECTORS

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

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

BOARD OF STATUTORY AUDITORS

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

SENIOR MANAGEMENT

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

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

SEPARATE ANNUAL REPORT
BANCA MONTE DEI PASCHI DI SIENA

REPORT ON OPERATIONS

Results in brief

CONSOLIDATED REPORT ON OPERATIONS Highlights at INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS MONTE DEI PASCHI DI SIENA BANK		(*)	
INCOME STATEMENT FIGURES (EUR mln)	31/12/2015	31/12/2014	% chg
Income from banking activities	3,790.0	3,345.8	13.3%
Income from banking and insurance activities	4,803.3	3,514.7	36.7%
Net operating income	613.6	(5,421.7)	-111.3%
Net profit (loss) for the period	416.6	(5,491.9)	n.s.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	31/12/2015	31/12/2014	% chg
Direct funding	116,164	120,627	-3.7%
Indirect funding	100,355	100,143	0.2%
of which: assets under management	*50,591*	*46,458*	*8.9%*
of which: assets under custody	*49,764*	*53,685*	*-7.3%*
Loans to customers	95,384	102,157	-6.6%
Group net equity	8,515	4,619	84.3%
KEY CREDIT QUALITY RATIOS (%)	31/12/2015	31/12/2014	Abs. chg
Net doubtful loans/Loans to Customers	7.3	5.5	1.7
Net Unlikely to pay/Loans to Customers	9.7	8.6	1.1
Net NP past due and overdue exposures/Loans to Customers	1.9	2.4	-0.4
PROFITABILITY RATIOS (%)	31/12/2015	31/12/2014	Abs. chg
Cost/Income ratio	52.2	75.3	-23.1
Net loan loss provisions / End-of-period loans	1.77	5.97	-4.2
CAPITAL RATIOS (%)	31/12/2015	31/12/2014	Abs. chg
Total Capital ratio	19.6	17.9	1.8
Common Equity Tier 1 (CET1) ratio	14.1	11.1	3.1
Return on Assets (RoA) ratio	0.26	-3.12	3.38
INFORMATION ON BMPS STOCK	31/12/2015	31/12/2014	Abs. chg
Number of ordinary shares outstanding	2,932,079,864	5,116,513,875	-2,184,434,011
Price per ordinary share:	From 31/12/14 to 31/12/15	From 31/12/13 to 31/12/14	% chg
average	1.88	1.19	57.5%
low	1.15	0.46	148.7%
high	2.56	2.56	0.0%
OPERATING STRUCTURE	31/12/2015	31/12/2014	Abs. chg
Total head count - end of period	23,473	23,520	(47)
Number of branches in Italy	2,133	2,186	(53)
Number of specialised centres	263	279	(16)
Financial advisory branches	112	118	(6)
Number of branches & representative offices abroad	40	40	

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

Analysis of the key economic-financial indicators of Banca Monte dei Paschi di Siena

Reclassified accounts

Income statement and balance sheet reclassification principles

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

This correction had an impact on the following reclassified items:

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

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

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

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

The comparative figures for 2014 were re-aggregated on the basis of the new Income Statement format reclassified with operational criteria.

The restatement of data for 2014 does not take into account changes in the Bank's scope of consolidation in 2015. In particular, on 1 May 2015, Consum.it was merged into Banca Monte dei Paschi di Siena, effective for accounting purposes as of 1 January 2015. Amounts for the year 2014 were not adjusted accordingly, and therefore they are not comparable with the Bank’s new scope of consolidation as at 31 December 2015.

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

Income Statement

a) “**Net profit (loss) from trading/valuation/repurchase of financial assets/liabilities**” in the reclassified income statement includes item 80 “Net profit (loss) from trading”, item 100 “Gains (losses) on disposal/repurchase of loans, financial assets available for sale or held to maturity and financial liabilities” and item 110 “Net profit (loss) from financial assets and liabilities designated at fair value”. The item incorporates dividends earned on securities held in the Group’s securities and derivatives portfolio (approx. EUR 6 mln).

b) “**Dividends, similar income and gains (losses) on investments**” in the reclassified income statement incorporates item 70 “Dividends and similar income”. Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate.

c) The income statement item “**Other operating income/expenses**” excludes the stamp duty and customer expense recoveries restated under “**Other administrative expenses**”.

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

e) “**Other administrative expenses**” in the reclassified income statement includes the portion of stamp duty and client expense recovery (approx. EUR 332 mln) posted under item 190 “Other operating expenses/income”. This item was also reduced by the costs deriving from the adoption of the DGSD EU directive for the guarantee of deposits and BRRD for the resolution of bank crises (approx. EUR 142 mln), which were reclassified to the item “Risks and charges connected to SRF, DGS and similar schemes”.

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

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

h) The income statement item “**Risks and charges connected to SRF, DGS and similar schemes**” includes costs (approx. EUR 142 mln) reclassified out of “Other Administrative Expenses” and “Net provisions for risks and charges”, deriving from the adoption of the DGSD EU directive for the guarantee of deposits and BRRD for the resolution of bank crises.

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

Balance Sheet

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

b) “**Other assets**” on the assets side of the reclassified balance sheet incorporates item 80 “Hedging derivatives”, item 90 “Change in value of macro-hedged financial assets”, item 130 “Tax assets”, item 140 “Non-current assets and groups of assets available for sale and discontinued operations” and item 150 “Other assets”.

c) “**Deposits from customers and debt securities issued**” on the liabilities side of the reclassified balance sheet includes item 20 “Deposits from customers”, item 30 “Debt securities issued” and item 50 “Financial liabilities designated at fair value”.

d) “**Other liabilities**” on the liabilities side of the reclassified balance sheet incorporates item 60 “Hedging derivatives”, item 70 “Change in value of macro-hedged financial liabilities”, item 80 “Tax liabilities”, item 90 “Liabilities associated with individual assets held for sale” and item 100 “Other liabilities”.

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

Income statement

Reclassified Income Statement (Euro mln)				
	31/12/15	31/12/14	Change	
Monte dei Paschi di Siena Bank		(*)	Abs.	%
Net interest income	2.006,7	1.703,5	303,2	17,8%
Net fee and commission income	1.783,3	1.642,4	140,9	8,6%
Income from banking activities	**3.790,0**	**3.345,8**	**444,1**	**13,3%**
Dividends, similar income and gains (losses) on Equity investments	135,9	115,7	20,2	17,4%
Net profit (loss) from trading	899,5	89,6	809,9	n.s.
Net profit (loss) from hedging	(18,5)	(22,7)	4,2	-18,5%
Other operating income (expenses)	(3,5)	(13,7)	10,3	-74,8%
Income from banking and insurance activities	**4.803,3**	**3.514,7**	**1.288,6**	**36,7%**
Administrative expenses:	(2.444,5)	(2.555,8)	111,3	-4,4%
a) personnel expenses	(1.511,2)	(1.570,5)	59,3	-3,8%
b) other administrative expenses	(933,4)	(985,3)	52,0	-5,3%
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(62,8)	(91,3)	28,5	-31,3%
Operating expenses	**(2.507,3)**	**(2.647,1)**	**139,9**	**-5,3%**
Net income from financial and insurance activities	**2.296,0**	**867,6**	**1.428,5**	**n.s.**
Net impairment losses (reversals) on:	**(1.682,5)**	**(6.289,3)**	**4.606,8**	**-73,2%**
a) loans	(1.687,6)	(6.100,6)	4.413,0	-72,3%
b) financial assets	5,1	(188,7)	193,8	-102,7%
Net operating income	**613,6**	**(5.421,7)**	**6.035,3**	**-111,3%**
Net provisions for risks and charges	(77,3)	(122,7)	45,4	-37,0%
Gains (losses) on investments	102,7	(678,2)	781,0	n.s.
Restructuring costs / One-off costs	(16,8)	(371,8)	355,0	n.s.
Risks and charges related to the SRF, DGS and similar schemes	(141,6)	(57,6)	(84,0)	n.s.
Gains (losses) on disposal of investments	1,4	27,6	(26,1)	-94,8%
Profit (loss) before tax from continuing operations	**482,0**	**(6.624,5)**	**7.106,5**	**-107,3%**
Tax expense (recovery) on income from continuing operations	(27,4)	1.832,5	(1.859,9)	n.s.
Profit (loss) after tax from continuing operations	**454,6**	**(4.792,0)**	**5.246,6**	**n.s.**
Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	n.s.
Net profit (loss) for the period including non-controlling interests	**454,6**	**(4.792,0)**	**5.246,6**	**-109,5%**
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown of investment in AM Holding	**454,6**	**(4.792,0)**	**5.246,6**	**-109,5%**
PPA (Purchase Price Allocation)	(38,0)	(38,1)	0,1	-0,2%
Impairment on goodwill, intangibles and writedown of investment in AM Holding	-	(661,8)	661,8	n.s.
Parent company's net profit (loss) for the period	**416,6**	**(5.491,9)**	**5.908,5**	**n.s.**

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

Trends in revenues

In 2015, the Bank's **Total Revenues** were approx. **EUR 4,803 mln**, up 36.7% on the previous year.

Financial and insurance income (EUR mln)				
		(*)	Chg Y/Y	
	31/12/15	31/12/14	Abs.	%
Net interest income	2.006,7	1.703,5	303,2	17,8%
Net fee and commission income	1.783,3	1.642,4	140,9	8,6%
Income from banking activities	**3.790,0**	**3.345,8**	**444,1**	**13,3%**
Dividends, similar income and gains (losses) on Equity investments	135,9	115,7	20,2	17,4%
Net trading income (loss) / valuation of financial assets	899,5	89,6	809,9	n.s.
Net profit (loss) from hedging	(18,5)	(22,7)	4,2	-18,5%
Other operating income (expenses)	(3,5)	(13,7)	10,3	-74,8%
Financial and insurance income	**4.803,3**	**3.514,7**	**1.288,6**	**36,7%**

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

A closer look at the aggregate reveals the following:

- **Net interest income** in 2015 amounted to **EUR 2,007 mln**, above the levels of the previous year (+17.8%). It should be noted in the 2014 final results, the redetermination of the repayment value of the NFIs had a negative impact of around EUR 147 mln. It should also be kept in mind that on 1 June 2015, Consum.it was merged into Banca Monte dei Paschi di Siena, effective for accounting purposes as of 1 January 2015. Including the profit of the former subsidiary Consum.it (amounting to roughly EUR 72 mln) in 2014 Net interest income, there would be an annual drop in the Bank's Net interest income of approx. 3%, which was impacted by the decrease in average interest-bearing loans and the relative rate, and the lower return on the securities portfolio as a result of optimisation activities, negative factors partially mitigated by the lower average amount of the NFIs, and the improvement in the cost of commercial funding.
- **Net fee and commission income**, standing at **EUR 1,783 mln**, was up 8.6% YoY (EUR +141 mln) due to the increase in income from asset management (placements and continuing operations).
- **Net trading income (loss)/valuation of financial assets** in 2015 stood at around EUR 900 mln, up by roughly EUR 810 mln over the previous year, relating to a considerable extent (EUR 608 mln) to the overall contribution of the "Alexandria" transaction.

Net trading income (loss) / valuation of financial assets (EUR mln)				
		(*)	Chg Y/Y	
	31/12/2015	31/12/2014	Abs.	%
Net profit (loss) from trading	618.4	(57.7)	676.1	n.s.
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	219.8	169.2	50.7	29.9%
Net profit (loss) from financial assets and liabilities designated at fair value	61.3	(21.9)	83.1	n.s.
Net profit (loss) from trading	**899.5**	**89.6**	**809.9**	**n.s.**

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

A closer look at the result reveals that:

- **Net profit (loss) from trading** showed a positive balance of approx. EUR 618 mln, which was impacted by the overall contribution of the "Alexandria" transaction (by around EUR 608 mln);
- **Gains/losses on disposal/repurchase of loans, financial assets available for sale and financial liabilities** totalled approximately EUR 220 mln, compared to around EUR 169 mln in 2014. This aggregate, which was positively impacted by results connected to the AFS portfolio optimisation activity, includes EUR 49.1 mln relating to non-recourse transfers of doubtful loans portfolios completed in June and December.
- **Net profit (loss) from financial assets and liabilities designated at fair value** showed a positive balance of roughly EUR 61 mln (EUR -21.9 mln recorded in 2014), attributable to the reduction in the value of some liabilities of BMPS designated at fair value (owing to the worsening in the Bank's credit rating).

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

- **Dividends, similar income and gains (losses) on equity investments:** EUR 136 mln (EUR 116 mln as at 31 December 2014);
- **Net profit from hedging:** EUR -19 mln (EUR -23 mln in 2014);
- **Other Operating income/expense** was negative by roughly EUR -4 mln compared to approx. EUR -14 mln in 2014.

Operating expenses

The Bank's **Operating expenses** totalled approximately **EUR 2,507 mln** in 2015, down 5.3% on the previous year.

Operating expenses (EUR mln)				
			Chg Y/Y	
	31/12/2015	31/12/2014	Abs.	%
Personnel expenses	1,511.2	1,570.5	(59.3)	-3.8%
Other administrative expenses	933.4	985.3	(52.0)	-5.3%
Administrative expenses	**2,444.5**	**2,555.8**	**(111.3)**	**-4.4%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	62.8	91.3	(28.5)	-31.3%
Operating expenses	**2,507.3**	**2,647.1**	**(139.9)**	**-5.3%**

More specifically:

- **Administrative expenses** were **EUR 2,445 mln** (-4.4% compared to 2014). A breakdown of the aggregate shows:
  - **Personnel expenses**, amounting to approximately **EUR 1,511 mln**, were down 3.8% against the previous year, due to workforce downsizing which, along with initiatives launched during the year to streamline and reduce accessory costs, offset increased expenses associated with the renewal of the National Collective Labour Agreement.
  - **Other administrative expenses**, amounting to around **EUR 933 mln**, were 5.3% lower than the previous year, due to structural actions to cut expenses which especially concerned the real estate/security and facility management and office supplies segments.
- **Net value adjustments to tangible and intangible assets** were approx. EUR 63 mln, down 31.3% compared to 2014, which was impacted by certain write-downs on real estate, also as a part of the Asset Quality Review.

On the back of these factors, the **Pre Provision Profit** totalled approximately **EUR 2,296 mln**, compared to approximately EUR 868 mln in the previous year, with a cost/income ratio of 52.2% (75.3% in 2014).

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

In 2015, the Bank booked **net impairment losses (reversals) on loans** for around **EUR 1,688 mln** compared to approx. EUR 6,100 mln in 2014, which included higher impairment losses connected to the review of classification and assessment methods and parameters for the entire loan portfolio, also as a part of the Asset Quality Review.

The ratio of the impairment losses on loans for 2015 over total customer loans reflects a **provisioning rate of 177 bps**, compared to 597 bps at the end of 2014, impacted by the significant, non-recurring impairment losses mentioned above.

Net impairment losses (reversals) on financial assets showed a **positive balance of approx. EUR 5 mln**, compared with a negative value of roughly EUR 189 mln in 2014, which also included the write-down of the investment in Istituto per il Credito Sportivo, Fondo Immobiliare Socrate and Prelios.

Consequently, the Bank's **net operating income** totalled approximately **EUR 614 mln** (roughly EUR 5,422 mln in 2014, penalised especially by impairment losses connected to the review of classification and valuation methods and parameters for the entire loan portfolio also carried out as part of the Asset Quality Review).

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

Profit for the period also included:

- **Net provisions for risks and charges** totalled approx. **EUR -77 mln** compared to approx. EUR -123 mln in 2014
- **Gains (losses) on investments** showed a balance of approx. **EUR 103 mln** (EUR 678 mln in 2014), with EUR 136 mln owing to the sale of the investee Anima Holding SpA to Poste Italiane;
- **Restructuring costs/One-off costs** of approx. EUR -17 mln relating to employment contract termination initiatives;
- **Risks and charges connected to SRF, DGS and similar schemes**, equal to roughly **EUR -142 mln**, refer to the costs accounted for following the adoption of EU Directive 2014/49 (the Deposit Guarantee Schemes Directive - DGSD), which establishes a single format for deposit guarantees, and Directive 2014/59 (the Bank Recovery and Resolution Directive - BRRD), which establishes a single mechanism for settling bank crises. The Bank's total contribution to the funds made in 2015 (ordinary and extraordinary component) amounts to approx. EUR 200 mln, of which roughly EUR 58 mln was already recognised last year for risks connected to the banks under extraordinary administration.
- **Gains on disposal of investments** showed a positive balance of roughly EUR 1.4 mln, compared to approx. EUR 28 mln in 2014, which included the gain on the sale of administrative and back-office activities to Fruendo and the gain on the disposal of London and New York real estate.

As a result of the above, **profit before tax from continuing operations** of approx. **EUR 482 mln** was posted in 2015 (vs. a loss of EUR 6,625 mln in 2014).

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

	31/12/15	(*) 31/12/14	Chg Y/Y Abs.	%
Net operating income	**613,6**	**(5.421,7)**	**6.035,3**	**n.s.**
Net provisions for risks and charges	(77,3)	(122,7)	45,4	-37,0%
Gains (losses) on investments	102,7	(678,2)	781,0	n.s.
Restructuring costs / One-off costs	(16,8)	(371,8)	355,0	-95,5%
Risks and charges related to the SRF, DGS and similar schemes	(141,6)	(57,6)	(84,0)	n.s.
Gains (losses) on disposal of investments	1,4	27,6	(26,1)	-94,8%
Profit (loss) before tax from continuing operations	**482,0**	**(6.624,5)**	**7.106,5**	**n.s.**

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

Taxes on profit (loss) from continuing operations showed a **negative balance of approx. EUR 27 mln** (positive balance of approx. EUR 1,833 mln in 2014).

Considering the net effects of the PPA (approximately EUR -38 mln), **the profit for the year 2015** of Banca Monte dei Paschi di Siena amounted to **approx. EUR 417 mln**, compared to a loss of EUR 5,492 mln in 2014.

Balance Sheet

Reclassified balance sheet (Euro mln)				
ASSETS	**31/12/2015**	**31/12/2014 (*)**	**Chg Y/Y abs.**	**Chg Y/Y %**
Cash and cash equivalents	1,047	974	73	7.5%
Receivables :				
a) Loans to customers	95,384	102,157	(6,773)	-6.6%
b) Loans to banks	34,375	38,710	(4,335)	-11.2%
Financial assets held for trading	19,086	21,658	(2,572)	-11.9%
Financial assets held to maturity	-	-	-	
Equity investments	3,074	1,673	1,401	83.7%
Property, plant and equipment / Intangible assets	1,162	1,222	(60)	-4.9%
Other assets	8,241	9,652	(1,412)	-14.6%
Total assets	**162,369**	**176,047**	**(13,678)**	**-7.8%**

LIABILITIES	**31/12/2015**	**31/12/2014 (*)**	**Chg Y/Y abs.**	**Chg Y/Y %**
Payables				
a) Deposits from customers and securities issued	116,164	120,627	(4,463)	-3.7%
b) Deposits from banks	29,521	39,294	(9,773)	-24.9%
Financial liabilities held for trading	1,844	3,650	(1,806)	-49.5%
Provisions for specific use				
a) Provisions for staff severance indemnities	239	263	(25)	-9.3%
b) Pensions and other post retirement benefit obligations	43	60	(17)	-28.8%
c) Other provisions	952	955	(3)	-0.3%
Other liabilities	5,091	6,578	(1,487)	-22.6%
Net equity	8,515	4,619	3,896	84.3%
a) Valuation reserves	(173)	(405)	232	-57.2%
c) Equity instruments carried at equity	-	3	(3)	-100.0%
d) Reserves	(736)	(1,973)	1,237	-62.7%
e) Share premium	6	2	4	n.s.
f) Share capital	9,002	12,484	(3,482)	-27.9%
g) Treasury shares (-)	-	(0)	0	-100.0%
h) Net profit (loss) for the year	417	(5,492)	5,908	-107.6%
Total Liabilities and Shareholders' Equity	**162,369**	**176,047**	**(13,678)**	**-7.8%**

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

Customer funding

As at 31 December 2015, the Bank's **Total funding** volumes amounted to around **EUR 217 bn**, down compared to the result at the end of 2014 (-1.9%), due to the decrease in volumes from direct funding and stability in indirect funding, characterised by a substantial shift of volumes from assets under custody to assets under management.

Customer Funding (Euro mln)	31/12/15	(*) 31/12/14	Chg Y/Y %
Direct funding	**116.164**	**120.627**	**-3,7%**
Indirect funding	**100.355**	**100.143**	**0,2%**
assets under management	*50.591*	*46.458*	*8,9%*
Mutual Funds/Sicav	*22.492*	*18.796*	*19,7%*
Individual Portfolio under Management	*6.002*	*5.976*	*0,4%*
Insurance Products	*22.097*	*21.686*	*1,9%*
assets under custody	*49.764*	*53.685*	*-7,3%*
Total funding	**216.519**	**220.770**	**-1,9%**

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

More specifically:

- the Bank's **Direct funding**, totalling **EUR 116 bn**, decreased by 3.7% compared to the end of 2014. The YoY trend was impacted by the reduction in repurchase agreements with institutional counterparties (EUR -7.2 bn; -40.6%) and the downturn in bond funding (EUR -1.5 bn; -4.9%), while time deposits were up by EUR 2.7 bn. Current Accounts (+1.4% YoY) and Other forms of Direct Funding (+8%) also recorded growth.

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

Direct funding (EUR mln)			Change Y/Y	
Type of transaction	31/12/15	(*) 31/12/14	Abs.	%
Current accounts	52.433	51.695	738	1,4%
Time deposits	12.846	10.133	2.713	26,8%
Reverse repurchase agreements	10.575	17.805	(7.230)	-40,6%
Bonds	29.251	30.754	(1.503)	-4,9%
Other types of direct funding (**)	11.058	10.239	819	8,0%
Total	**116.164**	**120.627**	**(4.463)**	**-3,7%**

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

(**)This item includes the NFIs, which amounted to EUR 1.350 bn as at 31/12/2014, inclusive of interest accrued but not paid.

- As at 31 December 2015, **Indirect funding** for the Bank, totalling **EUR 100 bn**, was in line with the value from the previous year (+0.2%). In detail:
  - **Assets under management** closed the year with volumes totalling **EUR 51 bn**, up 8.9% compared to 31 December 2014. A breakdown of the aggregate shows:
    - **mutual investment funds and SICAV**, amounting to approx. **EUR 22 bn**, up by around EUR 3.7 bn (+19.7%), as a result of net inflows for the year of EUR 3.4 bn, concentrated in guaranteed capital instruments;
    - **individual portfolios under management** amounted to **EUR 6 bn**, stable on the previous year (+0.4%);
    - the **insurance component** of **EUR 22 bn**, stable compared to 31 December 2014 (+1.9%).
  - **Assets under custody** amounting to **EUR 50 bn**, showed a decrease from levels at the end of 2014 (-7.3%).

Loans to customers

As at 31 December 2015, Bank **loans to customers** amounted to **EUR 95 bn**, down 6.6% with respect to the end of 2014.

This item was especially impacted by low credit demand, correlated with the gradual recovery of the Italian economy. All types were down compared to the previous year: Current Accounts (-17.4%), Mortgages (-4.1%) and Other Loans (-21.8%). The exception was Repurchase Agreements (+13.1%), which are primarily used as a way to temporarily invest excess liquidity.

“Securities lending” was in line with the value posted as at 31 December 2014.

Loans to customers (EUR mln)				
			Change Y/Y	
Type of transaction	31/12/2015	31/12/2014	Abs.	%
Current accounts	7,780	9,415	(1,636)	-17.4%
Mortgages	46,370	48,353	(1,983)	-4.1%
Other forms of lending	17,283	22,107	(4,824)	-21.8%
Repurchase agreements	4,686	4,142	544	13.1%
Securities lending	1,277	1,330	(54)	-4.0%
Non performing loans	17,990	16,810	1,180	7.0%
Total	**95,384**	**102,157**	**(6,773)**	**-6.6%**

Non-performing loans

As at 31 December 2015, the Bank's **net exposure to non-performing loans** totalled **EUR 18 bn**, an increase of 7.0% compared to the end of December 2014. Therefore, compared to 31 December 2014, there was an increase in doubtful loans (+22.2%) and unlikely to pay exposures (+5.6%), against a decrease compared to 2014 in non-performing past due exposures (-23.6%).

Loans to customers						
Risk category - Net book values (EUR mln)	**31/12/2015**	**31/12/2014**	**weight % 31/12/2015**	**weight % 31/12/2014**	**Change Y/Y Abs.**	**%**
A) Non performing loans	**17,990**	**16,810**	**18.9**	**16.5**	**1,180**	**7.0%**
a1) Doubtful loans	6,921	5,662	7.3	5.5	1,259	22.2%
a2) Unlikely to pay	9,233	8,747	9.7	8.6	487	5.6%
a3) Net past due and overdue exposures	1,835	2,401	1.9	2.4	-566	-23.6%
B) Performing loans	**77,395**	**85,347**	**81.1**	**83.5**	**-7,953**	**-9.3%**
Total customer loans	**95,384**	**102,157**	**100.0**	**100.0**	**-6,773**	**-6.6%**

Prospects and outlook on operations

Please refer to the paragraph of the same name in the Consolidated Report on Operations, the content and statements of which also apply to the Bank.

Annexes

Reconciliation between reclassified accounts and mandatory reporting schedules

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

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	31/12/15	Accounts in the Profit and Loss Statement - Montepaschi Group		31/12/15	Operating Reclassifications			31/12/15
Net interest income	2,006.7	Interest income and similar revenues	Voce 10	3,918.4	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		29.1
		Interest expense and similar charges	Voce 20	-1,940.8				
Net fee and commission income	1,783.3	Fee and commission income	Voce 40	2,062.8				
		Fee and commission expense	Voce 50	-279.5				
Income from banking activities	**3,790.0**			**3,760.9**				**29.1**
Dividends, similar income and gains (losses) on investments	135.9	Dividends and similar income	Voce 70	141.8	(-)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	-6.0
					(+)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	
Net profit (loss) from trading	899.5	Net profit (loss) from trading	Voce 80	612.4	(+)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	6.0
		Gains/losses on disposal/repurchase of:	Voce 100	219.8				
		a) loans		-53.4				
		b) financial assets available for sale		274.4				
		c) held to maturity investments						
		d) financial liabilities		-1.2				
		Net profit (loss) from financial assets and liabilities designated at fair value	Voce 110	61.3				
Net profit (loss) from hedging	-18.5	Net profit (loss) from hedging	Voce 90	-18.5				
Other operating expenses/income	-3.5	Other income/expenses (net) from insurance activities	Voce 190	328.3	(-)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	-331.8
Income from banking and insurance activities	**4,803.3**			**5,106.0**				**-302.7**
Administrative expenses	-2,444.5	Administrative expenses		-2,934.7				
a) Personnel expenses	-1,511.2	a) Personnel expenses	Voce 150a	-1,528.0	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180a - Parziale	16.8
b) Other administrative expenses	-933.4	b) Other administrative expenses	Voce 150b	-1,406.7	(+)	Payement to SRF, DGS and similar schemes	Voce 180b - Parziale	331.8
					(+)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	141.6
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-62.8	Net losses/reversal on impairment on property, plant and equipment	Voce 170	-62.4				
		Net adjustments to (recoveries on) intangible assets	Voce 180	-28.0	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		27.6
					(-)	impairment on goodwill		
Operating expenses	**-2,507.3**			**-3,025.1**				**517.8**
Pre Provision Profit	**2,296.0**			**2,081.0**				**215.1**
Net impairment losses (reversals) on:	-1,682.5	Net impairment losses(reversals) on	Voce 130	-1,682.5				
a) loans	-1,687.6	a) loans	Voce 130a	-1,687.6				
b) financial assets	5.1	b) financial assets available for sale	Voce 130b	-16.1				
		c) held to maturity investments	Voce 130c					
		d) other financial transactions	Voce 130d	21.2				
Net income from banking activities	**613.6**			**398.5**				**215.1**
Net provisions for risks and charges	-77.3	Net provisions for risks and charges	Voce 160	-77.3				
Gains (losses) on investments	102.7	Gains (losses) on investments	Voce 210	102.7	(-)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	
Restructuring costs	-16.8				(-)	Restructuring charges	Voce 180b - Parziale	-16.8
Risks and charges related to the SRF, DGS and similar schemes	-141.6				(-)	Payement to SRF, DGS and similar schemes	Voce 150a - Parziale	-141.6
Gains (losses) from disposal of investments	1.4	Gains (losses) from disposal of investments	Voce 240	1.4				
Profit (loss) before tax from continuing operations	**482.0**			**425.3**				**56.7**
Tax expense (recovery) on income from continuing operations	-27.4	Tax expense (recovery) on income from continuing operations	Voce 260	-8.7	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-18.7
Profit (loss) after tax from continuing operations	**454.6**			**416.6**				**38.0**
Profit (loss) after tax from groups of assets held for sale and discontinued operations		Profit (loss) after tax from groups of assets held for sale and discontinued operations	Voce 280					
Net profit (loss) for the period including non-controlling interests	**454.6**			**416.6**				**38.0**
Profit (loss) for the period before PPA, impairment on goodwill, intangibles and writedown	**454.6**			**416.6**				**38.0**
PPA (Purchase Price Allocation)	-38.0				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-38.0
Impairment on goodwill and intangibles		Impairment on goodwill and intangibles	Voce 260		(-)	impairment on goodwill		
Parent company's net profit (loss) for the period	**416.6**	**Parent company's net profit (loss) for the period**		**416.6**		**Total**		**0.0**

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

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	31/12/14	Accounts in the Profit and Loss Statement - Montepaschi Group		31/12/14	Operating Reclassifications			31/12/14
Net interest income	1,703.5	Interest income and similar revenues	Voce 10	4,683.5	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		29.2
		Interest expense and similar charges	Voce 20	-3,009.2				
Net fee and commission income	1,642.4	Fee and commission income	Voce 40	2,009.3				
		Fee and commission expense	Voce 50	-366.9				
Income from banking activities	**3,345.8**			**3,316.6**				**29.2**
Dividends, similar income and gains (losses) on investments	115.7	Dividends and similar income	Voce 70	132.6	(-)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	-16.9
					(+)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	
Net profit (loss) from trading	89.6	Net profit (loss) from trading	Voce 80	-74.7	(+)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	16.9
		Gains/losses on disposal/repurchase of:	Voce 100	169.2				
		a) loans		-37.3				
		b) financial assets available for sale		216.9				
		c) held to maturity investments						
		d) financial liabilities		-10.4				
		Net profit (loss) from financial assets and liabilities designated at fair value	Voce 110	-21.9				
Net profit (loss) from hedging	-22.7	Net profit (loss) from hedging	Voce 90	-22.7				
Other operating expenses/income	-13.7	Other income/expenses (net) from insurance activities	Voce 220	299.2	(-)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	-312.9
Income from banking and insurance activities	**3,514.7**			**3,798.4**				**-283.7**
Administrative expenses	-2,555.8	Administrative expenses		-3,240.5				
a) Personnel expenses	-1,570.5	a) Personnel expenses	Voce 180a	-1,909.0	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180a - Parziale	338.5
b) Other administrative expenses	-985.3	b) Other administrative expenses	Voce 180b	-1,331.6	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180b - Parziale	33.4
					(+)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	312.9
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (	-91.3	Net losses/reversal on impairment on property, plant and equipment	Voce 200	-90.9				
		Net adjustments to (recoveries on) intangible assets	Voce 210	-28.0	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		27.6
					(-)	impairment on goodwill		
Operating expenses	**-2,647.1**			**-3,359.5**				**712.3**
Pre Provision Profit	**867.6**			**438.9**				**428.6**
Net impairment losses (reversals) on:	-6,289.3	Net impairment losses(reversals) on	Voce 130	-6,289.3				
a) loans	-6,100.6	a) loans	Voce 130a	-6,100.6				
b) financial assets	-188.7	b) financial assets available for sale	Voce 130b	-56.2				
		c) held to maturity investments	Voce 130c					
		d) other financial transactions	Voce 130d	-132.5				
Net income from banking activities	**-5,421.7**			**-5,850.4**				**428.6**
Net provisions for risks and charges	-122.7	Net provisions for risks and charges	Voce 190	-180.3	(+)	Payement to SRF, DGS and similar schemes		57.6
Gains (losses) on investments	-678.2	Gains (losses) on investments	Voce 240	-678.2	(-)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	
Restructuring costs	-371.8				(-)	Restructuring charges	Voce 180b - Parziale	-338.5
Risks and charges related to the SRF, DGS and similar schemes	-57.6				(-)	Payement to SRF, DGS and similar schemes		-57.6
Gains (losses) from disposal of investments	27.6	Gains (losses) from disposal of investments	Voce 270	27.6				
Profit (loss) before tax from continuing operations	**-6,624.5**			**-7,343.1**				**718.6**
Tax expense (recovery) on income from continuing operations	1,832.5	Tax expense (recovery) on income from continuing operations	Voce 290	1,851.3	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-18.8
Profit (loss) after tax from continuing operations	**-4,792.0**			**-5,491.9**				**699.9**
Profit (loss) after tax from groups of assets held for sale and discontinued operations		Profit (loss) after tax from groups of assets held for sale and discontinued operations	Voce 310					
Net profit (loss) for the period including non-controlling interests	**-4,792.0**			**-5,491.9**				**699.9**
Net profit (loss) attributable to non-controlling interests		Net profit (loss) attributable to non-controlling interests	Voce 330					
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown	**-4,792.0**			**-5,491.9**				**699.9**
PPA (Purchase Price Allocation)	-38.1				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-38.1
Impairment on goodwill and intangibles	-661.8	Impairment on goodwill and intangibles	Voce 260		(-)	impairment on goodwill		-661.8
Parent company's net profit (loss) for the period	**-5,491.9**	**Parent company's net profit (loss) for the period**		**-5,491.9**		**Total**		

Reconciliation between the reclassified balance sheet and related statutory accounts

Balance-sheet Items - Assets	31/12/15	31/12/14	Reclassified balance-sheet items - Assets
	1.047	**974**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	1.047	974	
		-	**Loans and receivables**
	95.384	**102.157**	**a) Loans to customers**
Item 70 – Loans to customers	95.384	102.157	
	34.375	**38.710**	**b) Loans to banks**
Item 60 – Loans to banks	34.375	38.710	
	19.086	**21.658**	**Held to maturity investments**
Item 20 – Financial assets held for trading	2.075	3.051	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	17.011	18.608	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-	-	
	3.074	**1.673**	**Investments**
Item 100 – Equity investments	3.074	1.673	
	1.162	**1.222**	**Property, plant and equipment / Intangible assets**
Item 110 – Property, plant and equipment	1.070	1.102	
Item 120 – Intangible assets	92	120	
	8.241	**9.652**	**Other assets**
Item 80 – Hedging Derivatives	772	878	
Item 90 – Change in value of macro-hedged financial assets (+/-)	136	112	
Item 130 – Tax assets	4.777	6.241	
Item 140 – Non-current assets held for sale and discontinued operations	27	17	
Item 150 – Other assets	2.529	2.404	
Total Assets	**162.369**	**176.047**	**Total Assets**

Balance-sheet Items - Liabilities	31/12/15	31/12/14	Reclassified balance-sheet items - Liabilities
			Deposits
	116.164	**120.627**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	86.419	87.928	
Item 30 – Debt securities issued	27.500	29.688	
Item 50 – Financial liabilities designated at fair value	2.245	3.010	
	29.521	**39.294**	**b) Deposits from banks**
Item 10 – Deposits from banks	29.521	39.294	
	1.844	**3.650**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	1.844	3.650	
			Provisions for specific use
Item 110 – Provision for employee severance pay	239	263	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	43	60	
Item 120 - Provisions for risks and charges - b) other provisions	952	955	
	5.091	**6.578**	**Other liabilities**
Item 60 – Hedging Derivatives	1.362	2.656	
Item 80 – Tax liabilities	29	112	
Item 90 – Liabilities associated to disposal groups held for sale	-	-	
Item 100 – Other liabilities	3.701	3.810	
	8.515	**4.619**	**Group portion of shareholders' equity**
Item 130 – Valuation reserves	(173)	(405)	a) Valuation reserves
Item 140 – Redeemable shares	-	-	b) Redeemable shares
Item 150 – Equity instruments	-	3	c) Capital instruments
Item 160 – Reserves	(736)	(1.973)	d) Reserves
Item 170 – Share premium reserve	6	2	e) Share premium reserves
Item 180 – Share Capital	9.002	12.484	f) Share capital
Item 190 – Treasury shares (-)	-	(0)	g) Treasury shares (-)
Item 200 – Profit (loss) for the period (+/-)	417	(5.492)	h) Profit (loss) for the period
Total liabilities and shareholders' equity	**162.369**	**176.047**	**Total liabilities and shareholders' equity**

SEPARATE FINANCIAL STATEMENTS

Balance Sheet

(in units of Eur)

	Assets	31 12 2015	31 12 2014
10	Cash and cash equivalents	1,047,129,256	974,294,702
20	Financial assets held for trading	2,075,384,404	3,050,584,924
40	Financial assets available for sale	17,010,790,797	18,607,789,665
60	Loans to banks	34,374,738,101	38,710,045,978
70	Loans to customers	95,384,392,146	102,157,158,311
80	Hedging derivatives	772,262,612	877,584,959
90	Change in value of macro-hedged financial assets (+/-)	135,987,785	112,290,430
100	Equity investments	3,074,019,114	1,672,999,904
110	Property, plant and equipment	1,069,993,491	1,101,974,065
120	Intangible assets	92,198,837	119,868,827
	of which: goodwill	-	-
130	Tax assets	4,776,900,862	6,241,394,226
	a) current	1,908,832,158	1,760,467,784
	b) deferred	2,868,068,704	4,480,926,442
	under Law 214/2011	2,021,291,669	3,435,891,746
140	Non-current assets and groups of assets held for sale and discontinued operations	27,157,907	16,805,067
150	Other assets	2,528,503,730	2,404,419,117
	Tatal assets	**162,369,459,042**	**176,047,210,175**

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

continued: Balance Sheet

(in units of Eur)

	Liabilities and Shareholders' Equity	31 12 2015	31 12 2014
10	Deposits from banks	29,521,052,401	39,294,158,394
20	Deposits from customers	86,418,505,608	87,928,295,879
30	Debt securities issued	27,499,900,689	29,688,402,708
40	Financial liabilities held for trading	1,844,415,504	3,650,403,758
50	Financial liabilities designated at fair value	2,245,470,972	3,010,169,132
60	Hedging derivatives	1,361,859,611	2,655,598,855
80	Tax liabilities	28,531,531	112,176,098
	a) current	28,531,531	112,176,098
100	Other liabilities	3,701,100,355	3,810,270,549
110	Provision for employee severance pay	238,513,245	263,032,845
120	Provisions for risks and charges:	995,115,997	1,015,350,318
	a) post-employment benefits	42,702,083	60,013,006
	b) other provisions	952,413,914	955,337,312
130	Valuation reserves	(173,401,127)	(405,177,669)
150	Equity instruments carried at equity	-	3,002,406
160	Reserves	(736,320,326)	(1,973,116,922)
170	Share premium	6,325,105	2,290,530
180	Share capital	9,001,756,821	12,484,206,649
190	Treasury shares (-)	-	(405)
200	Profit (loss) (+/-)	416,632,656	(5,491,852,950)
	Total Liabilities and Shareholders' Equity	**162,369,459,042**	**176,047,210,175**

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

Income statement

(in units of Eur)

	Items	31 12 2015	31 12 2014*
10	Interest income and similar revenues	3,918,421,233	4,683,492,849
20	Interest expense and similar charges	(1,940,829,170)	(3,009,233,729)
30	**Net interest income**	**1,977,592,063**	**1,674,259,120**
40	Fee and commission income	2,062,805,496	2,009,265,793
50	Fee and commission expense	(279,528,555)	(366,884,662)
60	**Net fee and commission income**	**1,783,276,941**	**1,642,381,131**
70	Dividends and similar income	141,847,432	132,645,144
80	Net profit (loss) from trading	612,396,372	(74,680,947)
90	Net profit (loss) from hedging	(18,517,939)	(22,709,698)
100	Gains/losses on disposal/repurchase of:	219,847,290	169,183,325
	a) loans	*(53,428,176)*	*(37,319,538)*
	b) financial assets available for sale	*274,437,501*	*216,949,118*
	d) financial liabilities	*(1,162,035)*	*(10,446,255)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	61,254,312	(21,860,070)
120	**Net interest and other banking income**	**4,777,696,471**	**3,499,218,005**
130	Net impairment losses(reversals) on	(1,682,492,081)	(6,289,294,996)
	a) loans	*(1,687,638,328)*	*(6,100,610,650)*
	b) financial assets available for sale	*(16,052,495)*	*(56,232,460)*
	d) other financial transactions	*21,198,742*	*(132,451,886)*
140	**Net income from banking activities**	**3,095,204,390**	**(2,790,076,991)**
150	Administrative expenses:	(2,934,695,266)	(3,240,545,625)
	a) personnel expenses	*(1,527,974,020)*	*(1,908,956,928)*
	b) other administrative expenses	*(1,406,721,246)*	*(1,331,588,697)*
160	Net provisions for risks and charges	(77,322,378)	(180,289,523)
170	Net adjustments to (recoveries on) property, plant and equipment	(62,410,001)	(90,944,892)
180	Net adjustments to (recoveries on) intangible assets	(27,967,779)	(27,975,284)
190	Other operating expenses/income	328,347,659	299,177,483
200	**Operating expenses**	**(2,774,047,765)**	**(3,240,577,841)**
210	Gains (losses) on investments	102,719,899	(678,232,086)
230	Impairment on goodwill	-	(661,791,855)
240	Gains (losses) on disposal of investments	1,421,962	27,562,105
250	**Profit (loss) before tax from continuing operations**	**425,298,486**	**(7,343,116,668)**
260	Tax expense (recovery) on income from continuing operations	(8,665,830)	1,851,263,718
270	**Profit (loss) after tax from continuing operations**	**416,632,656**	**(5,491,852,950)**
290	**Profit (loss)**	**416,632,656**	**(5,491,852,950)**

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

Statement of Comprehensive Income

(in units of Eur)

	Items	31 12 2015	31 12 2014*
10	**Profit (loss)**	**416,632,656**	**(5,491,852,950)**
	Other comprehensive income after tax not recycled to profit and loss	**16,315,544**	**(29,751,450)**
40	Actuarial gains (losses) on defined benefit plans	16,315,544	(29,751,450)
	Other comprehensive income after tax recycled to profit and loss	**261,220,781**	**347,100,521**
80	Exchange differences	5,649,107	5,552,606
90	Cash flow hedges	37,822,895	2,347,575
100	Financial assets available for sale	199,871,888	366,221,605
110	Non current assets held for sale	17,876,891	(27,021,265)
130	**Total other comprehensive income after tax**	**277,536,325**	**317,349,071**
140	**Total comprehensive income (Item 10+130)**	**694,168,981**	**(5,174,503,879)**

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

Statement of Changes in Equity - 2015

	Balance as at 31 12 2014	Change in opening balances	Balance as at 01 01 2015	Allocation of profit from prior year		Changes during the year								Total equity as at 31 12 2015
						Changes in reserves	Shareholders'equity transactions						Total comprehensive income for 31 12 2015	
				Reserves	Dividends and other payout		Issue of new share	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options		
Share capital:	12,484,206,649	-	12,484,206,649	(6,718,684,236)	-	-	3,236,234,408	-	-	-	-	-	-	9,001,756,821
a) ordinary shares	12,484,206,649	-	12,484,206,649	(6,718,684,236)	-	-	3,236,234,408	-	-	-	-	-	-	9,001,756,821
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	2,290,530	-	2,290,530	(2,290,530)	-	-	6,325,105	-	-	-	-	-	-	6,325,105
Reserves:	(1,973,116,922)	-	(1,973,116,922)	1,277,884,005	-	47,682,430	(88,769,839)	-	-	-	-	-	-	(736,320,326)
a) from profits	(2,261,426,564)	-	(2,261,426,564)	1,642,193,647	-	-	-	-	-	-	-	-	-	(619,232,917)
b) other	288,309,642	-	288,309,642	(364,309,642)	-	47,682,430	(88,769,839)	-	-	-	-	-	-	(117,087,409)
Valuation reserves	(405,177,669)	-	(405,177,669)	(45,759,783)	-	-	-	-	-	-	-	-	277,536,325	(173,401,127)
Equity instruments	3,002,406	-	3,002,406	(3,002,406)	-	-	-	-	-	-	-	-	-	-
Treasury shares	(405)	-	(405)	-	-	405	-	-	-	-	-	-	-	-
Net profit (loss)	(5,491,852,950)	-	(5,491,852,950)	5,491,852,950	-	-	-	-	-	-	-	-	416,632,656	416,632,656
Total equity	4,619,351,639	-	4,619,351,639	-	-	47,682,835	3,153,789,674	-	-	-	-		694,168,981	8,514,993,129

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

As at 31 December 2015 the Bank's net equity amounts to EUR 8,515.0 mln, as compared to EUR 4,619.4 mln as at 31 December 2014, with a total increase of EUR 3,895.6 mln.

The most significant phenomena impacting the net equity, in addition to the EUR 416.6 mln profit for the year, were:

1. In April 2015, the Ordinary Shareholders' Meeting of the Bank resolved to cover the 2014 loss for the year and the losses carried forward from previous years, for a total of EUR 7,320.1 mln, as follows:
    - for EUR 601.4 through the use of available reserves;
    - for the remainder of the loss, namely EUR 6,718.7 mln, the Extraordinary Shareholders' Meeting resolved to reduce capital, pursuant to article 2446 of the Italian Civil Code.

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

2. In June 2015, in execution of the resolution of the Extraordinary Shareholders' Meeting of 16 April 2015, the share capital increase was completed, for EUR 2,993.2 mln, resulting in:
    - an increase in the "Share capital" item for the same amount;
    - a decrease in the item "Reserves - other" for EUR 88.8 mln, due to costs incurred for the transaction, net of the relative taxes;
    - an increase in the item "Share premium reserve" for EUR 5.4 mln, relating to the proceeds on the sale of 1,054,573 option rights not exercised during the offering period and which were subsequently sold in the market.

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

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

4. Valuation reserves registered an overall increase of EUR 231.8 mln, primarily relating to comprehensive income for the year of EUR 277.5 mln, of which: (i) + EUR 199.9 mln in valuation reserves of assets "available for sale"; (ii) + EUR 37.8 mln for the valuation reserves for cash flow hedges; (iii) + EUR 5.6 mln in valuation reserves for foreign exchange differences; (iv) + EUR 16.3 mln in valuation reserves for actuarial losses arising from defined benefit plans; and lastly (v) + EUR 17.9 mln in valuation reserves for non-current assets held for sale.

5. The "Changes in reserves" column includes, on the line "Reserves - other", the amount of EUR 47.7 mln due to the effects of the extraordinary transaction (business combination under common control) concluded during the year and relating to the merger by absorption of the subsidiary Consum.it S.p.A.

Statement of Changes in Equity - 2014

	Balance as at 31 12 2013	Changes in opening balances	Balance as at 01 01 2014	Changes in opening balances		Change during the year								Total equity as at 31 12 2014
							Shareholders'equity transactions							
				Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Purchase of treasury share	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Total comprehensive income for 31 12 2014**	
Share capital:	7,484,508,171	-	7,484,508,171	-	-	-	4,999,698,478	-	-	-	-	-	-	12,484,206,649
a) ordinary shares	7,484,508,171	-	7,484,508,171	-	-	-	4,999,698,478	-	-	-	-	-	-	12,484,206,649
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	-	-	-	-	-	-	2,290,530	-	-	-	-	-	-	2,290,530
Reserves:	(125,758,729)	(903,910,892)	(1,029,669,621)	(1,292,790,129)	-	540,838,734	(191,495,906)	-	-	-	-	-	-	(1,973,116,922)
a) from profits	(59,922,787)	(903,910,892)	(963,833,679)	(1,282,626,072)	-	-	(14,966,813)	-	-	-	-	-	-	(2,261,426,564)
b) other	(65,835,942)	-	(65,835,942)	(10,164,057)	-	540,838,734	(176,529,093)	-	-	-	-	-	-	288,309,642
Valuation reserves	(1,159,479,600)	411,117,734	(748,361,866)	-	-	25,835,126	-	-	-	-	-	-	317,349,071	(405,177,669)
Equity instruments	3,002,406	-	3,002,406	-	-	-	-	-	-	-	-	-	-	3,002,406
Treasury shares	(24,532,421)	-	(24,532,421)	-	-	-	24,532,016	-	-	-	-	-	-	(405)
Net profit (loss)	(1,633,246,402)	340,456,273	(1,292,790,129)	1,292,790,129	-	-	-	-	-	-	-	-	(5,491,852,950)	(5,491,852,950)
Total equity	4,544,493,425	(152,336,885)	4,392,156,540	-	-	566,673,860	4,835,025,118	-	-	-	-	-	(5,174,503,879)	4,619,351,639

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

*** The column "Comprehensive income as at 31 12 2014" is reflective of changes for the year 2014 described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details.*

As at 31 December 2014, the Bank's net equity including the loss for the year of EUR 5,491.9 mln had increased by EUR 227.1 mln, amounting to EUR 4,619.3 mln, as compared to EUR 4,392.2 mln as at 1 January 2014.

This trend is linked to the combined effect of the following events:

1. In July 2014, the share capital increase was completed for a total value of EUR 4,999.7 mln, involving an increase in the "Share capital" item by EUR 4,999.7 mln, a decrease in "Reserves - other" by EUR 176.5 mln due to costs, net of the relative taxes, incurred for the transaction and an increase in "Share Premium Reserve" by EUR 2.3 mln relating to the proceeds on the sale of 178,555 option rights not exercised during the offering period, which were subsequently sold in the market;

2. Treasury shares fell by EUR 24.5 mln; profit (loss) from trading in treasury shares (EUR -15.0 mln) is included under "Reserves from profits" which were also affected, for EUR 1,282.6 mln, by the capitalisation of loss recognised as at 1 January 2014, amounting to EUR 1,292.8 mln. The remaining EUR 10.2 mln was recognised in "Reserves - other";

3. The "Changes in reserve" column includes on the line:
   a. "Reserves - other": the effects of extraordinary transactions (business combination under common control) concluded during the year and listed below:
      - the merger of the subsidiary Monte Paschi Ireland Ltd, amounting to EUR -2.2 mln;
      - the merger of the subsidiary MPS Immobiliare S.p.A., amounting to EUR 544.4;
      - unwinding of the structure represented by the subsidiary structured entity "Nota Italia" - Corsair Finance no. 6 Series no. 15, amounting to EUR -1.4 mln.

   b. "Valuation reserves": the replenishment amounting to EUR 45.8 mln of the reserves required by law of the former subsidiary MPS Immobiliare S.p.A. and the valuation reserves of assets available for sale of the former subsidiary Monte Paschi Ireland ltd, amounting to EUR -19.9 mln;

4. Valuation reserves registered an overall increase of EUR 343.2 mln, due to the information provided in point 3.b and comprehensive income for the year of EUR 317.3 mln, of which: (i) + EUR 366.2 mln in valuation reserves of assets "available for sale"; (ii) + EUR 2.3 mln for the valuation reserves for cash flow hedges; (iii) + EUR 5.6 mln in valuation reserves for foreign exchange differences ; (iv) - EUR 29.8 mln in valuation reserves for actuarial losses arising from defined benefit plans and lastly (v) - EUR 27.0 mln in valuation reserves for non-current assets held for sale.

Cash flow statement - indirect method

A. OPERATING ACTIVITIES	31 12 2015	31 12 2014*
1. Cash flow from operations	**1,837,930,873**	**1,030,348,265**
profit (loss) (+/-)	416,632,656	(5,491,852,950)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	259,726,635	67,748,765
net profit (loss) from hedging	18,517,939	22,709,698
net impairment losses/reversals	1,160,840,441	6,319,864,421
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	90,460,206	118,920,176
net provisions for risks and charges and other costs/revenues (+/-)	112,065,471	588,017,632
tax espense (recovery) on income from continuing operations	8,665,830	(1,851,263,718)
other adjustments	(228,978,305)	1,256,204,241
2. Cash flow from (used in) financial assets	**13,924,390,432**	**21,578,692,845**
financial assets held for trading	810,461,682	811,191,594
financial assets available for sale	2,338,550,240	2,621,362,193
loans to banks: on demand	100,806,106	(130,773,876)
loans to banks: other	4,218,006,635	1,006,735,858
loans to customers	5,607,873,829	19,040,223,944
other assets	848,691,939	(1,770,046,868)
3. Cash flow from (used in) financial liabilities	**(17,214,926,568)**	**(27,371,318,436)**
deposits from banks: on demand	(8,103,619,582)	3,103,617,638
deposits from banks: other	(1,669,486,411)	(8,637,177,988)
depostits from customers	(1,528,481,524)	3,359,411,375
debt securities issued	(1,872,541,269)	(20,093,782,710)
financial liabilities held for trading	(1,805,988,253)	(194,594,567)
financial liabilities designated at fair value	(859,685,958)	(5,467,633,277)
other liabilities	(1,375,123,571)	558,841,093
Net cash flow from (used in) operating activities	**(1,452,605,263)**	**(4,762,277,326)**

B. INVESTMENT ACTIVITIES	31 12 2015	31 12 2014*
1. Cash flow from:	**358,361,783**	**368,329,320**
sales of equity investments	228,609,125	233,368,316
dividends collected on equity investments	126,889,800	99,375,950
sales of property, plant and equipment	2,862,858	35,521,369
sales of subsidiaries and undertakings	-	63,685
2. Cash flow used in	**(1,743,637,839)**	**(311,031,944)**
purchase of equity investments	(1,709,205,646)	(7,400)
purchase of property, plant and equipment	(34,305,766)	(23,724,242)
purchase of intangible assets	(126,427)	(81,044)
purchase of subsidiaries and undertakings	-	(287,219,258)
Net cash flow from (used in) investment activities	**(1,385,276,056)**	**57,297,376**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	2,910,715,873	4,835,340,434
Net cash flow from (used in) funding activities	**2,910,715,873**	**4,835,340,434**
		-
Net cash flow from (used in) operating, investment and funding activities during the year	**72,834,554**	**130,360,484**

Reconciliation

Accounts	31 12 2015	31 12 2014*
		-
Cash and cash equivalents at beginning of period	974,294,702	843,934,218
Net increase (decrease) in cash and cash equivalents	72,834,554	130,360,484
Cash and cash equivalents at end of period	1,047,129,256	974,294,702

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

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

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

Correction of errors

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

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

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

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

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

Description of applicable international accounting standards and the ascertained violations

1.1 Brief description of the transaction and the applied accounting treatment

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

- purchase of BTPs for a nominal amount of EUR 3,050 mln due on 2034. The purchase of BTPs has been carried out through an asset swap transaction consisting of a forward purchase of BTPs and an interest rate swap, whereby BMPS undertook to pay the fixed rate coupon received on the BTPs in exchange for an interest rate set at 3m Euribor increased by a spread, calculated on EUR 3,050 mln;
- BTPs spot sale for a nominal value of EUR 3,050 mln, in exchange of cash for EUR 3,102 mln, i.e. a consideration inclusive of interest accrued on the BTPs up the execution (long term repo with maturity in 2034 like the BTP Asset Swap) and commitment of Nomura to repurchase the BTPs due in 2034 for the same nominal amount; for the entire duration of the agreement, BMPS pays Nomura an interest rate set at 3m Euribor increased by spread, calculated on the amount received, while Nomura pays BMPS the amount of the coupon on the BTPs due in 2034;
- granting of a repo facility to Nomura with maturity on 1 September 2040, whereby Nomura can use the credit line granted by delivering BTPs or similar securities to BMPS for a total maximum amount of EUR 3,050 mln. BMPS receives interest at 3m Euribor from Nomura on the consideration paid to Nomura against delivery of such securities, in addition to fees calculated on the amount of the credit line granted (EUR 3,050 mln).

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

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

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

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

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

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

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

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

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

1.2 Description of applicable accounting standards

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

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

More specifically, according to the IFRS IC:

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

transaction; however, the presence or absence of a specific indicator cannot definitively resolve this issue;
- the current interpretations and guidance approved by the IASB allow to proceed with the proper accounting of transactions, on the basis of their business purposes.

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

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

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

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

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

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

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

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

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

i. if the entity transfers substantially all the risks and rewards of ownership of the financial asset, the entity shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer;
ii. if the entity retains substantially all the risks and rewards of ownership of the financial asset, the entity shall continue to recognise the financial asset;
iii. if the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset;
iv. whether the entity has retained control over the transferred asset depends on the transferee's ability to sell the asset. If the transferee is capable of selling the asset in its entirety to an unrelated third party and is able to exercise that right unilaterally and with no need to impose additional restrictions on the transfer, the entity has not retained control. In all other cases, the entity has retained control.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Considerations relating to the deductions presented by the Bank

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

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

The Supervisory Authority concludes by affirming that:

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

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

* * *

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

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

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

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

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

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

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

In the light of the above since:

- the Bank does not have sufficient and unambiguous elements to refute or confirm the reconstruction and interpretation of the intention of the pro-tempore management of BMPS and Nomura, carried out by Consob on the basis of the findings from investigations of Milan Public Prosecutor;
- the separate and consolidated financial statements as at 31 December 2014 and the half-year report as at 30 June 2015 do not appear to be reprehensible - as in fact they were not censored by the Supervisory Authority - on the basis of the objective elements known and available at the time;
- the Alexandria transaction was settled on 23 September 2015 and, therefore, the accounting as a CDS has no effect on the Bank's forward looking statement;
- on the basis of the foregoing considerations, the Bank does not consider consistent nor useful for the pursuit of its own interests or the interests of its stakeholders in general to challenge the Resolution issued by Consob as, inter alia, it refers to a transaction that has been settled,

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

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

* * *

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

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

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

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

In the accounting treatment as a synthetic derivative, the purchase of securities and its financing through a long term repo agreement are represented as a Credit Default Swap (sale of protection on the risk of the Italian government, i.e. issuer of the bonds).

In the event of issuer default, the Bank would have incurred a loss equal to the difference between the amounts to be returned to the repo counterparty and the value of the defaulted securities that would have been delivered to the Bank by the counterparty. Against this risk, the Bank earned a variable premium consisting of the difference between the coupons of bonds held and the interest rate paid on the repo entered into to finance the transaction.

For the purpose of the restatement, the transactions were thus measured in a similar way to Credit Default Swaps, using the same market parameters.

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

- balance sheet:
  - recognition of the CDS at Fair Value under "Financial assets held for trading" (if the fair value is positive) or "Financial liabilities held for trading" (if the fair value is negative) instead of:
    - securities classified as "Financial assets available for sale" and corresponding valuation reserves, gross of the hedge accounting component;
    - "Deposits from banks" and "Deposits from customers" which represent the liabilities associated with the long term repos;
  - reclassification of interest rate swaps from "Hedging derivatives" to "Financial liabilities held for trading" (for IRSs designated as hedging instruments as at the date of these financial statements);
  - ensuing tax effects.
- income statement:

  - elimination from "Interest income and similar revenues" and "Interest expense and similar charges" respectively of: interest income from government bonds classified as "Assets available for sale" and interest expense on long term repos classified as "Deposits from banks" and "Deposits from customers", both posted by using the effective interest rate method;
  - elimination from "Interest income and similar revenues" and "Interest expense and similar charges" of amounts accrued on interest rate swaps designated as hedging instruments;
  - elimination from "Net profit (loss) from hedging" of: fair value changes attributable to the interest rate risk of hedged government bonds, accounted for against the valuation reserve of assets available for sale; and fair value changes in the interest rate swaps, net of any accrued income, designated as hedging instruments;
  - recognition under "Net profit (loss) from trading" of: cash flows (coupons and floating spreads) paid on government bonds and long term repos and fair value changes in IRSs designated as hedging instruments and CDSs;
  - ensuing tax effects;
- statement of comprehensive income:
  - recognition of changes in "Financial assets available for sale" following adjustment to valuation reserves.

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

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

BALANCE SHEET

(in units of Eur)

	Assets	01 01 2014	Impact IAS 8	01 01 2014 Restated
10	Cash and cash equivalents	843,934,218		843,934,218
20	Financial assets held for trading	3,149,393,573		3,149,393,573
40	Financial assets available for sale	23,255,736,341	(3,240,840,680)	20,014,895,661
60	Loans to banks	25,438,980,833		25,438,980,833
70	Loans to customers	124,768,674,452		124,768,674,452
80	Hedging derivatives	462,397,392		462,397,392
90	Change in value of macro-hedged financial assets (+/-)	62,290,859		62,290,859
100	Equity investments	4,246,965,617		4,246,965,617
120	Property, plant and equipment	1,039,162,364		1,039,162,364
130	Intangible assets	817,390,657		817,390,657
	of which: goodwill	*669,691,855*		*669,691,855*
140	Tax assets	4,740,888,492	(108,717,450)	4,632,171,042
	a) current	*1,279,343,134*	*49,953,727*	*1,329,296,861*
	b) deferred	*3,461,545,358*	*(158,671,177)*	*3,302,874,181*
	under Law 214/2011	*2,463,374,656*		*2,463,374,656*
150	Non-current assets and groups of assets held for sale and discontinued operations	71,811,433		71,811,433
160	Other assets	2,335,870,643		2,335,870,643
	Total Assets	**191,233,496,874**	**(3,349,558,130)**	**187,883,938,744**

(in units of Eur)

	Liabilities and Shareholders'Equity	01 01 2014	Impact IAS 8	01 01 2014 Restated
10	Deposits from banks	43,963,957,970	-	43,963,957,970
20	Deposits from customers	87,910,283,518	(3,366,637,170)	84,543,646,348
30	Debt securities issued	36,135,252,145	-	36,135,252,145
40	Financial liabilities held for trading	2,239,999,051	896,530,470	3,136,529,521
50	Financial liabilities designated at fair value	8,406,139,504	-	8,406,139,504
60	Hedging derivatives	3,195,525,228	(750,530,470)	2,444,994,758
80	Tax liabilities	16,123,608	23,415,925	39,539,533
	a) current	*16,123,608*	*23,415,925*	*39,539,533*
90	Liabilities associated with non-current assets held for sale and discontinued operations	17,820,869	-	17,820,869.00
100	Other liabilities	3,516,790,355	-	3,516,790,355
110	Provision for employee severance pay	253,812,231	-	253,812,231
120	Provisions for risks and charges:	1,033,298,970	-	1,033,298,970
	a) post-employment benefits	*55,267,582*	-	*55,267,582*
	b) other provisions	*978,031,388*	-	*978,031,388*
130	Valuation reserves	(1,159,479,600)	411,117,734	(748,361,866)
150	Equity instruments carried at equity	3,002,406	-	3,002,406
160	Reserves	(125,758,729)	(903,910,892)	(1,029,669,621)
180	Share capital	7,484,508,171	-	7,484,508,171
190	Treasury shares (-)	(24,532,421)	-	(24,532,421)
200	Profit (loss) (+/-)	(1,633,246,402)	340,456,273	(1,292,790,129)
	Total Liabilities and Shareholders' Equity	**191,233,496,874**	**(3,349,558,130)**	**187,883,938,744**

(in units of Eur)

	Assets	31 12 2014	Impact IAS 8	31 12 2014 Restated
10	Cash and cash equivalents	974,294,702	-	974,294,702
20	Financial assets held for trading	2,416,284,924	634,300,000	3,050,584,924
40	Financial assets available for sale	22,679,333,793	(4,071,544,128)	18,607,789,665
60	Loans to banks	38,710,045,978	-	38,710,045,978
70	Loans to customers	102,157,158,311	-	102,157,158,311
80	Hedging derivatives	877,584,959	-	877,584,959
90	Change in value of macro-hedged financial assets (+/-)	112,290,430	-	112,290,430
100	Equity investments	1,672,999,904	-	1,672,999,904
120	Property, plant and equipment	1,101,974,065	-	1,101,974,065
130	Intangible assets	119,868,827	-	119,868,827
140	Tax assets	6,330,443,910	(89,049,684)	6,241,394,226
	a) current	*1,705,740,198*	*54,727,586*	*1,760,467,784*
	b) deferred	*4,624,703,712*	*(143,777,270)*	*4,480,926,442*
	under Law 214/2011	*3,435,891,746*	-	*3,435,891,746*
150	Non-current assets and groups of assets held for sale and discontinued operations	16,805,067	-	16,805,067
160	Other assets	2,404,419,117	-	2,404,419,117
	Total Assets	**179,573,503,987**	**(3,526,293,812)**	**176,047,210,175**

(in units of Eur)

	Liabilities and Shareholders'Equity	31 12 2014	Impact IAS 8	31 12 2014 Restated
10	Deposits from banks	39,294,158,394	-	39,294,158,394
20	Deposits from customers	91,281,896,009	(3,353,600,130)	87,928,295,879
30	Debt securities issued	29,688,402,708	-	29,688,402,708
40	Financial liabilities held for trading	2,045,404,484	1,604,999,274	3,650,403,758
50	Financial liabilities designated at fair value	3,010,169,132	-	3,010,169,132
60	Hedging derivatives	4,260,598,129	(1,604,999,274)	2,655,598,855
80	Tax liabilities	88,760,173	23,415,925	112,176,098
	a) current	*88,760,173*	*23,415,925*	*112,176,098*
100	Other liabilities	3,810,270,549	-	3,810,270,549
110	Provision for employee severance pay	263,032,845	-	263,032,845
120	Provisions for risks and charges:	1,015,350,318	-	1,015,350,318
	a) post-employment benefits	*60,013,006*	-	*60,013,006*
	b) other provisions	*955,337,312*	-	*955,337,312*
130	Valuation reserves	(828,300,979)	423,123,310	(405,177,669)
150	Equity instruments carried at equity	3,002,406	-	3,002,406
160	Reserves	(1,409,662,303)	(563,454,619)	(1,973,116,922)
180	Share capital	12,484,206,649	-	12,484,206,649
190	Treasury shares (-)	(405)	-	(405)
200	Profit (loss) (+/-)	(5,436,074,652)	(55,778,298)	(5,491,852,950)
	Total Liabilities and Shareholders' Equity	**179,573,503,987**	**(3,526,293,812)**	**176,047,210,175**

INCOME STATEMENT

(in units of Eur)

Voci		31 12 2014	Impact IAS 8	31 12 2014 Restated
10	Interest income and similar revenues	4,833,589,859	(150,097,010)	4,683,492,849
20	Interest income and similare charges	(3,137,898,420)	128,664,691	(3,009,233,729)
30	**Net interest income**	**1,695,691,439**	**(21,432,319)**	**1,674,259,120**
40	Fee and commission income	2,009,265,793	-	2,009,265,793
50	Fee and commission expense	(366,884,662)	-	(366,884,662)
60	**Net fee and commission income**	**1,642,381,131**	**-**	**1,642,381,131**
70	Dividends and similar income	132,645,144	-	132,645,144
80	Net profit (loss) from trading	(12,234,096)	(62,446,851)	(74,680,947)
90	Net profit (loss) from hedging	(25,269,637)	2,559,939	(22,709,698)
100	Gains/losses on disposal/repurchase of	169,183,325	-	169,183,325
	a) loans	*(37,319,538)*	-	*(37,319,538)*
	b) financial assets available for sale	*216,949,118*	-	*216,949,118*
	d) financial liabilities	*(10,446,255)*	-	*(10,446,255)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	(21,860,070)	-	(21,860,070)
120	**Net interest and other banking income**	**3,580,537,236**	**(81,319,231)**	**3,499,218,005**
130	Net impairment losses (reversals) on	(6,289,294,996)	-	(6,289,294,996)
	a) loans	*(6,100,610,650)*	-	*(6,100,610,650)*
	b) financial assets available for sale	*(56,232,460)*	-	*(56,232,460)*
	d) other financial transactions	*(132,451,886)*	-	*(132,451,886)*
140	**Net income from banking activities**	**(2,708,757,760)**	**(81,319,231)**	**(2,790,076,991)**
150	Administrative expenses:	(3,240,545,625)	-	(3,240,545,625)
	a) personnel expenses	*(1,908,956,928)*	-	*(1,908,956,928)*
	b) other administrative expenses	*(1,331,588,697)*	-	*(1,331,588,697)*
160	Net provisions for risks and charges	(180,289,523)	-	(180,289,523)
170	Net adjustments to (recoveries on) property, plant and equipment	(90,944,892)	-	(90,944,892)
180	Net adjustments to (recoveries on) intangible assets	(27,975,284)	-	(27,975,284)
190	Other operating expense/income	299,177,483	-	299,177,483
200	**Operating expenses**	**(3,240,577,841)**	**-**	**(3,240,577,841)**
210	Gains/losses on investments	(678,232,086)	-	(678,232,086)
230	Impariment on goodwill	(661,791,855)	-	(661,791,855)
240	Gains (losses) on disposal of investments	27,562,105	-	27,562,105
250	**Profit (loss) before tax from continuing operations**	**(7,261,797,437)**	**(81,319,231)**	**(7,343,116,668)**
260	Tax expense (recovery) on income from continuing operations	1,825,722,785	25,540,933	1,851,263,718
270	**Profit (loss) after tax from continuing operations**	**(5,436,074,652)**	**(55,778,298)**	**(5,491,852,950)**
290	**Profit (loss)**	**(5,436,074,652)**	**(55,778,298)**	**(5,491,852,950)**

STATEMENT OF COMPREHENSIVE INCOME

(in units of Euro)

	Items	31 12 2014	Impact IAS 8	31 12 2014 Restated
10	**Profit (loss)**	**(5,436,074,652)**	**(55,778,298)**	**(5,491,852,950)**
	Other comprehensive income after tax not recycled to profit and loss	**(29,751,450)**		**(29,751,450)**
40	Actuarial gains (losses) on defined benefit plans	(29,751,450)		(29,751,450)
	Other comprehensive income after tax recycled to profit and loss	**335,094,946**	**12,005,575**	**347,100,521**
80	Exchange differences	5,552,606		5,552,606
90	Cash flow hedges	2,347,575		2,347,575
100	Financial assets available for sale	354,216,030	12,005,575	366,221,605
110	Non current assets held for sale	(27,021,265)		(27,021,265)
130	**Total other comprehensive income after tax**	**305,343,496**	**12,005,575**	**317,349,071**
140	**Total comprehensive income (Item 10+130)**	**(5,130,731,156)**	**(43,772,723)**	**(5,174,503,879)**

Part A - Accounting policies

A.1 - General

Section 1 - Statement of compliance with international accounting principles

Pursuant to Legislative Decree no. 38 of 28 February 2005, these separate accounts were prepared in accordance with the international accounting principles issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission, pursuant to EC Regulation no. 1606 of 19 July 2002 which was effective as at 31 December 2015.

The international accounting principles were applied following the indications set forth in the "Framework for the preparation and presentation of financial statements" (the Framework).

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

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

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

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

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

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

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

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

Section 2 - Preparation Criteria

The Separate Financial Statements have been prepared in accordance with the IAS/IFRS International accounting standards issued by the International Accounting Standards Board (IASB) including the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as endorsed by the European Union and mandatorily applied in the 2015 financial year. The provisions contained in Circular Letter No. 262 issued by the Bank of Italy concerning the layout and rules for preparing separate and consolidated financial statements for the banks and the Group were also applied, as amended by the fourth addendum of 15 December 2015.

The separate financial statements consist of the:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 3 - Events after the Reporting Period

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

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

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

Section 4 - Other Matters

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

With regard to the indications contained in Document no. 2 of 6 February 2009 and Document no. 4 of 3 March 2010, issued jointly by the Bank of Italy, Consob and Isvap, and following amendments, the Group reasonably expects to continue operating in the foreseeable future and has therefore prepared the consolidated annual report based on the assumption of business continuity since the uncertain climate arising from the current economic and financial scenario affords no doubt as to the company's ability to continue operating as a going concern.

With reference to prudential requirements, please note that the ECB informed the Bank that its target ratios on a consolidated basis for Total Capital and CET 1 have been set at 10.9% and 10.2%, respectively. Starting from 31 December 2016, the CET1 target ratio will be raised to 10.75%. The target ratios required by the ECB must be complied with at all times when the Authority's Decision is in force; similarly, at those times the Bank may not distribute dividends to shareholders or pay cash flows to holders of AT1 instruments. At the end of 2015, the consolidated CET 1 was 12.01%, considerably higher than the limits imposed.

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

As regards asset quality, as at 31 December 2015, gross non-performing loans amounted to EUR 35.9 bn (net value of EUR 18 bn). Coverage of non-performing loans came to 46.3%, one of the best levels in the Italian banking industry.

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

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

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

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

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

a) **IFRS 1 "First-time adoption of IFRS".** The amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application. The entity is required to apply the same version of the IFRS throughout the periods covered by the first IFRS financial statements.
b) **IFRS 3 "Business combinations".** The amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
c) **IFRS 13 "Fair value measurement".** The amendment clarifies that the scope of the portfolio exception defined in paragraph 48 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 or IFRS 9 regardless of whether they meet the definition of financial assets or liabilities as defined in IAS 32.
d) **IAS 40 "Investment property".** The amendment clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 and investment property as defined in IAS 40 requires the separate application of both standards independently of each other.

The document was endorsed by the European Commission with Regulation 1361/2014 on 18 December 2014.

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

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

In particular, IFRIC 21 clarifies that:

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

IAS/IFRS international accounting standards and related SIC/IFRIC interpretations endorsed by the European Commission, the application of which is mandatory as of 31 December 2015.

In November 2013, the IASB published the amendment to IAS 19 "**Employee contributions to defined benefit plans**". The amendment clarifies the accounting of contributions from employees (or third parties) to defined benefit plans. More specifically, it outlines the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service, with a view to simplifying the accounting of contributions which are not dependent on the number of years of service, but which, for example, are determined as a fixed percentage of salary. The amendment was endorsed by the European Commission with Regulation no. 2015/29 on 17 December 2014 and is mandatorily to be applied for annual periods beginning on or after 1 February 2015.

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

a) **IFRS 2 "Share-based payments".** The definitions of "vesting condition" and "market condition" were amended and definitions of "performance condition" and "service conditions" (which were previously part of the definition of "vesting condition") were added.
b) **IFRS 3 "Business combinations".** The amendment clarifies that contingent consideration that is classified as asset or a liability shall be measured at fair value at each reporting date subsequent to first-time recognition.
c) **IFRS 8 "Operating segments".** The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments.
d) **IFRS 13 "Fair value measurement".** The amendment clarifies that amending IAS 39 and IFRS 9 following the publication of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of discounting is immaterial.
e) **IAS 16 "Property, plant and equipment".** The amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
f) **IAS 24 "Related party disclosures".** The amendment clarifies that an entity providing key management personnel services to the reporting entity is a related party of the reporting entity.
g) **IAS 38 "Intangible assets".** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The document was endorsed by the European Commission with Regulation no. 2015/28 on 17 December 2014 and is mandatorily to be applied for annual periods beginning on or after 1 February 2015.

On 6 May 2014, the IASB issued some amendments to IFRS 11 "**Joint Arrangements**" regarding accounting for the acquisition of a joint operation if such operation possesses a business. The amendments require the application of IFRS 3 Business Combinations relating to the recognition of the effects of a business combination to recognise the acquisition of a joint operation in which the activity constitutes a business.

The amendments apply as of 1 January 2016, but early adoption is permitted.

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

On 12 May 2014, the IASB published **"Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)"**, in order to clarify that a revenue-based amortisation method is not considered to be appropriate as it only reflects the revenue generated by the asset and not the method of consumption of economic benefits incorporated in the asset.

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

On 12 August 2014, the IASB issued the document "**Equity Method in Separate Financial Statements - Amendments to IAS 27**", which introduced the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

As a result, an entity may recognise such investments in its separate financial statements based on one of the following methods:

- at cost; or
- according to IFRS 9 (or IAS 39); or
- using the equity method.

The document was endorsed by the European Commission with Regulation no. 2015/2441 on 18 December 2015 and is mandatorily to be applied for annual periods beginning on or after 1 January 2016. Early application is permitted.

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

a) **IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations"**: the amendment regards specific cases in which an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution or vice versa, or when an asset can no longer be classified as held for distribution. The amendments clarify that:
    - these reclassifications should not be considered a change in a plan to sell or a distribution plan, and the same classification and measurement criteria remain in force;
    - assets that no longer fulfil held-for-distribution classification criteria should be treated in the same way as assets for which held-for-sale accounting is discontinued.
b) **IFRS 7 "Financial Instruments: Disclosure**: the amendment provides additional guidance to clarify the following aspects:
    - whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required.
    - offsetting disclosures are not explicitly required for all interim financial statements, although they could be necessary to comply with the requirements established by IAS 34 if this information is significant.
c) **IAS 19 "Employee Benefits"**: high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The depth of the market for high quality corporate bonds should be assessed at currency level.
d) **IAS 34 "Interim Financial Reporting"**: if the required disclosure is presented in the interim financial report but outside of the interim financial statements, the disclosure must be incorporated in the interim financial statements by cross-reference to other parts of the interim financial report. This document is provided to users of financial statements in the same manners and with the same timing as the interim financial statements.

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

On 18 December 2014 the IASB issued "**Amendments to IAS 1: Disclosure Initiative**" which has the clear objective of encouraging the use of professional judgement in determining the information to be included in the disclosure.

The following aspects are clarified in that document:

- as regards the materiality of information, the disclosure should not be compromised by aggregation or the presentation of irrelevant information; the assessment of materiality applies to the entire financial statements and prevails even when a specific disclosure is required by a standard.
- in the income statement, statement of comprehensive income and statement of financial position, specific items may be separated and combined as a pertinent and additional guide to the statement subtotals;

- the entity may define the order of presentation of the notes in order to facilitate understanding and comparison.

The IASB also eliminated the instructions and examples for identifying significant accounting policies.

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

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

On 30 January 2014 the IASB issued IFRS 14 "**Regulatory Deferral Accounts**", the interim standard associated with the Rate-regulated activities project. IFRS 14 permits only first-time adopters of IFRS to continue to account for regulatory deferral account balances in accordance with their previous GAAP. To improve comparability with entities that already apply IFRS and do not recognise these balances, the standard requires regulatory deferral account balances to be presented separately from other items.

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

On 18 May 2014, the IASB published IFRS 15 "**Revenue from Contracts with Customers**" which replaces previous standards on revenue: IAS 11 "Construction Contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfer of Assets from Customers" and SIC 31 "Revenue - Barter Transactions Involving Advertising Services".

The new standard applies to all contracts with customers (except for those subject to other specific standards) and proposes a model according to which an entity must recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In this regard, the standard establishes five steps:

1. identify the contract with the customer, defined as an agreement (written or verbal) with commercial substance between two or more parties that generates legally enforceable rights and obligations with the customer;
2. identify the performance obligations (individually distinct) in the contract;
3. determine the transaction price, i.e., the amount to which an entity expects to be entitled in exchange for the transfer of goods and services in line with the techniques set forth in the standard and on the basis of any presence of financial components;
4. allocate the transaction price to the performance obligations in the contracts;
5. recognise revenue when (or as) the entity satisfies a performance obligation, taking into consideration that services may be rendered either over time or at a point in time.

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

On 24 July 2014, the IASB issued the final version of **IFRS 9 "Financial instruments"**. This document incorporates the results of the phases regarding classification and measurement, derecognition, impairment and hedge accounting of the IASB project to replace IAS 39.

As is well known, the IASB initiated a multi-step project in 2008 to replace IFRS 9.

In 2009, the IASB published the first version of IFRS 9 which addressed the measurement and classification of financial assets. Subsequently, in 2010, rules were published relating to financial liabilities and derecognition (this last topic was fully transposed from IAS 39). In 2013, IFRS 9 was amended to include the general model of hedge accounting.

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

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

As for phase 3 "Hedge accounting", in November 2013 the IASB published **"IFRS 9 - Financial instruments: hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39"**. The document contains a substantial overhaul to the rules governing hedge accounting and will allow entities to better reflect their risk management activities in the financial statements. The document also contains an amendment which allows for the own-credit requirements included in IFRS 9 to be applied separately (recognition of changes in the fair value of liabilities under the fair value option to "other comprehensive income"). Finally, the 1 January 2015 was removed as mandatory effective date for the first-time application of IFRS 9, to provide sufficient time for preparers of financial statements to manage the transition to the new requirements.

With the publication of the final text of IFRS 9 in July 2014, phase 2) "impairment" was also completed. IFRS 9 establishes a prospective model requiring the immediate recognition of credit losses on loans expected over the life of the financial instrument; a trigger event is not required for the recognition of credit losses. The model requires credit losses to be estimated on the basis of supportable information that is available without undue cost or effort, and that includes historical, current and forecast information.

The same impairment model applies to all financial instruments, i.e., financial assets measured at amortised cost, those measured at fair value through other comprehensive income, lease receivables and trade receivables.

IFRS 9 also requires improved disclosure about expected credit losses and credit risk. In particular, entities are required to provide information that explains the basis for their expected credit loss calculations and how they assess changes in credit risk.

Following the current publication, IFRS 9 is to be considered complete. The macro hedging aspect has not yet been addressed. However, this matter does not fall within the scope of application of IFRS 9, and the IASB has started a separate project for it.

The new standard, which replaces previous versions of IFRS 9, is pending approval and must be applied for annual periods beginning on or after 1 January 2018.

On 11 September 2014, the IASB issued the document "**Sales or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28**" in order to resolve a regulatory conflict between IAS 28 "Investments in Associates and Joint Ventures" and IFRS 10 "Consolidated Financial Statements".
The amendments clarify the accounting treatment in the case of loss of control of a subsidiary (governed by IFRS 10) and in the case of downstream transactions governed by IAS 28, depending on whether the transaction concerns a business, as defined by IFRS 3. If the transaction concerns a business, profit must be recognised in full in both cases (i.e., loss of control and downstream transactions), but if the transaction does not concern a business, in both cases only the profit of non-controlling interests must be recognised.
In December 2015, the IASB decided to defer indefinitely the entry into force of the document, which was initially planned for 1 January 2016. This is because the IASB intends to plan a more extensive review of the standards involved in order to simplify the accounting of those transactions and other accounting aspects of associates and joint ventures.

On 18 December 2014 the IASB issued "**Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception"**. The changes regard the application of the consolidation exception for investment entities.

The document is meant to clarify the following aspects:

- the exemption from preparing consolidated financial statements for "intermediate" parent companies applies if the parent company is an investment entity, even if that entity measures all subsidiaries at fair value;
- a subsidiary that provides services related to the investment activities of the parent company should not be consolidated if the subsidiary itself is an investment entity;
- the exemption from application of the equity method to associates or joint ventures by a non-investment entity investor is extended, in addition to unlisted entities whose parent company publishes consolidated IFRS financial statements, to entities whose parent company publishes IFRS financial statements in which the subsidiaries are measured at fair value through profit or loss pursuant to IFRS 10;
- an investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

A.2 - The main items of the accounts
Accounting standards

This chapter contains the accounting standards in relation to the main assets and liabilities in the balance sheet, which were adopted for the preparation of the financial statements as at 31 December 2015.

1 Financial assets held for trading

a) recognition criteria

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

Upon initial recognition, financial assets held for trading are recognised at fair value, which usually corresponds to the amount paid, without considering transaction costs or revenues directly attributable to the instrument, which are directly recognised in the income statements.

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

The applicable accounting criteria are administered to the primary contract.

b) classification criteria

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

c) measurement criteria

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

For a description of criteria used to determine the fair value of financial instruments, please see section "A.4.3 Fair Value Hierarchy" of this Part A.

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

d) derecognition criteria

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

e) revenue recognition criteria

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

2 Financial assets available for sale

a) recognition criteria

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

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

b) classification criteria

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

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

c) measurement criteria

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

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

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

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

d) derecognition criteria

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

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

e) revenue recognition criteria

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

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

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

3 Financial assets held to maturity

The Bank does not use this portfolio.

4 Loans

a) recognition criteria

Recognition in the financial statements occurs:

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

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

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

b) classification criteria

Receivables include loans to customers and banks, whether disbursed directly or purchased from third parties, with fixed or determinable payments, which are not quoted in an active 185

market and were not initially classified among financial assets available for sale and financial assets at fair value through profit or loss.

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

c) **revenue recognition criteria**

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

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

Non-performing exposures (e.g. doubtful, unlikely to pay and non-performing past due; together, non-performing exposures) are classified into different risk categories in accordance with the regulations issued by the Bank of Italy, supplemented with internal provisions which set automatic criteria and rules for the transfer of receivables between different risk categories. In particular, classification is carried out by the various units independently, except for loans more than 90 days past due, which are measured using automated procedures.

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

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

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

Forborne exposures are broken down into:

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

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

As an alternative to the previously described options (renegotiations due to borrower difficulties and re-negotiations for commercial reasons/practice), the Bank and the borrower may agree on settlement of the original debt via:

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

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

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

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

For loans subject to analytical assessment, the amount of value adjustment for each loan is equal to the difference between the loan book value at the time of measurement (amortised cost) and the current value of estimated future cash flows, as calculated by applying the original effective interest rate. When the original interest rate cannot be directly identified, or identifying it would be excessively burdensome, the best approximation is applied.

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

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

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

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

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

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

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

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

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

d) derecognition criteria

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

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

In addition, receivables sold are derecognised if the contractual rights to receive the cash flows from the assets are maintained and a contractual obligation to pay only said flows to third parties is simultaneously undertaken (pass through arrangements).

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

5 Financial assets designated at fair value

The Bank does not use this portfolio.

6 Hedging transactions

a) recognition criteria - purpose

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

b) classification criteria - types of hedging

IAS 39 provides for the following types of hedging:

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

To conclude the chapter on the accounting principles, a specific section is added to provide further insight into the application issues and policies adopted by the Bank with regard to hedging transactions. The hedging policies adopted by the Bank are explained, also including the "natural hedges" provided for by the Fair Value Option, used as an alternative to hedge accounting in the accounting management of liability hedges.

c) revenue recognition criteria

Hedging derivatives are measured at fair value. In particular:

- in the case of fair value hedging, the changes in the fair value of the hedged asset are recognised, along with the change in the fair value of the hedging instrument, in income statement item "90 - Net profit (loss) from hedging". Any difference, i.e. partial ineffectiveness of the hedging derivatives, reflects their net income statement impact;
- in the case of cash flow hedging, the changes in fair value of the derivative are posted to a specific shareholders' equity reserve with reference to the effective portion of the hedge, and are posted to the income statement under item 90 "Net profit (loss) from hedging" only when the changes in fair value of the hedging instrument do not offset the changes in the cash flows of the hedged item;
- hedges of foreign currency investments are accounted for similarly to cash flow hedges.

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

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

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

Effectiveness is assessed at year-end by using:

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

Derivatives which are considered as hedging instruments from an economic viewpoint because they are operationally linked with financial liabilities measured at fair value (Fair Value Option) are classified among trading derivatives; the respective positive and negative differentials or margins accrued until the end of the reporting period are recognised, in accordance with their hedging purpose, as interest income and interest expense, while valuation gains and losses are posted under item 110 of the profit and loss statement, "Net profit (loss) from financial assets and liabilities designated at fair value".

d) derecognition criteria - ineffectiveness

If tests do not confirm hedge effectiveness, both retrospectively and prospectively, hedge accounting is discontinued and, unless it has expired or has been terminated, the hedging derivative contract is reclassified as a held-for-trading instrument, whereas the hedged item reverts to the accounting treatment based on its original classification.

If a fair value hedge relationship is discontinued, any positive or negative adjustments made to the carrying amount of the hedged item until the last date on which compliance with hedge effectiveness was demonstrated are recycled into profit and loss. In particular, if the hedged item has not been derecognised, transfer to profit or loss is made using the effective interest method over the remaining life of the hedged instrument; if discontinuation of the hedge relationship leads to derecognition of the hedged item (for example due to early redemption), any gain or loss shall be entirely classified to profit or loss when the hedged item is derecognised.

Any amounts accumulated in cash flow hedge reserves are recycled to profit or loss when the hedged item affects profit or loss. Conversely, if the hedged item is discharged, cancelled or expires the reserve is immediately recycled to profit or loss upon derecognition of the hedged item.

7 Equity investments

a) recognition criteria

The account includes equity investments held in subsidiaries, associates and joint ventures; the investments are initially recognised at purchase cost.

b) classification criteria

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

- substantive potential voting rights through underlying call options or convertible instruments;
- rights deriving from other contractual arrangements which, combined with voting rights, give the Bank the de facto ability to direct production processes, other operating or financial activities able to significantly influence the investee's returns;
- power to influence, through rules of the articles of association or other contractual arrangements, governance and decision-making procedures regarding relevant activities;
- majority of voting rights through contractual arrangements formalised with other holders of voting rights (i.e., shareholders' agreements).

As regards structured entities - investment funds the Bank takes the following positions with respect to funds:

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

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

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

Lastly, with reference to structured entities - securitisation vehicles, in checking for the fulfilment of requirements of control over securitisation vehicles, both the possibility of exercising power over relevant activities for its own benefit and the end purpose of the transaction are taken into consideration by the Bank, as well as the investor/sponsor's involvement in the structuring of the transaction.

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

Companies are considered associates, that is subject to significant influence, when the Bank holds at least 20 per cent of their voting rights (including potential voting rights) and has the power to participate in determining their financial and operating policies. Similarly, companies are considered associates also when the Bank - despite a lower percentage of voting rights– has the power of participating in the determination of the financial and operating policies of the investee on account of specific legal agreements such as the participation in shareholders' agreements, participation in relevant committees of the investee as well as the presence of veto rights on significant decisions.

Companies for which all of the following circumstances are fulfilled are considered to be jointly controlled:

- if an agreement has been entered into that assigns co-participation in the management of the investee's activities via a presence on the Board of Directors;
- none of the parties participating in the agreement holds exclusive control;
- decisions relating to relevant activities are made unanimously by the parties identified (each has an implicit or explicit veto right with regard to relevant decisions).

c) revenue recognition criteria

Equity investments in subsidiaries, associates and joint ventures are recognised at cost. At each date of the financial statements or interim reports, the equity investments are checked for indicators of impairment. If evidence of impairment indicates that there may have been a loss in value of an equity investment, then the recoverable value of the investment (which is the higher of the fair value, less costs to sell, and the value in use) should be estimated. The value in use is the present value of the future cash flows expected to be derived from the investment, including those arising from its final disposal.

Should the recoverable value be less than its carrying value, the difference is recognised immediately in profit or loss under item "210 - Gains (losses) on investments".

Should the reasons for impairment no longer apply as a result of an event occurring after the impairment was recognised, reversals of impairment losses are credited to the same account in profit and loss.

The profit related to the equity investments is booked to profit and loss of the Bank regardless of whether it was generated by the investee before or after the date of purchase.

d) derecognition criteria

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

8 Property, plant and equipment

a) recognition criteria

Property, plant and equipment are originally recognised at cost, which includes the purchase price and any additional charges directly attributable to the purchase and installation of the assets.

Non-recurring expenditures for maintenance which involve an increase in future economic rewards are booked as an increase in the value of the assets, while expenses for ordinary maintenance are booked to the income statement.

b) classification criteria

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

Operating properties are properties owned by the Bank and used in production and in the supply of services or for administrative purposes, whereas investment properties are those owned by the Bank for the purpose of collecting rents and/or held for appreciation of capital invested.

This item also includes any assets used in financial lease contracts, although their legal ownership rests with the leasing company, and any improvements and incremental expenses incurred in relation to third-party assets when they refer to identifiable and separable property, plant and equipment from which future economic rewards are expected. As regards real estate, components relating to land and buildings are separate assets for accounting purposes and are measured separately upon acquisition.

c) revenue recognition criteria

Property, plant and equipment, including non-operating real estate, are valued at cost less any accrued depreciation and impairment.

They are systematically depreciated over their useful life on a straight-line basis, except for land and works of art which have an indefinite useful life and cannot be depreciated. The useful life of the fixed assets subject to depreciation is periodically reviewed and, in the event of any adjustments to the initial estimate, a change is also made in the related depreciation rate. The depreciation rates and subsequent useful life expected for the main categories of assets are reported in the specific sections of the notes to the financial statements.

The presence of any signs of impairment, or indications that assets might have lost value, shall be tested at the end of each reporting period.

Should there be indications of impairment of value, a comparison is made between the book value of the asset and the asset's recoverable value, i.e. the higher of the fair value, less costs to sell, and the value in use, which is the present value of the future cash flows generated by the asset. Any adjustments are posted to the income statement under item 170 "Net impairment losses/reversals on property, plant and equipment". Periodic depreciation is reported in the same item.

Where the reasons for impairment cease to exist, a reversal is made, which shall not exceed the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognised for the asset in prior periods.

d) derecognition criteria

Property, plant and equipment are derecognised from the balance sheet upon their disposal or when the assets are permanently withdrawn from use and no future economic rewards are expected as a result of their disposal.

9 Intangible assets

a) recognition criteria

Intangible assets are identifiable, non-monetary assets without physical substance that are held for use over several years or indefinitely. They are recognised at cost, adjusted by any additional charges only if it is probable that the future economic rewards that are attributable to the asset will flow to the entity and if the cost of the asset can be measured reliably. The cost of intangible assets is otherwise posted to the income statement in the reporting period it was incurred.

Relevant intangible assets for the Bank include:

- Technology-related intangible assets including software licenses, internal capitalised costs, projects and licenses under development; in particular, internally incurred costs for software project development are intangibles recognised as assets if, and only if: a) the cost for development can be measured reliably, b) the entity intends and is financially and technically able to complete the intangible asset and either use it or sell it, c) the entity is able to demonstrate that the asset will generate future economic rewards. Capitalised costs for software development only include the expenses that are directly attributable to the development process.
- Customer relationship intangible assets, represented by the value of assets under management/custody and core deposits in the event of business combinations.

Goodwill is posted among assets when it results from a business combination transaction in accordance with the principles of determination indicated by IFRS 3, as a residual surplus between the overall cost incurred for the transaction and the net fair value of the assets and liabilities purchased (i.e. companies or business units).

Should the cost incurred be less than the fair value of the assets and liabilities acquired, the difference (badwill) is directly recognised in profit or loss.

b) revenue recognition criteria

The cost of intangible fixed assets is amortised on a straight-line basis over their useful life. An intangible asset with an indefinite useful life should not be amortised but assessed for impairment periodically. Intangible assets arising from an internally developed software purchased from third parties are amortised on a straight-line basis starting from completion and roll-out of the applications based on their useful life. Intangible assets reflective of customer relationships or associated with trademarks, which are taken over during business combinations, are amortised on a straight-line basis

Where there is evidence of impairment, the recoverable amount of the assets is estimated at year-end. The amount of the loss recognised in profit and loss is equal to the difference between the carrying value and the recoverable amount of the assets.

The goodwill recognised is not subject to amortisation, but its book value is tested annually (or more frequently) when there are signs of impairment. To this end, the cash flow generating units to which goodwill is attributable are identified.

The amount of the impairment loss is determined by the difference between the book value of goodwill and its recoverable amount, if lower. Said recoverable amount is the higher of the cash-generating unit's fair value, less costs to sell, and its value in use. Value in use is the present value of future cash flows expected to arise from the years of operation of the cash-generating unit and its disposal at the end of its useful life. The resulting value adjustments are posted to the income statement under item 210 "Net adjustments to (recoveries on) intangible assets". Periodic depreciation is reported in the same item. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

c) derecognition criteria

Intangible assets are derecognised from the balance sheet upon disposal and when no future economic rewards are expected.

10 Non-current assets held for sale

a) recognition criteria

Non-current assets held for sale and discontinued operations are initially valued at the lower of the book value and the fair value less costs to sell.

b) classification criteria

This item includes non-current (tangible, intangible and financial) assets held for sale and discontinued operations, with the relative associated liabilities, when the book value is to be recovered mainly through a highly likely sale rather than continuous use.

c) revenue recognition criteria

Following initial recognition, non-current assets held for sale and discontinued operations, with the relative liabilities, are valued at the lower of the book value and the fair value net of selling costs.

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

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

In the case of discontinued operations, it is also necessary to disclose again the same economic information in a separate item for the previous periods presented in the financial statements, reclassifying the income statements as a result.

Amortisation is discontinued at the date the non-current asset is classified as a non-current asset held for sale.

d) derecognition criteria

Non-current assets held for sale and discontinued operations are derecognised from the balance sheet upon disposal.

11 Current and deferred tax

a) recognition criteria

The effects of current and deferred taxation calculated in compliance with Italian tax laws are recognised on an accrual basis, in accordance with the measurement methods of the income and expenses which generated them, by administering the applicable tax rates.

Income taxes are posted to profit and loss, excluding those relating to items directly credited or charged to equity.

Income tax provisions are determined on the basis of a prudential forecast of current tax expense, deferred tax assets and liabilities.

Current tax includes the net balance of current tax liabilities for the year and current tax assets with the Financial Administration, comprising tax advances, tax credit arising from prior tax returns and other withholding tax receivables. In addition, current tax includes tax credit for which reimbursement has been requested from the relevant tax authorities. Tax receivables transferred as a guarantee of own debts shall also be recorded within this scope.

Deferred tax assets and liabilities are determined on the basis of the temporary differences - with no time limits - between the value assigned to the assets or liabilities in accordance with statutory principles and the corresponding values for tax purposes, applying the so-called balance sheet liability method.

Deferred tax assets determined on the basis of deductible temporary differences are shown in the balance sheet for the extent to which they are likely to be recovered on the basis of the capacity of the company involved or all of the participating companies - as a result of exercising the option concerning "fiscal consolidation" - to generate a positive taxable profit on an ongoing basis.

Recovery of deferred tax assets relating to goodwill, other intangibles and write-downs on loans is to be considered automatically probable because of existing regulations that provide for conversion into tax credits, if a statutory and/or tax loss is incurred.

In particular:

- if the financial statements filed by the company show a statutory loss for the year, deferred tax assets relating to goodwill, other intangible assets and loan write-downs will be subject to partial conversion into tax credits pursuant to the provisions set out in art. 2, par. 55 of Legislative Decree no. 225 of 29 December 2010, as amended by Law no. 10 of 26 February 2011. The conversion into tax credits becomes effective as of the date when the 'loss-incurring' separate financial statements are approved by the Shareholders' Meeting, as provided for by art. 2, par. 56 of aforementioned Legislative Decree no. 225/2010.
- if the financial statements filed by the company show a tax loss for the year, deferred tax assets relating to goodwill, other intangible assets and loan write-downs will be subject to conversion into tax credits pursuant to the provisions set out in art. 2, par. 56-bis of said Legislative Decree no, 225/2010, introduced by art. 9 of Legislative Decree Legislative Decree no. 201 of 6 December 2011, as amended by Law no. 214 of 22 December 2011. Conversion will be effective as of the date of submission of the tax return for the year in which the loss is incurred.

As a result of changes introduced to the above provisions by Law no. 147 of 27 December 2013, starting from the tax period in progress as at 31 December 2013, the conversion into tax credits of deferred tax assets relating to goodwill, other intangible assets and loan losses and write-downs has also been extended to IRAP (regional productivity tax), in the case of both a statutory loss for the year and a negative production value.

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

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

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

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

Deferred tax assets on unused tax losses are recognised based on the same criteria as those used to recognise deferred tax assets on deductible temporary differences: therefore, they are shown in the balance sheet to the extent to which they are likely to be recovered on the basis of the capacity of the company to generate a positive taxable profit in the future. Since the existence of unused tax losses may be symptomatic of difficulties to generate positive taxable profit in the future, IAS 12 establishes that if losses have been posted in recent periods, suitable evidence must be provided to support the existence of such profit in the future. Furthermore, current Italian tax law allows for IRES losses to be carried forward indefinitely (art. 84, paragraph 1, of the Income Tax Act - TUIR); as a result, verifying the existence of future taxable profit against which to use such losses in not subject to any time limits.

Deferred tax assets and liabilities are calculated using the tax rates expected at the date of payment of temporary differences, on the basis of the provisions in force at the reporting date.

Any changes in tax rates or tax standards having a significant effect on deferred tax assets and liabilities that are issued or announced after the reporting date and before the publication authorisation date are treated as events after the balance sheet date that do not entail an adjustment pursuant to IAS 10, with the resulting disclosure in the notes.

Deferred tax assets and liabilities are posted to the balance sheet by offsetting each tax against the defined asset or liability to which it relates.

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

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

b) classification and measurement criteria

Deferred tax assets and liabilities are systematically measured to take account of any changes in regulations or tax rates and of any different subjective situations of Group companies. The charges which might result from already notified tax assessments or litigation pending with the tax authorities are instead recognised in "Net provisions for risks and charges".

With reference to fiscal consolidation of the Bank and participating subsidiaries, contracts have been stipulated to regulate offsetting flows in relation to the transfers of tax profits and losses. Such flows are determined by administering the applicable IRES tax rate to the taxable income of participating companies. The offsetting flow for companies with tax losses - calculated as above - is posted by the consolidating to the consolidated company insofar as the consolidated company, had it not been a participant of fiscal consolidation, might have used the losses to offset its taxable income. Offsetting flows so determined are posted as receivables and payables with companies participating in fiscal consolidation, classified under other assets and other liabilities, offsetting item 260 "Tax expense (recovery) on income from continuing operations".

c) revenue recognition criteria

Where deferred tax assets and liabilities refer to components which affected the income statement, they are offset by income tax. When deferred tax assets and liabilities refer to transactions which directly affected equity without impacting the income statement (e.g. valuations of available-for-sale financial instruments or cash flow hedging derivatives), they are posted as a contra entry to shareholders' equity, involving the special reserves if required.

12 Provisions for risks and charges

Provisions to the reserve for risks and charges are made only when:

- there is a current (legal or implicit) obligation resulting from a past event;
- an outflow of resources producing economic rewards is likely to be necessary in order to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Whenever timing is important, the provisions are discounted back.

Provisions to the reserve are posted to the income statement, in addition to interest expense accrued on the reserves which were subject to discounting.

No provision is shown for contingent and unlikely liabilities, but information is provided in the notes to the financial statements, except in cases where the probability of an outflow of resources to settle the amount is remote or the amount is not significant.

Item 120 "Provisions for risks and charges: post-employment benefits" includes appropriations in compliance with the 2011 revised version of IAS 19 "Employee benefits" for the purpose of settling the technical deficit of defined-benefit supplementary pension funds. Pension plans are either defined-benefit or defined-contribution schemes. The charges borne by the employer for defined-contribution schemes are pre-determined; charges for defined-benefit plans are estimated and shall take account of any shortfall in contributions or poor investment performance of defined-benefit plan assets.

For defined-benefit plans, the actuarial values required by the application of the above principle are determined by an external actuary in accordance with the Projected Unit Credit Method). In particular, the accounting treatment of net defined benefit liabilities is as follows:

1) any surplus or deficit in the plan is measured as the difference between the present value of the defined benefit obligation (DBO) and the fair value of the plan's assets;
2) when the plan is in deficit, the net defined benefit liability recognised in the balance sheet is equal to the deficit itself;

3) when the plan is in surplus, it is necessary to determine the present value of any future economic benefits available to the Bank in the form of refunds from the plan or reductions in future contributions to the plan (asset ceiling);
4) when the asset ceiling is lower than the surplus, the net defined benefit asset is to be recognised in the balance sheet in an amount equal to the asset ceiling.

In essence, if the Bank cannot use the surplus in any way then no asset may be recognised in the balance sheet.

An increase in the present value of the DBO resulting from employee service in the current year is recognised in the Bank's P&L, regardless of whether the plan is in surplus or deficit, as is the case for past service costs and interest costs.

The following components, on the other hand, are immediately recognised in the statement of comprehensive income:

1) actuarial gains and losses on the DBO;
2) difference between the actual return on plan assets and net income on the plan assets;
3) any change in the effect of the asset ceiling, excluding the interest income component.

Item 120 "Provisions for risks and charges: other provisions" includes any provision to cover expected losses for actions filed against the Bank, including clawback actions, estimated expenses in relation to customer claims for securities brokerage, and other estimated expenses in relation to legal or implicit obligations existing at the end of the year.

13 Liabilities and debt securities issued

a) recognition criteria

These financial liabilities are first recognised upon receipt of the sums collected or at the time of issuance of debt securities.

Liabilities are initially recognised at their fair value, which is generally equal to the amount received or the issue price, increased by any additional income/expense directly attributable to the funding or issuing transaction and not reimbursed by the creditors. Internal administrative costs are excluded. The fair value of financial liabilities (if any) issued at conditions other than market conditions is calculated by using a specific valuation technique, and the difference with respect to the consideration received is booked directly to profit and loss only when the conditions provided for by IAS 39 have been met, i.e. when the fair value of the instrument issued can be established by using either quoted market prices for similar instruments or a valuation technique based solely on market data.

b) classification criteria

Deposits from banks and customers and securities issued include different types of funding (both interbank and from customers) and funds raised through certificates of deposit and outstanding bonds, net of any repurchase. Debt securities issued include all securities that are not subject to "natural" hedging through derivatives and that are classified as liabilities measured at fair value.

The item also incorporates payables booked by the lessee in relation to any stipulated financial lease transactions.

c) revenue recognition criteria

Following initial recognition, financial liabilities are valued at amortised cost using the effective interest method.

Short-term liabilities for which time effect is immaterial are an exception, and are recognised at the amount collected.

Should the requirements provided for by IAS 39 for the separate recognition of embedded derivatives be met in the case of structured instruments, they are separated from the host contract and reported at fair value as a trading asset or liability. In this case, the host contract is recognised at amortised cost.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to repurchase them is recorded in the income statement.

A new placement in the market of own securities after their repurchase is considered as a new issue and posted at the new price of placement, with no impact on the income statement.

In compliance with the provisions of IAS 32, any potential commitment to buy treasury shares as a result of the issuance of put options is shown in the balance sheet under financial liabilities, offset by the reduction of shareholders' equity in the amount of the current value of the contractual repayment sum. At the end of 2015, there were no put options sold on treasury shares of the Bank.

14 Financial liabilities held for trading

a) recognition criteria

Financial liabilities held for trading are initially recognised on the date of issue for debt securities, and on the date of subscription for derivatives.

Upon initial recognition, they are measured at fair value, which usually corresponds to the amount collected net of any transaction costs or income directly attributable to the instrument itself, which are directly posted to the income statement. Any embedded derivatives in combined financial instruments not directly connected to the latter and with the characteristics to meet the definition of a derivative are recognised separately from the host contract at fair value. The applicable accounting criteria are administered to the primary contract.

b) classification criteria

This category includes debt securities issued mainly for the purpose of obtaining short-term profits and the negative value of derivative contracts excluding those designated as hedging instruments. Derivative contracts include those embedded in combined financial instruments which were subject to separate accounting.

The items "Deposits from banks" and "Deposits from customers" also incorporate uncovered short positions on securities.

c) measurement criteria

Following initial recognition, financial liabilities held for trading are measured at fair value, every changes in fair value are recognised in the income statement.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.4.5 Fair Value Hierarchy" of this Part A.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to repurchase them is booked in the income statement.

e) revenue recognition criteria

Profits and losses arising from any changes in the fair value of financial liabilities are recognised in profit and loss under item "80 Net profit/loss from trading", except for gains and losses on derivative payables linked with the fair value option which are classified under item "110 Net profit/loss from financial assets and liabilities designated at fair value".

15 Financial liabilities designated at fair value

a) recognition criteria

Financial liabilities measured at fair value are initially recognised on the date of issuance for debt securities. Upon initial recognition, they are measured at fair value, which usually corresponds to the amount collected net of any transaction costs or income directly attributable to the instrument itself, which are directly posted to the income statement.

The fair value of financial liabilities (if any) issued at conditions other than market conditions is calculated by using a specific valuation technique, and the difference with respect to the consideration received is booked directly to profit and loss only when the conditions provided for by IAS 39 have been met, i.e. when the fair value of the instrument issued can be established by using either quoted market prices for similar instruments or a valuation technique based solely on market data. Should these conditions not be available, the fair value used for valuations after the issuance of instruments is cleared of the initial difference between the fair value upon issuance and the consideration received. This difference is recognised in profit and loss only if it ensues from changes in the factors (including time), which market traders would consider for price determination.

b) classification criteria

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

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

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

c) measurement criteria

Following initial recognition, financial liabilities are measured at fair value.

For a description of criteria used to determine the fair value of financial instruments, please see section "A.4.5 Fair Value Hierarchy" of this Part A.

d) derecognition criteria

Financial liabilities are derecognised upon maturity or extinction. Derecognition also occurs if previously issued securities have been repurchased. The difference between the book value of the liabilities and the amount paid to purchase them is recorded in the income statement under item 110 "Net profit/loss from financial assets and liabilities designated at fair value".

e) revenue recognition criteria

Gains and losses arising from any changes in the fair value of a financial asset are recognised in profit and loss under item "110 Net profit/loss from financial assets and liabilities designated at fair value"; same treatment applies to derivatives payable linked with the fair value option which are classified under item "110 Net profit/loss from financial assets and liabilities designated at fair value".

16 Foreign-currency transactions

a) recognition criteria

Upon initial recognition, foreign-currency transactions are recognised in the currency of account using the foreign-exchange rates on the date of the transaction.

b) revenue recognition and derecognition criteria

Financial statement entries denominated in foreign currencies are valued at the end of each reporting period as follows:

- monetary entries are converted using the exchange rate on the closing date;
- non-monetary entries valued at historical cost are converted using the exchange rate on the date of the transaction;
- non-monetary entries that are measured at fair value in a foreign currency are translated at the closing date rate.

Any exchange-rate differences resulting from the settlement of monetary elements, or from the conversion of monetary elements at rates other than those used for initial conversion or conversion in the previous financial statements, are posted to the income statement for the period in which they arise.

When a profit or a loss on a non-monetary element is recognised in equity, the exchange-rate difference in relation to said element is also posted to equity. However, when a profit or a loss is posted to the profit and loss statement, the relative exchange-rate difference is also posted there.

The accounting position of foreign branches with different operating currencies is converted into Euros by using the exchange rates at the end of the reporting period.

Any exchange-rate differences attributable to investments in such foreign branches, and those resulting from the conversion into Euros of their accounting position, are recognised in equity reserves and transferred to the income statement only in the year when the investment is disposed of or reduced.

17 Other information

Other significant items

Other significant items from the Bank's financial statements are described below.

Cash and cash equivalents

This item includes currencies that are legal tender, including foreign banknotes and coins and demand deposits with the central bank of the country or countries in which the Bank operates with its own branches.

The item is posted at face value. For foreign currencies, the face value is converted into Euros at year-end exchange rate.

Value adjustment of macrohedged financial assets and liabilities

These items show, respectively, the net amount, whether positive or negative, of the changes in value of the macrohedged assets and the net amount, whether positive or negative, of the changes in value of liabilities macrohedged against interest-rate risk, pursuant to IAS 39, paragraph 89.

Other assets

This item shows assets not attributable to the other items on the asset side of the balance sheet. It may include, for example:

- gold, silver and precious metals;
- accrued income other than that which is capitalised to the related financial assets;

- any inventories according to the definition of IAS 2;
- improvements and incremental expenses incurred on third-party real estate other than those attributable to property, plant and equipment and therefore not independently identifiable and separable.

The costs in the latter bullet point are posted to other assets, since the user company exercises control of the assets for the purpose of the tenancy agreement and can obtain future economic benefits from them. Said costs are posted to Item 220 "Other operating expenses (income)" on the income statement according to the shorter of the period in which the improvements and expenses can be used and the remaining term of the contract.

Severance pay

Employee severance pay is a defined-benefit allowance subsequent to the employment relationship; therefore its actuarial value must be estimated for the purpose of the financial statements. This estimate is carried out using the "Projected Unit Credit" method, which predicts future disbursements on the basis of statistical historical analysis and the demographic curve, and the financial discounting of such flows according to market interest rates. For the calculation of liabilities to be recognised in the financial statements, the 2011 revised version of IAS 19 "Employee benefits" has been applied; please refer to the paragraph "Provisions for risks and charges" regarding defined benefit pension plans.

The costs accrued during the year for servicing the plan are posted to the income statement under item "180 a) Personnel expenses".

After the reform of supplementary pension funds as per Legislative Decree No. 252 of 5 December 2005, severance pay quotas accrued to 31 December 2006 remain with each company of the Group, while severance pay quotas accrued after 1 January 2007, at the discretion of the employee, are assigned to supplementary pension funds or maintained with the individual companies, which will provide for their transfer to the Treasury Fund managed by the Italian National Social Security Institute, INPS.

Other liabilities

This item shows liabilities not attributable to other items on the liability side of the balance sheet.

It includes, for example:

a) payment agreements that must be classified as debit entries according to IFRS 2;

b) debit entries connected with payment for provision of goods and services;

c) accrued liabilities other than those to be capitalised to the respective financial liabilities.

Other significant accounting practices

Details on significant accounting criteria for purposes of understanding the financial statements are shown below.

Treasury shares

Any shares held by Banca Monte dei Paschi di Siena S.p.A. are recorded in their own item and deducted directly from equity. No profits or losses are posted to the income statement upon the purchase, sale, issue or cancellation of the Bank's equity instruments. Any amount paid or received is posted directly to equity.

Share-based payments

Contingent upon occurrence of certain circumstances, stock-granting plans in general provide for the purchase and allocation to the employees of a certain number of shares of Banca Monte dei Paschi di Siena S.p.A. on an annual basis, for a value corresponding to the amount recognised as part of the company's bonus structure.

Such value is posted as personnel expenses on an accrual basis.

Dividends and income/cost recognition

Revenues are recognised upon attainment, or: in the case of selling goods or products, when it is likely that future benefits will be received and said benefits can be reliably quantified; in the case of services, when these are provided.

In particular:

a) interest is booked pro rata temporis on the basis of contractual interest rate or the effective interest rate in the event of application of the amortised cost;
b) interest on arrears is posted to the income statement only upon actual collection;
c) dividends are shown in the income statement upon resolution of their payout, i.e. when their payment is due;
d) commissions for service income are posted in the period when said services were rendered, on the basis of existing contractual agreements;
e) revenues from trading or from issuance of financial instruments, as determined by the difference between the transaction price and the fair value of the instrument, are booked to the income statement upon reporting of the transaction if the fair value can be determined with reference to parameters or recent transactions observable on the same market in which the instrument is traded; otherwise, they are distributed over time, taking into account the duration and the nature of the instrument.
f) portfolio management fees are recognised based on the duration of service;
g) expenditures are booked to profit and loss during the periods in which the related revenues are booked. Expenditures that cannot be associated with income are booked immediately to the income statement.

Business combinations between entities und common control

A business combination is defined as the transfer of control of a company (or of a group of assets and integrated goods, conducted and managed as a unit). For the definition of control, please refer to Section 3 “Scope of consolidation” of this part A of the notes.

A business combination may give rise to an investment link between the acquiring Bank and the acquired subsidiary. In these cases, the acquirer applies IFRS 3 to the consolidated financial statements while posting the acquired interest to its separate financial statements as an equity interest in a subsidiary, consequently applying IFRS 10.

A business combination may also provide for the acquisition of the net assets of another entity, including any goodwill, or the acquisition of the share capital of another entity (for example mergers, splits, acquisitions of business units). Such a business combination is not an investment link like the one between a parent company and subsidiary, and therefore in these cases IFRS 3 is also applied to the separate financial statements.

Based on the provisions of IFRS 3, an acquirer must be identified for all combination transactions. It is identified as the subject that obtains control over another entity or group of assets.

The acquisition must be posted to the accounts on the date when the acquirer effectively obtains control over the entity or assets acquired.

At the date of acquisition, the acquirer must recognise goodwill as the difference between:

(a) the sum of:

i. the consideration generally measured at fair value at the acquisition date;
ii. the amount of any non-controlling interest in the acquired company and
iii. in a business combination carried out in multiple phases, the fair value at the acquisition date of interests in the acquired company previously held by the acquirer;

(b) the net value of amounts, at the acquisition date, of identifiable assets acquired and identifiable liabilities assumed.

The acquirer must account for transaction-related costs (legal, accounting costs, consulting expenses, etc.) as expenses in the periods in which the costs are incurred and the services are received, with the exception of the costs of issuing debt securities or equity instruments, which must be recognised in accordance with the provisions of IAS 32 and IAS 39.

The fair value of the assets, liabilities and contingent liabilities of the acquired entity may be determined provisionally by the end of the first reporting period in which the combination occurs and must be completed within twelve months of the date of acquisition.

Business combinations do not include transactions aimed at control of one or more entities that do not constitute a business activity, or aimed at temporary control, or finally, if the business combination is realised for restructuring purposes, thus among two or more entities or business activities already part of the MPS Group, and not involving changes to the control structures regardless of the percentage of rights of third parties before and after the transaction (so-called business combinations of entities under common control).

Business combinations under common control

Business combinations between entities under common control do not fall under IFRS 3. In the absence of a standard of reference, as indicated in Section 1 "Declaration of conformity with international accounting standards", these transactions are posted to the accounts by making reference to preliminary guidance from the Italian Association of Auditors (Orientamenti Preliminari, OPI no. 1 "Accounting treatment of "business combinations of entities under common control" in separate and consolidated financial statements" and OPI no. 2 "Accounting treatment of mergers in financial statements"). These guidelines consider the economic significance of business combinations on the basis of cash flow impact on the Bank. Transactions, which had no significant influence on future cash flows, were recognised using the pooling of interest method. Therefore, in the financial statements of the seller, the difference between the sale price and the book value is posted as an increase/decrease in equity. Exclusively in the event of acquisition or transfer of a controlling interest, the equity investment is posted at acquisition cost in the acquirer/transferee's financial statements for the year.

Amortised cost

The amortised cost of financial assets or liabilities is the value at which they were measured upon initial recognition, net of principal repayments, plus or minus overall amortisation calculated using the effective interest method, on the differences between the initial value and that at maturity and net of any permanent impairment.

The effective interest rate is the rate which makes the present value of expected future payment or collection cash flows (without considering future losses on loans), until maturity or a subsequent price recalculation date, equal to the net book value of the financial assets or liabilities. To calculate the current value, the effective interest rate is applied to estimated future collection or payment flows over the entire useful life of the financial assets or liabilities - or for a shorter period if certain conditions are met (for example, a change to market rates).

The effective interest rate shall be redetermined where the financial assets or liabilities have been subject to fair value hedging that has ceased to exist.

In cases in which it is not possible to estimate the cash flows or expected life in a reliable manner, the Bank uses the cash flows contractually envisaged for the entire contractual term.

Following initial recognition, the amortised cost makes it possible to allocate income and costs reducing or increasing the instrument over its entire expected life by means of the amortisation process. The determination of the amortised cost is different depending on whether the financial assets/liabilities are subject to valuation at a fixed or variable rate.

For fixed-rate instruments, future cash flows are quantified based on the known interest rate during the term of the financing. For floating-rate financial assets/liabilities, whose variability is not known beforehand (because, for example, it is tied to an index), cash flows are determined on the basis of the last known rate. At every rate review date, the amortisation schedule and the actual rate of return over the entire useful life of the instrument, i.e. until maturity, are recalculated. The adjustment is recognised as cost or income in the income statement.

Valuation at amortised cost is applied to receivables, held-to-maturity financial assets, financial assets available for sale, liabilities and debt securities in issue; for debt securities classified under assets available for sale, amortised cost is calculated for the only purpose to post interest (based on the effective interest rate) to profit and loss; the difference between fair value and amortised cost is allocated to a specific equity reserve.

Financial assets and liabilities traded at market conditions are initially recognised at their fair value, which normally corresponds to the amount disbursed or paid inclusive -in the case of instruments valued at amortised cost- of transaction costs and commissions directly attributable to the assets and liabilities (such as fees and commissions paid to agents, consultants, intermediaries and dealers), as well as contributions withheld by regulatory bodies and securities exchanges, taxes, and transfer charges. These expenses, which must be directly attributable to the separate financial assets or liabilities, impact the original actual return and make the effective interest rate associated with the transaction different from the contractual interest rate. Calculation of the amortised cost does not include costs that the Bank must incur regardless of the transaction (for example, administrative, stationery and advertising costs), which, even though they are specifically attributable to the transaction, occur in the normal practice of managing loans (for example, disbursement activities).

With particular reference to receivables, lump-sum reimbursements of expenses incurred by the Bank for the provision of a service must not be attributed in a way that lowers the cost of disbursing the loan, but since they may be considered as other operating income, the related costs must be posted to a separate account in the income statement.

Guarantees issued

Adjustments due to any deterioration in the guarantees issued are posted to item 100 “Other liabilities”. Impairment losses are posted to Item 130 d) “Net impairment losses/reversals on other financial transactions” in the income statement.

Significant accounting choices made in preparing the financial statements (with particular reference to the provisions of IAS 1, paragraph 122, and documents nos. 4 of 3 March 2010 and 2 of 6 February 2009, issued jointly by the Bank of Italy/Consob/Isvap).

Decisions by senior management having a significant effect on amounts in the financial statements, other than those relating to estimates, made when applying accounting principles, are shown below.

Securitisations

Securitised loans completed later than the date of first-time adoption of international accounting standards (FTA), where receivables were sold to vehicle companies and in which, (even with formal transfer of legal ownership of the receivables) control over the cash flows deriving therefrom and most risks and rewards are maintained, the loans that are the object of the transaction are not eliminated from the transferor’s balance sheet. In this case, a payable is posted with the vehicle company net of the securities issued by the company and repurchased by the seller. The income statement also reflects the same accounting criteria.

Accounting for hedge transactions - use of the Fair Value Option

In its financial risk management policy, relating to financial instruments included in the banking book, the Bank has used the Fair Value Option accounting technique alongside fair value hedging and cash flow hedging methods.

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

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

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

IAS 39 allows the option of designating a financial instrument under the fair value option to be exercised irrevocably only upon initial recognition. The fair value option cannot therefore be used for hedges on funding instruments issued prior to the decision that the hedge be undertaken; hedge accounting must be used in these cases.

In the Operating Guide no. 4 of the OIC on accounting management of reserves and profit distribution pursuant to Legislative Decree no. 38 of 28 February 2005, the supervisory authorities (Bank of Italy/Consob/Isvap) specify that capital gains posted to the income statement using the Fair Value Option and not yet realised are not distributable.

Accounting treatment of "long-term structured repos"

Over the past years, the Bank entered into two asset swaps with Italian government bonds BTPs (known as the "Santorini/Deutsche Bank" and "Alexandria/Nomura" transactions), which had been funded by repo agreements with duration equal to the securities' natural maturity.

These transactions led to the restatement of the 2012 Financial Statements (for further details on these transactions and on the restatement to the 2012 Financial Statements, please refer to the chapter "Restatement of prior period accounts and changes in estimates in compliance with IAS 8" in the same Financial Statements).

In December 2013, the "Santorini" transaction was closed by way of a settlement agreement with Deutsche Bank, which allowed the cost of termination for the Bank to be lower by approximately EUR 220 mln compared to market values; settlement of the transaction resulted in the recognition of a loss, before tax, of EUR 287 mln, posted to the 2013 financial statements under item 100 of the income statement (see press release of 19 December 2013).

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

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

Therefore, the Bank amended the accounting method for that transaction in the 2015 financial statements by representing it as a synthetic derivative (CDS): in this presentation, the purchase of securities and its financing through a long term repo agreement are represented as a Credit Default Swap (sale of protection on the risk of the Italian government, i.e. issuer of the bonds). This accounting method was applied retrospectively as required under IAS 8.

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

Use of estimates and assumptions when preparing financial statements. Main causes of uncertainty (with particular reference to the provisions of IAS 1, paragraph 125, and documents nos. 4 of 3 March 2010 and 2 of 6 February 2009, issued jointly by the Bank of Italy/Consob/Isvap)

The financial crisis has had many consequences for businesses, notably on their financial planning (i.e. on the planning and scheduling of their credit lines). The strong volatility on the still-active financial markets, the reduction in transactions on inactive financial markets and the lack of prospects for the future create specific conditions that influence the preparation of financial statements, especially in relation to estimates required by accounting standards that can have a significant impact on the balance sheet and profit and loss account, as well as on disclosure of contingent assets and liabilities reported in the financial statements. Production of these estimates involves the use of available information and adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

The main cases in which subjective valuations are mostly opted for by Management include the:

a) use of valuation models to measure the fair value of financial instruments not listed in active markets;
b) quantification of impairment losses on loans and, more generally, other financial assets;
c) assessment of the fair value of equity investments, goodwill, other intangible assets and property, plant and equipment;
d) estimation of liabilities arising from defined-benefit company pension funds:
e) estimation of deferred tax assets recoverability;
f) estimation of costs relating to legal and tax disputes.

For a description of item a), please see section A.4.5 Fair Value Hierarchy; in relation to items b) and c), the most important qualitative issues subject to elements of discretion are described below. The actual technical and conceptual solutions used by the Bank are analysed in more detail in the individual sections of the notes to the balance sheet and the income statement, where the contents of each item in the financial statements are described. With regard to item d) please refer to section 12 of Liabilities in the Notes to the Financial Statements "Defined benefit company pension funds"; as for item e) please see section 14 of Assets in the Notes to the Financial Statements "Tax assets and liabilities". With reference to point f) please refer to section 12 of Liabilities in the Notes to the Financial Statements "Provisions for risks and charges" and section 1.4 "Operational Risk" in part E of the Notes to the Financial Statements.

Methods for determining impairment losses on loans and, more generally, other financial assets

At the end of every reporting period, the financial assets not classified as held-for-trading financial assets or assets at fair value are evaluated to check whether there is objective evidence of impairment that might render the book value of these assets not entirely recoverable.

A financial asset has suffered a reduction in value and the impairment losses must be posted to the financial statements if, and only if, there is objective evidence of a reduction in future cash flows compared with those originally estimated as a result of one or more specific events that have occurred after initial recognition; the loss should be determined reliably and in relation with recent events.

The reduction in value may also be caused not by a single separate event but by the combined effect of several events.

The objective evidence that a financial asset or group of financial assets has suffered a reduction in value includes measurable data that arise from the following events:

- significant financial difficulty of the issuer or debtor;

- breach of contract, for example non-fulfilment or failure to pay interest or principal;
- granting Beneficiary a credit facility that the Bank has taken into consideration primarily for economic or legal reasons related to the beneficiary's financial difficulties and that would not have been granted otherwise;
- a reasonable probability that the beneficiary will file for bankruptcy or other financial restructuring procedures;
- disappearance of an active market for that financial asset due to financial difficulties. Nevertheless, the disappearance of an active market due to the fact that the financial instruments of the company are no longer publicly traded is not evidence of a reduction in value;
- measurable data which indicate the existence of a significant drop in the estimated future cash flows for a group of financial assets from the time of their initial recognition, even though the reduction cannot yet be matched to the separate financial assets of the Group, including:
    - unfavourable changes in the status of payments of the beneficiaries within the group; or
    - local or national economic conditions that are associated with non-fulfilment related to internal Group assets.

Objective evidence of reduction in value for an investment in an equity instrument includes information regarding important changes with an adverse effect that have occurred in the technological, market, economic or legal environment in which the issuer operates and indicates that the cost of the investment may not be recovered.

The impairment test is performed on an analytical basis with respect to financial assets that show specific evidence of impairment and on a collective basis with respect to financial assets for which such objective evidence does not exist. Collective valuation is based on identifying homogenous risk classes of financial assets with reference to the characteristics of the debtor/issuer, economic sector, geographic area, presence of any guarantees and other relevant factors.

Whenever loans to customers and banks are classified as doubtful, unlikely to pay or non-performing past due exposures, they are subject to an analytical valuation process, with the determination of expected losses by uniform categories and analytical attribution to each position. The amount of the loss is equal to the difference between the book value of the receivable upon valuation (amortised cost) and the current value of expected future cash flows, calculated using the original effective interest rate. Expected cash flows take account of the expected repayment schedule, the expected recovery value of collaterals, if any, as well as the costs expected to be incurred for the recovery of the credit exposure. In this regard, in order to determine the cash flows deemed recoverable, within the assessment process adopted by the Bank, if there are no analytical schedules, statistical schedules are used.

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

Receivables classified as performing and certain non-performing loans (with exposures below a given threshold value) are statistically assessed. This valuation occurs by credit-risk homogenous categories of receivables, indicative of the debtor's ability to repay sums contractually owed. The segmentation drivers used for this purpose consist of: economic sector, geographic location and customer segments (turnover); on the basis of the latter indicator, the main segments of the portfolio are differentiated as follows:

- Retail;
- Small and Medium Enterprises - Retail;
- Small and Medium Enterprises - Corporate;
- Corporate;
- Large Corporate;
- Banks;
- Other.

The rate of loss is determined for each portfolio segment by identifying the largest possible synergies (as allowed by various regulations) using the supervisory approach. In particular, the impairment for the year of each loan belonging to a particular category is given by the difference between the book value and the recoverable amount on the date of valuation, with the latter being determined by using the parameters of the calculation method provided for by the new supervisory provisions, represented by PD (probability of default) and LGD (loss given default).

For non-performing loans, statistical valuation is carried out by applying the specific LGD parameter to the exposures' book value.

If, in a subsequent year, the impairment loss decreases and the reduction can be objectively linked to an event that occurred after the impairment was recognised (such as an improvement in the financial solvency of the debtor), the previously recognised impairment loss will be reversed. The amount of the reversal is indicated in the income statement under Item 130 "Net impairment losses/reversals".

With reference to loans which have been restructured by partial or full conversion into equity stakes of beneficiary companies, in accordance with joint document no. 4 issued by Bank of Italy/Consob/Isvap on 3 March 2010, it is noted that the fair value of quotas received was factored into the valuation. In particular, in the case of non-performing exposure, such classification was maintained for converted financial instruments received and, in the case of classification in the available-for-sale (AFS) category, capital losses recognised after conversion were posted directly to the income statement.

With regard to debt securities classified under loans to customers, if there is objective evidence of an impairment loss, the loss is calculated as the difference between the asset's carrying value and the present value of estimated cash flows, discounted at the asset's original interest rate.

If the amount of the impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The reversal is not to result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised. The amount of the reversal is recognised in profit and loss.

Impairment of financial assets available for sale is posted to the income statement when a reduction in fair value has been directly recognised in equity and the aforementioned objective evidence exists. In such cases, the cumulative loss recognised directly in equity shall be reversed and posted to profit and loss, even if the financial asset has not been derecognised. The overall loss transferred from equity to profit and loss is the difference between the acquisition cost (net of any repayment of principal and amortisation) and the current fair value, less any impairment loss on the financial asset previously posted to profit and loss. Impaired losses posted to profit and loss for investment in an available-for-sale equity instrument do not have to be reversed with an impact on profit and loss.

If the fair value of an available-for-sale debt instrument subsequently increases, and the increase can be objectively linked to an event that took place after the impairment loss was posted to the profit and loss statement, the impairment loss must be derecognised and reversed to profit and loss.

However, the existence of a negative reserve is not in itself sufficient to determine a write-down in the income statement.

The nature and number of assumptions used to identify impairment factors and determine losses and reversals are elements of uncertainty in estimation.

Methods for determining impairment losses on equity investments, goodwill and, more generally, other intangible assets

Equity investments

The impairment process entails computation of the recoverable amount, which is the greater of the fair value less costs to sell, and the value in use. The value in use is the present value of the cash flows arising from the impaired asset; it reflects the estimate of the cash flows expected from the asset, the estimate of possible changes in the amount and/or in the timing of the cash flows, the financial value over time, the price for remunerating the risk on the asset and other factors that can influence the pricing, on the part of market dealers, of the cash flows expected from the asset. Numerous assumptions are therefore required to estimate the fairness of the carrying amount of equity investments; it follows that the result of this verification inevitably entails some degree of uncertainty.

Goodwill

Goodwill posted following acquisitions is subjected to an impairment test at least once a year and whenever there are signs of impairment. For testing purposes, once goodwill has been allocated to cash-generating units (CGUs), the book value is compared with the recoverable value of said units. The discounted cash flow (DCF) method is normally used to determine the recoverable value of the CGUs. To this end, senior management has estimated CGU cash flows; these are dependent on several factors, including cost and revenue growth rates, which in turn depend on changes in the real economy, customer behaviour, competition and other factors. Numerous assumptions are therefore required to estimate the fairness of the carrying amount of goodwill; it follows that the result of this verification inevitably entails some degree of uncertainty. Disclosure in Section 12 of the "Assets" in the notes to the financial statements provides more details on this subject.

Other property, plant and equipment and intangible assets

The tangible and intangible assets with limited useful life are tested for impairment in the presence of any indication that the book value of the asset may not be recovered. The recoverable value is computed with reference to (i) the fair value of the tangible or intangible asset, net of the charges for disposal or (ii) the value in use if determinable and if it is above fair value.

The recoverable value of properties is determined on the basis of an appraisal or index-based valuations. The loss in value is reported only if the fair value less costs to sell, or the value-in-use, is less than the book value. The nature and number of assumptions are elements of uncertainty also for these values and for subsequent verifications. More information on the possible assumptions can be found in Sections 12 and 13 of the "Assets" in the notes to the financial statements.

Correction of errors

The correction of errors is governed by IAS 8 (Accounting policies, changes in accounting estimates and errors). According to this standard, errors can arise in respect of the recognition, measurement, presentation or disclosure of elements of financial statements.

When errors are discovered in the period in which the error occurred, they are corrected before the financial statements are authorised for issue.

Material errors that are discovered in a subsequent period with respect to the period in which they occurred, are corrected, when measurable, in the comparative information presented in the financial statements for that subsequent period; material previous period errors shall be corrected in the first set of financial statements authorised for issue after their discovery by retrospectively restating the comparative amounts for previous period(s) presented in which the error occurred or, if the error occurred before the previous periods presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest previous period presented.

A.3 Information on portfolio transfers

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

Type of financial instrument (1)	Portfolio prior to transfer (2)	Portfolio after transfer (3)	Book value at 31 12 2015 (4)	Fair value at 31 12 2015 (5)	Income components in the absence of transfers (before tax)		Income components reported for the period (before tax)	
					Value-relevance (6)	Other(7)	Value-relevance (8)	Other(9)
UCITS	Trading	Available for sale	1,010	1,010	71	-	71	-
Debt Securities	Trading	Loans to banks	42,119	38,503	(1,599)	1,318	6	1,323
Debt Securities	Trading	Loans to customers	137,273	136,355	6,644	3,846	314	2,688
Debt Securities	Available for sale	Loans to banks	675,469	534,643	16,662	32,233	387	32,538
Debt Securities	Available for sale	Loans to customers	201,983	181,962	(2,619)	8,709	2,795	6,189
	Total		**1,057,854**	**892,473**	**19,159**	**46,106**	**3,573**	**42,738**

In the course of 2008, the Bank applied the amendment "Reclassification of financial assets", which was issued by the IASB to amend IAS 39 and IFRS 7 in October 2008 introducing the possibility of reclassifying portfolios in unusual circumstances such as the crisis that emerged in the markets in the second half of 2008.

This table, which refers exclusively to financial instruments reclassified in the second half of 2008 based on the above-mentioned amendment, reports, in addition to the book values and fair values of reclassified financial instruments as at 31 December 2015, financial results (columns 6 and 7) in terms of "value relevance" and "other" (realised profit/loss and interest), which the same financial instruments would have produced for the Bank in 2015 had they not been transferred in 2008. Columns 8 and 9, on the other hand, contain the profit and loss results in terms of "value relevance" and "other" (realised profit/loss and interest) which the Bank actually posted for these instruments in the course of 2015.

The hypothetical net capital gains (column 6) of approximately EUR 19.2 mln differ from those actually recorded for 2015 (see column 8) of EUR 3.6 mln, for an overall amount of EUR 15.6 mln in higher valuations of market prices during 2015 (of which EUR 4.7 mln posted to the income statement and approximately EUR 10.9 mln to equity).

By way of completeness, on the back of the reclassification in 2008 of bonds originally classified as AFS financial instruments, the relative negative reserve, for an amount of EUR 186.7 mln, existing on the date of reclassification, was accounted for pursuant to the provisions set out in par. 50F of IAS 39.

In particular, the negative AFS reserve was gradually phased out over a timeframe reflecting the residual life of the underlying securities, measured as a direct reduction of interest income. This negative impact on net interest income was offset by the positive effect of the amortised cost mechanism on securities, which gradually brings the maturity value in line with the nominal value. The residual reserve at the end of 2015 was EUR 6.7 mln.

A.3.2 Reclassified financial assets: effects on comprehensive income prior to transfer

A.3.3 Transfer of financial assets held for trading

A.3.4 Effective interest rate and expected cash flows from reclassified financial assets

Tables A.3.2, A.3.3 and A.3.4 were left blank because no financial assets were transferred during the year.

A.4 - Information on fair value
Qualitative information

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

Items	Fair value 31 12 2015: Financial assets held for trading	Financial assets available for sale	Hedging deivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging deivatives	Type	Valuation technique(s)	Inputs used
							Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
Debt Securities	3,949	479,223	X	-	1,137,524	X	Structured bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves + inputs necessary to measure optional component
							Bonds	Market price*	Market price*
							Shares/Investments	Market price*	Market price*, recent transactions, appraisals, manager reports
Equity Instruments	1	58,324	X	X	X	X	Investments	Discount cash flow	Share price,beta settore, free risk rate
							Investments	Net asset adjusted	Fair value asset
Units of UCITS	-	112,172	X	X	X	X	Funds/PE	Market price*	Market price*
Loans	-	-	X	X	X	X	Repo trade	Discounted Cash Flow	Interest rate curve
							Insurance Products	Esternal Pricing	Periodic repricing
Deposits	X	X	X	-	-	X	from banks		
				-	-		from customers		
							IR/Asset/Currency Swaps	Discounted Cash Flow	Interest rate curve, CDS Curve, Basi(yield), Inflation Curve, Foreign exchange rates and correlation
							Total return swaps	Discounted Cash Flow	Bond price, Interest rate curve, Foreign exchange rates
							Equity swaps	Discounted Cash Flow	Share price, Interest rate curve, Foreing exchange rates
							Forex Singlename Plain	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility
							Forex Singlename Exotic	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility (Surface)
							Forex Multiname	Option Pricing Model	Interest rate curve, Foreing exchange rates, Forex volatility, Correlation
Financial Derivatives	2,047,591		772,263	1,842,886	X	1,361,860	Equity Singlename Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility
							Equity Singlename Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs
							Equity Multiname Plain	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility, Quanto Correlation, Equity/Equity correlation
							Equity Multiname Exotic	Option Pricing Model	Interest rate curve, share price, foreign exchange rates, Equity volatility (surface), Model inputs, Quanto correlation, Equity/Equitycorrelation
							Plain Rate	Option Pricing Model	Interest rate curve, inflation curves, bond prices, foreign exchange rates, Rate volatility, rate correlations
							Spot-Forward	Market price*	Market price*, Swap Point
							Credit Index	Market price*	Market price*
Credit Derivatives	14,646		-	1,530	X	-	Default swaps	Discounted Cash Flow	CDS curves, Interest rate curve
							Cdo tranche	Discounted Cash Flow	Market price*, Basis, CDS curves, Base Correlation, interest rate curve
Total assets	2,066,187	649,719	772,263	X	X	X			
Total liabilities	X	X	X	1,844,416	1,137,524	1,361,860			

**prices for identical financial instruments listed in not active markets (IFRS 13 para.82 lett. B)*

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

Items	Fair value 31 12 2015 Financial assets available for sale	Type	Valuation technique(s)	Unobservable inputs	Range (weighted average)
Debt securities	65,565	SFP	Discounted Cash Flow	Liquidity base	0-65.5 €/mln
Equity Instruments	246,325	Equity Instruments	Discounted Cash Flow	Liquidity base/Equity Risk Premium/Beta	20%/>7%/>0.4
		Equity Instruments	Cost/Net equity	Company's financial statements	0 - 12.5 eur/mln
Units of UCITS	9,280	Side Pocket	External pricing	NAV	0-5.5 eur/mln
Total assets	321,170				
Total liabilities	X				

A.4.2 Measurement processes and sensitivity

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

The item debt securities is inclusive of the equity instruments of Perimetro Gestioni Proprieta' Immobiliari S.c.p.A., whose fair value was calculated through a valuation model (Discount Cash Flow) which uses inputs that are not directly observable on the market but the result of entity-specific assumptions.

Equity securities measured using the Discounted Cash Flow model mainly include the Bank of Italy shareholding (EUR 187.5 mln). This equity investment was measured on the basis of an internal model similar to that used in 2013 by the Bank of Italy's Committee of Experts in the document "Revaluation of shareholdings in the Bank of Italy". This document not only details the valuation techniques adopted to reach the end result, but identified in the market beta of the equity risk premium and in the cash flow base to be used for cash flow discounting, the parameters on which to make entity specific assumptions. The valuation of that equity investment is also confirmed in recent market transactions involving certain banks required to dispose of shareholdings exceeding the threshold of 3% of the share capital of the Bank of Italy. During valuation, the intervals of the possible values that can be assigned to these parameters cause the following changes in value: roughly EUR -20 mln for every 100 bps increase in the equity risk premium, around EUR -40 mln for every 10 percentage point increase in the market beta and roughly EUR -25 mln for every 10 percentage point increase in the cash flow base.

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

The units of UCITS measured with External Pricing are Hedge Fund side pockets, whose price quotes by the asset management companies are deemed non-verifiable. For this reason, the sensitivity of these positions is considered to be equal to their entire book value (approx. EUR 9.2 mln).

A.4.3 Fair value hierarchy

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

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

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

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

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

Level 1

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

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

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

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

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

Levels 2 and 3

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

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

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

Level 2 inputs are as follows:

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

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

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

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

It should also be noted that -regardless of whether measurement techniques adopted use non-observable market inputs- the Bank deemed it appropriate and prudential to have Level 3 of the Fair Value hierarchy include any instruments not listed in active markets that are complex by their financial structure or for which there is no clear measurement method recognised as standard in the market and adjustable based on observable prices of comparable structures.

This applies, for example, to assets in the structured credit category not listed in an active market. Although, in some cases, this category could avail itself of appropriate measurement models that make use of observable market inputs (e.g. credit default swap curves) or quotations by primary counterparties, the lack of a liquid market on correlations in the wake of the financial crisis made it necessary to use subjective estimates. Given the complexity of these structures, the Bank decided to classify these instruments in level 3, in the absence of an active market, regardless of the observability of input parameters significant for their mark-to-model measurement.

The processes used to measure level 3 instruments are based on a shared analysis of the types of instruments and underlying risk parameters by the Bank's Business functions and Risk Management. The analysis is completed with the formulation of a pricing model and/or a model for determination of non-observable market inputs which is subject to final validation by Risk Management. At different time intervals depending on the type of instruments (though commonly on a monthly basis) on the back of directly observable market inputs, the Bank's Business functions proceed with determining the non-observable market inputs and measuring instruments of level 3. The Risk Management function, based on a shared methodological approach, proceeds with the final validation of fair value. In support of this activity and with a view to ensuring an adequate level of auditability, assessment data sheets have been introduced and are updated on a six-monthly basis for individual instruments classified in level 3, which contain a brief description of the instrument, pricing methods adopted and details about inputs used for fair value measurement.

As for fair value transfers between different levels, it is noted that the Bank has set some rules to determine whether a financial instrument is level 1 or 3; level 2 is determined by difference. When an instrument no longer meets the conditions for classification in level 1 or 3, a new level is determined.

A.4.4 Other information

With reference to par. 93 let. (i) of IFRS 13, note that the Bank does not hold non-financial assets designated at fair value on a recurring and non-recurring basis.

With reference to par. 96 of IFRS 13, note that the Bank does not apply the so-called portfolio exception envisaged by par. 48 of IFRS 13.

Quantitative Information

A.4.5 Fair value hierarchy

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

	31 12 2015				31 12 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	9,197	2,066,187	-	2,075,384	25,334	3,025,225	26	3,050,585
2. Financial assets designated at fair value	-	-	-	-	-	-	-	-
3. Financial assets available for sale	16,039,902	649,719	321,170	17,010,791	17,413,637	809,197	384,956	18,607,790
4. Hedging derivative	-	772,263	-	772,263	-	877,585	-	877,585
5. Property, plant and equipment	-	-	-	-	-	-	-	-
6.Intangible assets	-	-	-	-	-	-	-	-
Total assets	**16,049,099**	**3,488,169**	**321,170**	**19,858,438**	**17,438,971**	**4,712,007**	**384,982**	**22,535,960**
1. Financial liabilities held for trading	-	1,844,416	-	1,844,416	-	3,650,404	-	3,650,404
2. Financial liabilities designated at fair value	1,107,947	1,137,524	-	2,245,471	823,870	2,186,299	-	3,010,169
3. Hedging derivative	-	1,361,860	-	1,361,860	-	2,655,599	-	2,655,599
Total liabilities	**1,107,947**	**4,343,800**	**-**	**5,451,747**	**823,870**	**8,492,302**	**-**	**9,316,172**

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

The financial instruments measured at fair value and classified in level 3 of the hierarchy consist of instruments not listed in active markets, valued using the mark-to-model approach, for which input data include, inter alia, non-observable market data significant for measurement purposes or observable market data that requires significant adjustment based on non-observable data, or that requires internal assumptions and estimations of future cash flows.

Additional information on level 3 financial instruments can be found in the comments under the tables for the individual balance sheet items concerned.

During the year, some financial assets and liabilities registered a deterioration from fair value level 1 to fair value level 2; the variation in the fair value level was generally due to the deterioration in the liquidity conditions in the market for said securities. With respect to financial assets, this phenomenon involved an equity security classified under financial assets held for trading totalling EUR 0.3 mln; with respect to financial liabilities, on the other hand, the trend is to be mainly attributed to a bond issued by the Bank, for approx. EUR 46 mln.

With respect to financial assets and liabilities that improved from fair value level 2 to level 1, as regards assets, this trend involved a stripping BTP of the Bank for a total of roughly EUR 192.7 mln; with respect to financial liabilities, the change in level is to be attributed to a bond issued by the Bank in the amount of EUR 380.1 mln. The change in the fair value level during the year is essentially linked to the improvement in the securities' liquidity conditions (measured in terms of bid-ask spread of the listed price) which allowed this level transfer in accordance with the Group's policy on the valuation of financial instruments.

As for OTC derivatives, in compliance with IFRS 13, the Bank calculates adjustments to values, obtained through valuation models using risk-free interest rates, to take account of the creditworthiness of the individual counterparty. This risk measure, known as Credit Value Adjustment (CVA), is estimated for all OTC derivative positions with non-collateralised institutional and retail counterparties. The methodology is based on the calculation of expected operational loss linked to counterparty rating and estimated on a position's duration. The exposure includes future credit variations represented by add-ons. Market-consistent probability measurements are employed in the calculation of CVAs in order to gauge market expectations resulting from CDS prices without, however, losing the historical information available within the Bank.

As at 31 December 2015 the CVA had a balance of approx. EUR 73.5 mln.

The Bank calculates the value adjustment of OTC derivatives in a mirror image fashion and on the same perimeter to take into account its creditworthiness, Debit Value Adjustment (DVA). As at 31 December 2015, the DVA amounts to a total of EUR 8.8 mln.

Additional information on level 3 financial instruments can be found in the comments under the tables for the individual balance sheet items concerned.

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

	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging derivatives	Property, plants and equipments	Intangible assets
1. Opening balance	**26**	**-**	**384,956**	**-**	**-**	**-**
2. Increases	**-**	**-**	**32,831**	**-**	**-**	**-**
2.1 Purchase	-	-	7,040	-	-	-
2.2 Profit posted to:	-	-	21,811	-	-	-
2.2.1 Profit and Loss	-	-	-	-	-	-
- of which capital gains	-	-	-	-	-	-
2.2.2 Equity	X	X	21,811	-	-	-
2.3 Transfers from other levels	-	-	1,744	-	-	-
2.4 Other increases	-	-	2,236	-	-	-
3. Decreases	**26**	**-**	**96,617**	**-**	**-**	**-**
3.1 Sales	26	-	69,106	-	-	-
3.2 Redemptions	-	-	-	-	-	-
3.3 Losses posted to:	-	-	3,662	-	-	-
3.3.1 Profit and Loss	-	-	1,650	-	-	-
- of which capital losses	-	-	1,650	-	-	-
3.3.2 Equity	X	X	2,012	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	23,849	-	-	-
4. Closing balance	**-**	**-**	**321,170**	**-**	**-**	**-**

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

The amount shown in the same column alongside item "3.5 Other decreases", amounting to EUR 23.9 mln, is primarily associated with the classification amongst non-current assets held for sale and discontinued operations of the investees "Visa Europe Limited." (EUR 21.1 mln) and Assofood S.p.A. (EUR 1.1 mln). In particular, the book value of "Visa Europe Limited." was revalued, as a contra-entry to the AFS reserve, taking into account the transaction price.

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

The table was not completed as no such entities are present.

A.4.5.4 Assets and liabilities not designated at fair value or designated at fair value on a non-recurring basis: breakdown by fair value level

Financial asset/liabilities not designated at fair value or designated at fair value on a non -recurring basis	31 12 2015				
	Book value	Level 1	Level 2	Level 3	Total Fair value
1. Financial assets held to maturity	-	-	-	-	-
2. Loans to banks	34,374,738	144,672	34,016,329	1,797	34,162,798
3. Loans to customers	95,384,392	48,953	1,681,391	96,791,471	98,521,815
4. Property, plant and equipment held for investment	262,868	-	-	295,286	295,286
5. Non-current assets and groups of assets held for sale	27,158	-	21,057	1,129	22,186
Total	**130,049,156**	**193,625**	**35,718,777**	**97,089,683**	**133,002,085**
1. Deposits from banks	29,521,052	-	29,530,583	-	29,530,583
2. Deposits from customers	86,418,506	-	86,422,907	-	86,422,907
3. Debt securities issued	27,499,901	15,837,000	11,040,788	-	26,877,788
4. Liabilities associated to disposal groups held for sale	-	-	-	-	-
Total	**143,439,459**	**15,837,000**	**126,994,278**	**-**	**142,831,278**

Financial asset/liabilities not designated at fair value or designated at fair value on a non -recurring basis	31 12 2014*				
	Book value	Level 1	Level 2	Level 3	Total Fair value
1. Financial assets held to maturity	-	-	-	-	-
2. Loans to banks	38,710,046	285,540	38,217,104	24,865	38,527,509
3. Loans to customers	102,157,158	200,433	1,537,361	103,395,026	105,132,820
4. Property, plant and equipment held for investment	260,523	-	-	291,213	291,213
5. Non-current assets and groups of assets held for sale	16,805	-	-	16,581	16,581
Total assets	**141,144,532**	**485,973**	**39,754,465**	**103,727,685**	**143,968,123**
1. Deposits from banks	39,294,158	-	39,316,143	-	39,316,143
2. Deposits from customers	87,928,296	-	87,933,304	-	87,933,304
3. Debt securities issued	29,688,403	17,647,598	10,675,947	1,349,908	29,673,453
4. Liabilities associated to disposal groups held for sale	-	-	-	-	-
Total liabilities	**156,910,857**	**17,647,598**	**137,925,394**	**1,349,908**	**156,922,900**

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

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

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

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

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

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

Part B - Information on the separate balance sheet

ASSETS

LIABILITIES

ASSETS

Section 1 - Cash and cash equivalents - Item 10

1.1 Cash and cash equivalents: breakdown

	Total 31 12 2015	Total 31 12 2014
a) Cash	983,765	908,704
b) Demand deposits with central banks	63,364	65,591
Total	**1,047,129**	**974,295**

The line “Demand deposits with central banks” does not include the compulsory reserve, which is shown under Assets in Item 60 “Loans to banks”“.

Section 2 - Financial assets held for trading - Item 20

2.1 Financial assets held for trading: breakdown

Items/Amounts	Total 31 12 2015				Total 31 12 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
A.Balance sheet assets								
1. Debt securities	8,898	3,949	-	12,847	25,100	4,148	-	29,248
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	8,898	3,949	-	12,847	25,100	4,148	-	29,248
2. Equity instruments	285	1	-	286	233	1	-	234
3. Units of UCITS	14	-	-	14	1	2,208	26	2,235
4. Loans	-	-	-	-	-	32,903	-	32,903
4.1 Reverse repurchase agreements	-	-	-	-	-	-	-	-
4.2 Other	-	-	-	-	-	32,903	-	32,903
Total (A)	**9,197**	**3,950**	**-**	**13,147**	**25,334**	**39,260**	**26**	**64,620**
B. Derivatives								
1. Financial derivatives:	-	2,047,591	-	2,047,591	-	2,351,025	-	2,351,025
1.1 held for trading	-	1,737,074	-	1,737,074	-	1,935,123	-	1,935,123
1.2 fair value option	-	310,517	-	310,517	-	415,902	-	415,902
1.3 other	-	-	-	-	-	-	-	-
2. Credit derivatives:	-	14,646	-	14,646	-	634,940	-	634,940
2.1 held for trading	-	14,646	-	14,646	-	640	-	640
2.2 fair value option	-	-	-	-	-	-	-	-
2.3 other	-	-	-	-	-	634,300	-	634,300
Total (B)	**-**	**2,062,237**	**-**	**2,062,237**	**-**	**2,985,965**	**-**	**2,985,965**
Total (A+B)	**9,197**	**2,066,187**	**-**	**2,075,384**	**25,334**	**3,025,225**	**26**	**3,050,585**

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

Criteria adopted for classification of financial instruments in the three levels of the "fair value hierarchy" are reported in Section A.4, "Fair value disclosure" of Part A, "Accounting policies" of the notes to the consolidated financial statements, which should therefore be referred to.

As a result of the provisions set out in IAS 39 with regard to the derecognition of financial assets, line 1.2 also includes debt securities pledged in repos and securities lending transactions carried out in respect of own securities posted to the trading portfolio.

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

By convention, such derivatives are classified in the trading book. In terms of their representation in the income statement, they comply with rules similar to the rules applicable to hedging derivatives: positive and negative spreads or margins settled or accrued until the balance sheet date are recognised as interest income and expense, while valuation profits and losses are posted under item 110 of the profit and loss statement, "Net profit (loss) from financial assets and liabilities designated at fair value", in compliance with representations used for funding instruments that adopted the fair value option.

The amount of EUR 3.9 mln (4.1 mln as at 31 December 2014), reported on line "1.2 Other debt securities", in the level 2 column, includes junior exposures assumed by the Bank with reference to own securitisation transactions.

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

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

Items/Amounts	Total 31 12 2015	Total 31 12 2014
A. Balance sheet assets		
1. Debt securities	12,847	29,248
a) Governments and Central banks	17	16
b) Other public entities	-	-
c) Banks	7,833	18,578
d) Other issuers	4,997	10,654
2. Equity instruments	286	234
a) Banks	104	65
b) Other issuers:	182	169
- insurance companies	36	30
- financial companies	23	19
- non-financial companies	123	120
- other	-	-
3. Units of UCITS	14	2,235
4. Loans	-	32,903
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	32,903
Total (A)	**13,147**	**64,620**
B. Derivatives		
a) Banks	1,652,034	1,898,181
b) Customers	410,203	1,087,784
Total (B)	**2,062,237**	**2,985,965**
Total (A+B)	**2,075,384**	**3,050,585**

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

The breakdown by borrower/issuer was carried out in accordance with criteria of classification by economic activity group and sector laid down by the Bank of Italy.

2.2.a Units of UCITS: Breakdown by main categories

Categories/Amounts	Total 31 12 2015	Total 31 12 2014
Equity	14	-
Hedge Funds	-	2,235
Total	**14**	**2,235**

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

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

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

Section 4 - Financial assets available for sale - Item 40

4.1 Financial assets available for sale: breakdown

Items/Amounts	31 12 2015				31 12 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	16,021,918	479,223	65,565	16,566,706	17,398,578	650,986	129,479	18,179,043
1.1 Structured securities	-	-	-	-	-	-	-	-
1.2 Other debt securities	16,021,918	479,223	65,565	16,566,706	17,398,578	650,986	129,479	18,179,043
2. Equity instruments	17,984	58,324	246,325	322,633	14,699	39,996	252,344	307,039
2.1 Designated at fair value	17,984	58,324	246,284	322,592	14,699	32,146	252,266	299,111
2.2. Carried at cost	-	-	41	41	-	7,850	78	7,928
3. Units of UCITS	-	112,172	9,280	121,452	360	118,215	3,133	121,708
4. Loans	-	-	-	-	-	-	-	-
Total	**16,039,902**	**649,719**	**321,170**	**17,010,791**	**17,413,637**	**809,197**	**384,956**	**18,607,790**

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

The portfolio of AFS financial assets includes:

a) bonds and UCITS not held for trading;

b) equity investments with shareholding lower than controlling or associate interests.

As a result of the provisions set out in IAS 39 for the derecognition of financial assets, line 1.2 also include debt securities committed in repos (liabilities) and securities lending transactions carried out for own securities posted to the available-for-sale portfolio.

At the reporting date, the aggregate does not include senior, mezzanine and junior exposures assumed by the Bank with reference to own and third party securitisation transactions.

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

Items/Amounts	Total 31 12 2015	Total 31 12 2014*
1. Debt securities	**16,566,706**	**18,179,043**
a) Governments and Central banks	16,235,001	17,795,542
b) Other public entities	29,625	-
c) Banks	32,767	34,614
d) Other issuers	269,313	348,887
2. Equity instruments	**322,633**	**307,039**
a) Banks	215,020	215,210
b) Other issuers:	107,613	91,829
- insurance companies	368	761
- financial companies	22,408	23,307
- non-financial companies	84,837	67,761
- other	-	-
3. Units of UCITS	**121,452**	**121,708**
4. Loans	**-**	**-**
a) Governments and Central banks	-	-
b) Other public entities	-	-
c) Banks	-	-
d) Other entities	-	-
Total	**17,010,791**	**18,607,790**

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

4.2.a Units of UCITS: breakdown by main categories

Categories/Amounts	Total 31 12 2015	Total 31 12 2014
Hedge Funds	10,563	4,853
Private Equity	107,107	116,855
Real estate	3,782	-
Total	**121,452**	**121,708**

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

Categories/Amounts	Total 31 12 2015	Total 31 12 2014
Equity securities issued by entities with doubtful status		
Gross exposure	17,363	17,363
Cumulative writedowns	17,363	17,363
Writedowns for the period	-	12
Equity securities issued by parties with substandard status		
Gross exposure	151,782	111,584
Cumulative writedowns	93,515	92,884
Writedowns for the period	12,179	18,284
Total Net exposure	**58,267**	**18,700**

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

- Sorgenia S.p.A. (EUR 36.1 mln);
- Risanamento S.p.A.(EUR 11.6 mln);
- CISFI S.p.A. (EUR 10.9 mln).

The main write-downs recognised during the year regard:

- Comital Gestione Industrie S.p.A (EUR 3.6 mln);
- Aedes S.p.A. (EUR 1.3 mln);
- RCR S.p.A. (EUR 5.3 mln);
- TASCNH S.p.A. (EUR 1.3 mln).

4.3 Financial assets available for sale: micro-hedged assets

Items/Amounts	Total 31 12 2015	Total 31 12 2014*
1. Financial assets subject to micro-hedging of fair value	**5,334,041**	**8,039,319**
a) interest rate risk	5,334,041	8,039,319
b) price risk	-	-
c) foreign exchange risk	-	-
d) credit risk	-	-
e) multiple risks	-	-
2. Financial assets subject to micro-hedging of cash flows	**-**	**-**
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**5,334,041**	**8,039,319**

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

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Section 5 - Financial assets held to maturity - Item 50

The tables for this section were not completed since the Bank has no financial assets held to maturity to report for either the current or previous year.

Section 6 - Loans to banks - Item 60

6.1 Loans to banks: breakdown

Type of transaction/Amount	Total 31 12 2015				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
A. Loans to central banks	**2,725,909**	**-**	**2,725,909**	**-**	**2,725,909**
1. Time deposits	19,000	X	X	X	X
2. Compulsory reserve	2,706,909	X	X	X	X
3. Reverse repurchase agreements	-	X	X	X	X
4. Other	-	X	X	X	X
B. Loans to banks	**31,648,829**	**144,672**	**31,290,420**	**1,797**	**31,436,889**
1. Loans	30,249,775	-	30,248,676	1,117	30,249,793
1.1 Current accounts and demand deposits	964,419	X	X	X	X
1.2 Time deposits	19,793,359	X	X	X	X
1.3 Other loans:	9,491,997	X	X	X	X
- Reverse repurchase agreements	7,752,013	X	X	X	X
- Finance leases	-	X	X	X	X
- Other	1,739,984	X	X	X	X
2. Debt securities	1,399,054	144,672	1,041,744	680	1,187,096
2.1 Securities	-	X	X	X	X
2.2 Other debt securities	1,399,054	X	X	X	X
Total	**34,374,738**	**144,672**	**34,016,329**	**1,797**	**34,162,798**

The item includes non-performing loans for an amount of EUR 1.8 mln, against EUR 24.9 mln in the previous year.

The portfolio of “Loans to banks” includes loans and deposits, in addition to the unrestricted part of the compulsory legal reserve with the Bank of Italy which, at year end, amounted to EUR 2,706.9 mln. In accordance with regulations on average maintenance levels, the end-of-period balance of the compulsory reserve may be subject to substantial changes in relation to the Bank’s contingent cash flow requirements.

‘Banks’ also includes international entities of a banking nature subjected to zero weighting in accordance with prudential supervisory regulations on the standardised approach to counterparty and credit risk.

At the reporting date, the aggregate does not include senior, mezzanine and junior exposures assumed by the Bank with reference to own and third party securitisation transactions.

Tipologia operazioni/Valori	Total 31 12 2014				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
A. Loans to central banks	**2,150,256**	**-**	**2,150,256**	**-**	**2,150,256**
1. Time deposits	17,000	X	X	X	X
2. Compulsory reserve	2,133,256	X	X	X	X
3. Reverse repurchase agreements	-	X	X	X	X
4. Other	-	X	X	X	X
B. Loans to banks	**36,559,790**	**285,540**	**36,066,848**	**24,865**	**36,377,253**
1. Loans	34,929,005	-	34,949,330	1,353	34,950,683
1.1 Current accounts and demand deposits	863,613	X	X	X	X
1.2 Time deposits	23,674,590	X	X	X	X
1.3 Other loans:	10,390,802	X	X	X	X
- Reverse repurchase agreements	8,306,439	X	X	X	X
- Finance leases	-	X	X	X	X
- Other	2,084,363	X	X	X	X
2. Debt securities	1,630,785	285,540	1,117,518	23,512	1,426,570
2.1 Securities	-	X	X	X	X
2.2 Other debt securities	1,630,785	X	X	X	X
Total	**38,710,046**	**285,540**	**38,217,104**	**24,865**	**38,527,509**

6.2 Loans to banks subject to micro-hedging

Type of transaction/Amount	Total 31 12 2015	Total 31 12 2014
1. Loans subject to micro-hedging of fair value	**911,481**	**1,291,714**
a) interest rate risk	572,064	976,857
b) exchange risk	339,417	314,857
c) credit risk	-	-
d) multiple risks	-	-
2. Loans subject to micro-hedging of cash flows	-	-
a) interest rate risk	-	-
b) foreign exchange risk	-	-
c) other	-	-
Total	**911,481**	**1,291,714**

6.3 Finance leases

This table was not compiled since the Bank had no finance leases to report for either the period under review or the previous year.

Section 7 - Loans to customers - Item 70

7.1 Loans to customers: breakdown

Type of transaction Amount	31 12 2015							
	Book value				Fair value			
	Performing	Non-performing		Total	Level 1	Level 2	Level 3	Total
		Purchased	Others					
Transactions	76,117,950	22,860	17,966,956	94,107,766	-	422,630	96,788,663	97,211,293
1. Current accounts	7,779,502	5,224	3,882,243	11,666,969	X	X	X	X
2. Reverse repurchase agreements	4,685,976	-	-	4,685,976	X	X	X	X
3. Mortgages	46,369,794	11,184	10,194,035	56,575,013	X	X	X	X
4. Credit cards, personal loans and fifth-of-salary backed loans	1,660,990	-	186,663	1,847,653	X	X	X	X
5. Financial leasing	-	-	-	-	X	X	X	X
6. Factoring	-	-	-	-	X	X	X	X
7. Other transactions	15,621,688	6,452	3,704,015	19,332,155	X	X	X	X
Debt securities	1,276,626	-	-	1,276,626	48,953	1,258,761	2,808	1,310,522
8. Structured securities	-	-	-	-	X	X	X	X
9. Other debt securities	1,276,626	-	-	1,276,626	X	X	X	X
Total	**77,394,576**	**22,860**	**17,966,956**	**95,384,392**	**48,953**	**1,681,391**	**96,791,471**	**98,521,815**

'Loans to customers' also includes operating receivables other than those connected with the payment for the supply of non-financial goods and services, which are posted to "Other assets" in account 150 of the Assets.

The securities portfolio also includes junior ABS relating to own securitisations (EUR 233.6 mln) and other bonds not listed in active markets issued mainly by regional public bodies, e.g. municipal bonds (it.: buoni ordinari comunali, BOC).

According to the Bank of Italy's definitions, the "Non-performing" column, broken down into "Purchased" and "Others", includes doubtful, unlikely to pay and loans more than 90 days past due, recognised net of impairment losses. Details of these exposures can be found in Part E "Information on risks and hedging policies" of the notes to the financial statements (Section A "credit Quality"). The amount of EUR 22.9 mln mainly refers to non-performing loans acquired by former Biverbanca.

Line "9 Other debt securities", amounting to EUR 1,276.6 mln, includes junior exposures relating to the Casaforte securitisation for EUR 2.8 mln (2.8 mln as at 31 December 2014) and own securitisation cash reserves for EUR 230.8 mln.

Type of transaction Amount	31 12 2014							
	Book value				Fair value			
	Performing	Non-performing		Total	Level 1	Level 2	Level 3	Total
		Purchased	Others					
Transactions	84,017,079	23,037	16,786,696	100,826,812	-	436,294	103,343,422	103,779,716
1. Current accounts	9,415,487	5,379	3,826,599	13,247,465	X	X	X	X
2. Reverse repurchase agreements	4,142,181	-	-	4,142,181	X	X	X	X
3. Mortgages	48,352,842	11,313	9,168,208	57,532,363	X	X	X	X
4. Credit cards, personal loans and fifth-of-salary	43,352	-	6,804	50,156	X	X	X	X
5. Financial leasing	-	-	-	-	X	X	X	X
6. Factoring	-	-	-	-	X	X	X	X
7. Other transactions	22,063,217	6,345	3,785,085	25,854,647	X	X	X	X
Debt securities	1,330,346	-	-	1,330,346	200,433	1,101,067	51,604	1,353,104
8. Structured securities	-	-	-	-	X	X	X	X
9. Other debt securities	1,330,346	-	-	1,330,346	X	X	X	X
Total	**85,347,425**	**23,037**	**16,786,696**	**102,157,158**	**200,433**	**1,537,361**	**103,395,026**	**105,132,820**

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

7.2 Loans to customers: breakdown by borrower/issuer

Type of transaction/Amount	31 12 2015			
	Performing	Non-performing		Total
		Purchased	Others	
1. Debt securities:	1,276,626	-	-	1,276,626
a) Governments	144,857	-	-	144,857
b) Other public entities	254,645	-	-	254,645
c) Other issuers	877,124	-	-	877,124
- non-financial companies	-	-	-	-
- financial companies	421,963	-	-	421,963
- insurance companies	455,161	-	-	455,161
- other	-	-	-	-
2. Loans to:	76,117,950	22,860	17,966,956	94,107,766
a) Governments	704,195	-	230	704,425
b) Other public entities	2,131,185	-	1,917	2,133,102
c) Other entities	73,282,570	22,860	17,964,809	91,270,239
- non-financial companies	36,238,967	21,170	14,469,732	50,729,869
- financial companies	7,634,547	-	422,264	8,056,811
- insurance companies	19,145	-	1	19,146
- other	29,389,911	1,690	3,072,812	32,464,413
Total	**77,394,576**	**22,860**	**17,966,956**	**95,384,392**

Type of transaction/Amount	31 12 2014			
	Performing	Non-performing		Total
		Purchased	Others	
1. Debt securities:	1,330,346	-	-	1,330,346
a) Governments	152,769	-	-	152,769
b) Other public entities	195,932	-	-	195,932
c) Other issuers	981,645	-	-	981,645
- non-financial companies	10,762	-	-	10,762
- financial companies	504,957	-	-	504,957
- insurance companies	465,926	-	-	465,926
- other	-	-	-	-
2. Loans to:	84,017,079	23,037	16,786,696	100,826,812
a) Governments	794,516	-	16	794,532
b) Other public entities	2,262,492	-	23,462	2,285,954
c) Other entities	80,960,071	23,037	16,763,218	97,746,326
- non-financial companies	37,659,286	21,298	13,576,178	51,256,762
- financial companies	13,344,639	-	230,578	13,575,217
- insurance companies	6	-	6	12
- other	29,956,140	1,739	2,956,456	32,914,335
Total	**85,347,425**	**23,037**	**16,786,696**	**102,157,158**

7.3 Loans to customers: micro-hedged assets

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

7.4 Finance leases

This table was not compiled since the Bank had no finance leases to report for either the period under review or the previous year.

Section 8 - Hedging derivatives - Item 80

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

	Fair value as at 31 12 2015				NV as at 31 12 2015
	Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**772,263**	**-**	**772,263**	**17,775,463**
1) Fair value	-	552,047	-	552,047	16,591,521
2) Cash flows	-	220,216	-	220,216	1,183,942
3) Foreign investments	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flows	-	-	-	-	-
Total	**-**	**772,263**	**-**	**772,263**	**17,775,463**

Legend

NV = Nominal or Notional Value

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

Information on the underlying strategies and objectives of hedge transactions can be found in Section 2 "Market risks" of Part E "Information on risks and hedging policies".

	Fair value as at 31 12 2014				NV as at 31 12 2014
	Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**877,585**	**-**	**877,585**	**16,095,599**
1) Fair value	-	613,503	-	613,503	14,835,379
2) Cash flows	-	264,082	-	264,082	1,260,220
3) Foreign investments	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flows	-	-	-	-	-
Total	**-**	**877,585**	**-**	**877,585**	**16,095,599**

Legend

NV = Nominal or Notional Value

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

Transaction/Type of hedge	Fair Value						Cash flow hedge		Foreign Investments	Total 31 12 2015
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	Risk Rate	Risk Exchange	Risk Credit	Risk Price	Multiple Risks					
1. Financial assets available for sale	30,547	-	-	-	-	X	-	X	X	30,547
2. Loans and receivables	-	-	-	-	-	X	-	X	X	-
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X	-
4. Portfolio	X	X	X	X	X	-	X	215,475	X	215,475
5. Other transactions	-	-	-	-	-	X	-	X	-	-
Total assets	**30,547**	**-**	**-**	**-**	**-**	**-**	**-**	**215,475**	**-**	**246,022**
1. Financial liabilities	509,340	-	-	-	12,160	X	4,741	X	X	526,241
2. Portfolio	X	X	X	X	X	-	X	-	X	-
Total liabilities	**509,340**	**-**	**-**	**-**	**12,160**	**-**	**4,741**	**-**	**-**	**526,241**
1. Expected transactions	X	X	X	X	X	X	-	X	X	-
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-	-
Total	**539,887**	**-**	**-**	**-**	**12,160**	**-**	**4,741**	**215,475**	**-**	**772,263**

The table shows the positive fair values of hedging derivatives, classified by hedged assets or liabilities and type of hedging implemented.

In particular, on the assets side, fair value micro-hedging was used to hedge against interest-rate risk on fixed-rate and variable-rate capped mortgages and bonds classified in the available-for-sale portfolio or among receivables, in order to protect them from unfavourable interest rate changes.

Fair value micro-hedging of the interest-rate risk on financial liabilities refers primarily to hedges of liabilities represented by securities.

Transaction/Type of hedge	Fair Value						Cash flow hedge		Investments Foreign	Total 31 12 2013
	Micro-hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	Risk Rate	Risk Exchange	Risk Credit	Risk Price	Multiple Risks					
1. Financial assets available for sale	-	-	-	-	-	X	-	X	X	-
2. Loans and receivables	46	-	-	-	-	X	-	X	X	46
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X	-
4. Portfolio	X	X	X	X	X	-	X	255,608	X	255,608
5. Other transactions	-	-	-	-	-	X	-	X	-	-
Total assets	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**255,608**	**-**	**255,654**
1. Financial liabilities	610,201	-	-	-	3,256	X	8,474	X	X	621,931
2. Portfolio	X	X	X	X	X	-	X	-	X	-
Total liabilities	**610,201**	**-**	**-**	**-**	**3,256**	**-**	**8,474**	**-**	**-**	**621,931**
1. Expected transactions	X	X	X	X	X	X	-	X	X	-
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-	-
Total	**610,247**	**-**	**-**	**-**	**3,256**	**-**	**8,474**	**255,608**	**-**	**877,585**

Section 9 - Change in value of macro-hedged financial assets - Item 90

9.1 Change in value of hedged assets: breakdown by hedged portfolios

Changes in value of hedged assets / Group components	Total 31 12 2015	Total 31 12 2014
1. Positive changes	**135,988**	**112,290**
1.1 of specific portfolios:	135,988	112,290
a) loans and receivables	135,988	112,290
b) financial assets available for sale	-	-
1.2 overall	-	-
2. Negative changes	**-**	**-**
2.1 of specific portfolios:	-	-
a) loans and receivables	-	-
b) financial assets available for sale	-	-
2.2 overall	-	-
Total	**135,988**	**112,290**

The value adjustment concerns fixed and capped floating rate mortgage loan portfolios that were fair value macro-hedged with derivatives to counter possible interest rate risk-induced fluctuations in value. As this is a macro-hedge, any gain or loss on the hedged item attributable to the risk hedged may not directly adjust the value of said item (unlike in micro-hedging), but must be presented in this separate line item of the assets. The amounts in this item must be removed from the balance sheet when the relevant assets or liabilities are derecognised.

The fair value of the corresponding hedging derivatives is shown respectively in Table 8.2 (assets) or Table 6.2 (liabilities), both entitled “Hedging derivatives: breakdown by hedged portfolio and type of hedging”, in the “Macro-hedging” column.

9.2 Assets subject to macro-hedging of interest-rate risk

Hedged assets	Total 31 12 2015	Total 31 12 2014
1. Loans and receivables	1,348,025	1,418,424
2. Assets available for sale	-	-
3. Portfolio	-	-
Total	**1,348,025**	**1,418,424**

The table shows the book value (amortised cost) of fixed-rate and capped floating rate mortgages included in Item 70 “Loans to customers”, which was macro-hedged against interest-rate risk as per Table 9.1 above.

The sum of this amount and the one shown in Table 9.1 expresses the book value of these receivables, adjusted for profit or loss attributable to the risk hedged.

Section 10 - Equity investments - Item 100
10.1 Equity investments: information on shareholding

Company Name	Redistered Office	Headquarters	Share holding %	Avail. % votes
A. Companies under exclusive control				
Aiace Reoco s.r.l.	Siena	Siena	100.000	
Antonveneta Capital l.l.c. I	Delaware	New York	100.000	
Antonveneta Capital l.l.c. II	Delaware	New York	100.000	
Antonveneta Capital Trust II	Delaware	New York	100.000	
Antonveneta Capital Trust II	Delaware	New York	100.000	
Banca Monte Paschi Belgio S.A.	Bruxelles	Bruxelles	99.900	
Cirene Finance S.r.l.	Conegliano	Conegliano	60.000	
CO.E.M. Costruzioni Ecologiche Moderne S.p.a. in breve CO.E.M. S.p.a.	Rome	Rome	40.197	
Consorzio Operativo Gruppo Montepaschi	Siena	Siena	99.790	
Consum.it Securitisation S.r.l.	Conegliano	Conegliano	100.000	
Enea Reoco s.r.l.	Siena	Siena	100.000	
G.Imm.Astor s.r.l.	Lecce	Lecce	52.000	
Magazzini Generali Fiduciari di Mantova S.p.a.	Mantua	Mantua	100.000	
Monte dei Paschi di Siena Leasing & Factoring Banca per i servizi finanziari alle imprese S.p.a	Siena	Siena	100.000	
Monte paschi banque S.A.	Paris	Paris	100.000	
Monte paschi fiduciaria S.p.a.	Siena	Siena	100.000	
Montepaschi Luxembourg s.a.	Luxembourg	Luxembourg	99.200	
Mps Capital Services Banca per le imprese S.p.a.	Florence	Florence	99.921	
Mps covered bond 2 S.r.l.	Conegliano	Conegliano	90.000	
Mps covered bond S.r.l.	Conegliano	Conegliano	90.000	
Mps preferred capital I llc	Delaware	New York	100.000	
Mps preferred capital II llc	Delaware	New York	100.000	
Mps Tenimenti Poggio Bonelli e Chigi Saracini soc. agricola S.p.a.	Castelnuovo Barardenga	Castelnuovo Barardenga	100.000	
Perimetro gestione proprieta' immobiliari S.c.p.a.	Siena	Siena	98.914	98.715
Siena consumer S.r.l.	Conegliano	Conegliano	10.000	
Siena mortgages 07 5 S.p.a.	Conegliano	Conegliano	7.000	
Siena mortgages 09 6 S.r.l.	Conegliano	Conegliano	7.000	
Siena mortgages 10 7 S.r.l.	Conegliano	Conegliano	7.000	
Siena consumer 2015 S.r.l.	Conegliano	Conegliano	10.000	
Siena PMI 2015 S.r.l.	Milan	Milan	10.000	
Siena lease 2015 2 S.r.l.	Conegliano	Conegliano	10.000	
Wise Dialog Bank S.p.a. in breve WIDIBA	Milan	Milan	100.000	
B. Companies under joint control				
Marinella S.p.a.	Marinella di Sarzana (SP)	Marinella di Sarzana (SP)	25.000	-
Immobiliare Novoli S.p.a.	Florence	Florence	50.000	
Integra S.p.a.	Calenzano	Calenzano	50.000	

Company Name	Redistered Office	Headquarters	Share holding %	Avail. % votes
C. Companies under significant influence				
Aeroporto di Siena S.p.a. in liquidazione	Siena	Siena	21.380	
Axa Mps Assicurazioni danni S.p.a.	Rome	Rome	50.000	
Axa Mps Assicurazioni vita S.p.a.	Rome	Rome	50.000	
Casalboccone Roma S.p.a. in liquidazione	Siena	Siena	21.750	33.675
EDI.B. s.p.a. in liquidazione*	Gubbio	Gubbio	18.052	
Fabrica Immobiliare Sgr S.p.a. **	Rome	Rome	49.990	
Fenice Holding S.p.a.	Calenzano	Calenzano	4.156	
Fidi Toscana S.p.a.	Florence	Florence	27.460	
Industria e innovazione S.p.a.	Milan	Milan	7.107	
Intermonte sim S.p.a.	Milan	Milan	17.410	
Interporto toscano A. Vespucci	Collesalvetti	Collesalvetti	21.819	
Le Robinie S.p.a.	Reggio Emila	Reggio Emilia	20.000	
Microcredito di Solidarieta' S.p.a.	Siena	Siena	40.000	
Newcolle S.r.l.	Colle Val d'Elsa	Colle Val d'Elsa	49.002	
Realizzazioni e bonifiche Arezzo S.p.a. in liquidazione	Arezzo	Arezzo	19.584	
S.i.t. Sviluppo imprese e territorio S.p.a.	Rome	Rome	19.969	
Sansedoni Siena S.p.a.	Siena	Siena	21.754	33.674
Terme di Chianciano S.p.a.	Chianciano	Chianciano	19.704	
Firenze Parcheggi S.p.a.	Florence	Florence	16.807	
Trixia S.r.l.	Milan	Milan	15.000	
Nuova Sorgenia Holding S.p.a.	Milan	Milan	16.670	
Fondo Socrate	Rome	Rome	23.140	
Fondo Etrusco Distrubuzione	Rome	Rome	48.000	
Fondo Minibond PMI Italia	Conegliano	Conegliano	71.630	

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

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

Equity investments in subsidiary companies, jointly controlled companies and companies under significant influence are valued at cost.

The classification criteria of the equity investments in subsidiary companies, jointly controlled companies and companies under significant influence are illustrated in Part A “Accounting policies” of these Notes to the Financial Statements.

For further details on changes, see comments to table “10.5 - Equity investments: annual changes”.

10.2 Significant equity investments: book value, fair value and dividends earned

10.3 Significant equity investments: accounting information

10.4 Non - significant equity investments: accounting information

The information referred to in the above items is not provided in that the Bank also prepares the consolidated financial statements.

10.5 Equity investments: annual changes

	Total 31 12 2015	Total 31 12 2014
A. Opening balance	**1,673,000**	**4,246,966**
B. Increases	**1,851,362**	**578,413**
B.1 Purchases	20	287,227
B.2 Write-backs	-	21,397
B.3 Revaluations	-	-
B.4 Other increases	1,851,342	269,789
C. Decreases	**450,343**	**3,152,379**
C.1 Sales	228,609	139,654
C.2 Write-downs	34,470	884,291
C.3 Other decreases	187,264	2,128,434
D. Closing balance	**3,074,019**	**1,673,000**

In line B.4 "Other increases":

- the subscription of the share capital increase of the subsidiaries MPS Capital Services S.p.A. and MPS Leasing & Factoring S.p.A. (EUR 1,199 mln and 500 mln, respectively);
- profit of EUR 136.6 mln from the sale of the company Anima Holding S.p.a. to Poste Italiane S.p.A.

Among decreases:

- in line C.1 "Sales" the disposal of investments in Anima Holding S.p.A. (EUR 210.4 mln), Antoniana Veneta Popolare Vita S.p.A. (EUR 10.4 mln) and Alerion S.p.A. (EUR 7.8 mln);
- in line C.3 "Other decreases", mainly the cancellation, as a result of the merger by absorption into the Bank, of the investment in the subsidiary Consum.it S.p.A. (EUR 179 mln), and the reclassification of the associate Fabrica Immobiliare SGR S.p.A. (EUR 3.5 mln) to item 140 "Non-current assets held for sale and discontinued operations".

In accordance with the accounting standards, the indicators of impairment of equity investments in subsidiaries and associates have been measured, and the recoverable value has been determined where applicable. These valuations have resulted in adjustments of EUR 34.5 mln (line C.2).

It should also be pointed out that the investee Fabrica Immobiliare SGR S.p.A. was classified in "Non-current assets held for sale and discontinued operations" following a sales agreement the finalisation of which is subject to authorisation by the supervisory Authority.

10.6 Covenants on investments in jointly controlled companies

10.7 Covenants on investments in companies under significant influence

10.8 Significant restrictions

10.9 Other information

The information referred to in the above items is not provided in that the Bank also prepares the consolidated financial statements.

Section 11 - Property, plant and equipment - Item 110

11.1 Property, plant and equipment used in the business: breakdown of assets valued at cost

Asset/Amount	Total	
	31 12 2015	31 12 2014
1. Assets owned	**807,125**	**841,451**
a) land	304,813	313,733
b) buildings	285,706	302,971
c) furniture and furnishings	141,074	147,011
d) electronic systems	25,372	26,764
e) other	50,160	50,972
2. Assets leased	-	-
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total	**807,125**	**841,451**

All of the Bank's property, plant and equipment is measured at cost; the line "land" expresses the value of land separately from the value of buildings. In compliance with guidance provided by IAS 36 "Impairment of Assets" and recommendations contained in document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, an overall property appraisal was made with a view to determining any impairment losses to be posted to income statement for the year; disclosure of these impairment losses is provided in the notes to tables "11.5 Property, plant and equipment used in the business: annual changes" and "11.5 Property, plant and equipment held for investment: annual changes".

Item 1 "Assets owned –c) furnishings" includes artworks whose value amounts to EUR 121 mln.

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

Asset/Amount	31 12 2015				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
1. Assets owned	**262,868**	**-**	**-**	**295,286**	**295,286**
a) land	139,213	-	-	143,530	143,530
b) buildings	123,655	-	-	151,756	151,756
2. Assets leased	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total	**262,868**	**-**	**-**	**295,286**	**295,286**

All of the Bank's property, plant and equipment is measured at cost; the line 'a) land' expresses the value of land separately from the value of buildings.

In compliance with guidance provided by IAS 36 "Impairment of Assets" and recommendations contained in document no. 4 of 3 March 2010 issued jointly by the Bank of Italy, Consob and Isvap, an overall property appraisal was made with a view to determining any impairment losses to be posted to income statement for the year; disclosure of these impairment losses is provided in the notes to tables "11.6 Property, plant and equipment used in the business: annual changes" and "11.6 Property, plant and equipment held for investment: annual changes".

Asset/Amount	31 12 2014				
	Book value	Fair Value			
		Level 1	Level 2	Level 3	Total
1. Assets owned	**260,523**	**-**	**-**	**291,213**	**291,213**
a) land	137,767	-	-	141,113	141,113
b) buildings	122,756	-	-	150,100	150,100
2. Assets leased	**-**	**-**	**-**	**-**	**-**
a) land	-	-	-	-	-
b) buildings	-	-	-	-	-
Total	**260,523**	**-**	**-**	**291,213**	**291,213**

11.3 Property, plant and equipment used in the business: breakdown of revalued assets

The Bank holds no revalued property, plant and equipment.

11.4 Property, plant and equipment held for investment: breakdown of assets designated at fair value

The Bank holds no property, plant and equipment designated at fair value pursuant to IAS 40.

11.5 Property, plant and equipment used in the business: annual changes

	Land	Buildings	Furniture and furnishings	Electronic systems	Others	Total 31 12 2015
A. Gross opening balance	**325,302**	**445,356**	**469,576**	**497,882**	**415,572**	**2,153,688**
A.1 Total net decrease	11,569	142,385	322,565	471,118	364,600	1,312,237
A.2 Net opening balance	**313,733**	**302,971**	**147,011**	**26,764**	**50,972**	**841,451**
B. Increases	**2,596**	**4,394**	**2,705**	**13,676**	**12,707**	**36,078**
B.1 Purchases	-	-	2,520	13,461	12,492	28,473
B.2 Capitalized expenditure on improvements	-	982	-	-	-	982
B.3 Write-backs	-	-	-	-	-	-
B.4 Increases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
B.5 Positive exchange differences	-	-	3	-	21	24
B.6 Transfers from properties held for investment	2,592	3,412	-	-	-	6,004
B.7 Other increases	4	-	182	215	194	595
C. Decreases	**11,516**	**21,659**	**8,641**	**15,068**	**13,520**	**70,404**
C.1 Sales	994	930	-	14	6	1,944
C.2 Depreciation	-	13,065	8,617	14,719	13,513	49,914
C.3 Impariment losses booked to:	4,268	839	-	-	-	5,107
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	4,268	839	-	-	-	5,107
C.4 Decreases in fair value booked to:	-	-	-	-	-	-
a) shareholders' equity	-	-	-	-	-	-
b) profit and loss	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	143	-	143
C.6 Transfer to:	5,061	5,508	-	-	-	10,569
a) tangible asset held for investment	5,025	5,428	-	-	-	10,453
b)assets held for sale	36	80	-	-	-	116
C.7 Other decreases	1,193	1,317	24	192	1	2,727
D. Net closing balance	**304,813**	**285,706**	**141,075**	**25,372**	**50,159**	**807,125**
D.1 Total net decreases	15,837	154,734	332,982	481,579	379,075	1,364,207
D.2 Gross closing balance	**320,650**	**440,440**	**474,057**	**506,951**	**429,234**	**2,171,332**
E. Carried at cost	**-**	**-**	**-**	**-**	**-**	**-**

Line E - "Carried at cost" was left blank, as per the Bank of Italy's instructions, since it only needs to be completed for assets accounted for at fair value. As at the end of 2015, the Group did not hold any PPE acquired under finance leases or provided under operating leases for a significant amount.

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 5.1 mln being recognised in the balance sheet as at 31 December 2015. In addition, EUR 53.6 mln in overall capital gains on real estate used in the business is also reported; these capital gains were not recognised in the balance sheet. With regard to property, plant and equipment used in the business other than buildings, no extraordinary negative market factors were thought to exist under a going concern assumption, that might call for the need to recognise impairment losses.

11.6 Property, plant and equipment held for investment: annual changes

	31 12 2015		
	Lands	Builiding	Total
A. Opening balance	**137,767**	**122,756**	**260,523**
B. Increases	**6,084**	**11,537**	**17,621**
B.1 Purchases	-	-	-
B.2 Capitalized expenditure on improvements	-	4,851	4,851
B.3 Increases in fair value	-	-	-
B.4 Write-backs	-	-	-
B.5 Positive exchange differences	-	-	-
B.6 Transfers from property used in the business	5,025	5,428	10,453
B.7 Other increases	1,059	1,258	2,317
C. Decreases	**4,638**	**10,638**	**15,276**
C.1 Sales	440	479	919
C.2 Depreciation	-	5,511	5,511
C.3 Decreases in fair value	-	-	-
C.4 Impairment losses	1,208	669	1,877
C.5 Negative exchange differences	-	-	-
C.6 Transfers to other asset potfolios	2,986	3,979	6,965
a) properties used in the business	2,592	3,412	6,004
b) non-current assets held for sale	394	567	961
C.7 Other decreases	4	-	4
D. Closing balance	**139,213**	**123,655**	**262,868**
E. Designated at fair value	**143,530**	**151,756**	**295,286**

An analysis of external and internal impairment indicators resulted in impairment losses for an amount of EUR 1.9 mln being recognised in the balance sheet as at 31 December 2015. In addition, EUR 39.1 mln in overall capital gains on real estate used in the business is also reported; these capital gains were not recognised in the balance sheet.

11.7 Commitments to purchase property, plant and equipment

No commitments to purchase property, plant and equipment were registered during the year.

11.8 Property, plant and equipment: depreciation rates

Main categories of tangible assets	%
Land and works of art	0%
Buildings	3.03%
Furniture and furnishings	10-12%
Alarm and video systems	30%
Electronic and ordinary office equipment	20%
Electronic data processing equipment	50%
Vehicles	20-25%
Telephones	25%

The percentages used for carrying out the depreciations with reference to the main categories of property, plant and equipment are presented in the table. Owing to their indefinite useful life, lands and artworks are not depreciated.

Section 12 - Intangible assets - Item 120

12.1 Intangible assets: breakdown by type

Asset / Amount	31 12 2015			31 12 2014		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**X**	-	**-**	**X**	-	**-**
A.2 Other intangible assets	**92,199**	**-**	**92,199**	**119,869**	**-**	**119,869**
A.2.1 Assets carried at cost:	92,199	-	92,199	119,869	-	119,869
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	92,199	-	92,199	119,869	-	119,869
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) Internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**92,199**	**-**	**92,199**	**119,869**	**-**	**119,869**

All of the Bank's intangible assets are valued at cost. All intangible assets recognised in the financial statements have a finite useful life.

Line "A.2.1 Assets carried at cost - b) other assets" includes the following intangible assets arising from customer relations recognised following the acquisition of former Banca Antonveneta S.p.a.:

- core deposits totalling EUR 69.5 mln, from the fair value measurement of on-demand funding (current accounts and savings deposits),
- core overdrafts totalling EUR 18 mln, from the fair value measurement of assets represented by non-revolving credit facilities,
- assets under management and assets under custody in the amount of EUR 4.3 mln, arising from the fair value measurement of AUM and AUC,

For intangible assets associated with customer relationships, an analysis was carried out on the impairment indicators, which resulted in no need for impairment testing.

12.2 Intangible assets: annual changes

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		Total
		finite life	indefinite life	finite life	indefinite life	31 12 2015
A Opening balance	**5,209,817**	**-**	**-**	**533,965**	**-**	**5,743,782**
A.1 Total net decreases	5,209,817	-	-	414,096	-	5,623,913
A.2 Net opening balance	-	-	-	119,869	-	119,869
B. Increases	**-**	**-**	**-**	**445**	**-**	**445**
B.1 Purchases	-	-	-	126	-	126
B.2 Increases in internally generated intangible assets	X	-	-	-	-	-
B.3 Write-backs	X	-	-	-	-	-
B.4 Increases in fair value	-	-	-	-	-	-
- to net equity	X	-	-	-	-	-
- to profit and loss	X	-	-	-	-	-
B.5 Positive exchange differences	-	-	-	36	-	36
B.6 Other increases	-	-	-	283	-	283
C. Decreases	**-**	**-**	**-**	**28,115**	**-**	**28,115**
C.1 Sales	-	-	-	-	-	-
C.2 Write-downs	-	-	-	27,967	-	27,967
- Depreciation	-	-	-	27,967	-	27,967
- Write-downs	-	-	-	-	-	-
+ net equity	-	-	-	-	-	-
+ profit and loss	-	-	-	-	-	-
C.3 Decreases in fair value	-	-	-	-	-	-
- to net equity	X	-	-	-	-	-
- to profit and loss	X	-	-	-	-	-
C.4 Transfers to non-current assets held for sale	-	-	-	-	-	-
C.5 Negative exchange differences	-	-	-	-	-	-
C.6 Other decreases	-	-	-	148	-	148
D. Net closing balance	**-**	**-**	**-**	**92,199**	**-**	**92,199**
D.1 Total net value adjustments	5,209,817	-	-	471,194	-	5,681,011
E. Gross closing balance	**5,209,817**	**-**	**-**	**563,393**	**-**	**5,773,210**
F. Carried at cost	-	-	-	-	-	-

Line C.2 "Value adjustments - Amortisation" includes, in the "Other - finite life" column, the amortisation charges for the year related to the intangible assets recognised in the financial statements, during 2008, due to the merger by absorption of former Banca Antonveneta S.p.a.

Line F - "Carried at cost" was left blank in accordance with Bank of Italy's instructions, as it only needs to be completed for assets recognised at fair value

12.3 Other information: amortisation rates

Main categories of intangible assets	%	residual depreciation period
Software	20.00%	-
Concessions and other licenses	20.00%	-
Core deposits - current accounts	9.10%	4 years
Core deposits - deposit	6.70%	8 years
Core overdraft	9.10%	4 years
Assets under management	11.10%	2 years

Intangible assets recognised during the purchase price allocation of former Banca Antonveneta S.p.A. are all finite-life and therefore amortised based on their expected useful life.

As at 31 December 2015 there were no:

- revalued intangible fixed assets;
- intangible fixed assets acquired through government concessions (IAS 38, par. 44);
- intangible fixed assets pledged as loan collaterals;
- commitments to purchase intangible assets;
- fully amortised intangible assets that are still in use.

Section 13 - Tax Assets and Liabilities - Item 130 (Assets) and Item 80 (Liabilities)

13.1 Deferred tax assets: breakdown

Item/Amounts	IRES with offsetting entry to P&L	IRES with offsetting entry to Balance Sheet	IRAP with offsetting entry to P&L	IRAP with offsetting entry to Balance Sheet	31 12 2015	31 12 2014*
Receivables (including securitisations)	61,128	-	-	-	61,128	70,636
Receivables (L. 214/2011)	848,802	-	106,008	-	954,810	2,154,239
Other financial instruments	1,735	-	9,713	-	11,448	11,486
Goodwill deduction pursuant to previous law provisions (L. 214/2011)	790,625	3,405	207,705	741	1,002,476	1,205,613
Tangible assets	25,483	-	5,795	-	31,278	30,384
Intangible assets (Law 214/2011)	52,388	-	11,618	-	64,006	76,039
Personnel expenses	13,493	19,039	8,133	-	40,665	38,989
ACE Surplus	13,911	-	-	-	13,911	77,079
Tax losses	281,366	31,299	-	-	312,665	392,729
Financial instruments - valuation reserves	-	164,336	-	31,979	196,315	332,512
Others	261,883	67,120	13,128	-	342,131	330,399
Deferred tax assets (gross)	**2,350,814**	**285,199**	**362,100**	**32,720**	**3,030,833**	**4,720,105**
Offsetting with deferred tax liabilities	(10,145)	(125,627)	(875)	(26,117)	(162,764)	(239,180)
Deferred tax assets (net)	**2,340,669**	**159,572**	**361,225**	**6,603**	**2,868,069**	**4,480,925**

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

Deferred tax assets were recognised after verifying the existence of foreseeable future income (probability test). For additional information, please refer to paragraph 13.7 "Other information" below.

The line "Financial instruments - valuation reserves" includes tax assets relating to the valuation of cash flow hedge derivatives, financial instruments classified in portfolios of financial assets available for sale and those originally in the portfolio of financial assets available for sale which were reclassified as 'loans to customers' and 'loans to banks' in 2008.

The line "Other" includes tax assets relating to other cases, such as those recognised on provisions for risks and charges in respect of deductible costs expected for future periods and those on accessory costs of the share capital increase deductible over five years.

13.2 Deferred tax liabilities: breakdown

Items/Amounts	IRES with offsetting entry to P&L	IRES with offsetting entry to Balance Sheet	IRAP with offsetting entry to P&L	IRAP with offsetting entry to Balance Sheet	Total 31 12 2015	Total 31 12 2014
Tangible and intangible assets	3,044	-	793	-	3,837	4,838
Financial instruments	6,375	-	82	-	6,457	65,794
Personnel expenses	726	-	-	-	726	540
Financial instruments - valuation reserves	-	121,912	-	25,394	147,306	166,913
Others	-	3,715	-	723	4,438	1,095
Deferred tax liabilities (gross)	**10,145**	**125,627**	**875**	**26,117**	**162,764**	**239,180**
Offsetting with deferred tax assets	(10,145)	(125,627)	(875)	(26,117)	(162,764)	(239,180)
Deferred tax liabilities (net)	**-**	**-**	**-**	**-**	**-**	**-**

The line “Financial instruments - valuation reserves” includes tax liabilities relating to the valuation of financial instruments classified in the portfolio of “financial assets available for sale” and those originally in the portfolio of financial assets available for sale and reclassified in 2008 in the “loans to customers” and “loans to banks” portfolios, as well as tax liabilities relating to cash flow hedge derivatives.

13.3 Deferred tax assets: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2015	Total 31 12 2014*
1. Opening balance	**4,272,059**	**2,929,990**
2. Increases	**519,328**	**2,195,514**
2.1 Deferred tax assets arising during the year	210,866	2,086,148
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) write-backs	-	-
d) other	210,866	2,086,148
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	308,462	109,366
3. Decreases	**2,078,473**	**853,445**
3.1 Deferred tax assets derecognised during the year	165,635	117,042
a) reversals	165,635	117,042
b) write-downs of non-recoverable items	-	-
c) changes in accounting principles	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	1,912,838	736,403
a) conversion into tax credits pursuant to Law no. 214/2011 □	1,818,452	648,399
b) others	94,386	88,004
4. Total	**2,712,914**	**4,272,059**

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

Major components of "Deferred tax assets arising during the year" as reported in line 2.1 d) include those concerning loan writedowns and losses which were non-deductible for the year (25%) and carried over to the subsequent years (EUR 140.2 mln), and taxes relating to provisions to the reserve for risks and charges made during the year (EUR 65,3 mln).

The line 2.3 "Other increases" includes prepaid taxes arising from the merger of the subsidiary CONSUM.IT of EUR 273.3 mln.

"Deferred tax assets derecognised during the year", in line 3.1. letter a) include the uses of excess ACE accrued in previous years (EUR 65.7 mln) and uses of funds allocated and taxed in previous years (EUR 61.0 mln).

With regard to the decrease pursuant to line 3.3 a), please refer to the comments to the subsequent table "13.3.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to profit and loss)".

13.3.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to profit and loss)

Items/Amounts	Total	
	31 12 2015	31 12 2014
1. Opening balance	**3,431,405**	**2,458,245**
2. Increases	**410,861**	**1,633,167**
3. Decreases	**1,825,120**	**660,007**
3.1 Reversals	-	-
3.2 Conversion into tax credits	1,818,452	648,399
a) arising from loss for the period	1,818,452	648,393
b) arising from tax losses	-	6
3.3 Other decreases	6,668	11,608
4. Closing balance	**2,017,146**	**3,431,405**

As a result of the loss recorded in the separate statutory financial statements for 2014, in 2015 the Bank transformed into tax credits a portion of the deferred taxes assets relating to goodwill, other intangible assets and loan writedowns, pursuant to art. 2, par. 55 of Law Decree no. 225 of 29 December 2010 (converted with amendments by Law no. 10 of 26 February 2011).

This conversion has been in effect as of the date of approval of the 2014 Financial statements by the Shareholders' Meeting in April 2015 and concerned, in addition to the amount shown in line 3.2 of this table "Conversion into tax credits", also deferred tax assets with offsetting entry to equity of EUR 0.3 mln, as presented in the subsequent table 13.5.1.

Line "2. Increases" shows for EUR 140.2 mln, increases recorded in 2015 in DTAs pursuant to Law 214/2011, relating to write-downs and losses on receivables not deductible in the year (25%) and carried over to subsequent years, and for EUR 270.7 mln increases relating to deferred tax assets arising from the merger by absorption of the subsidiary CONSUM.IT.

13.4 Deferred tax liabilities: annual changes (with offsetting entry to profit and loss)

	Total 31 12 2015	Total 31 12 2014
1. Opening balance	**71,172**	**26,383**
2. Increases	**558**	**67,063**
2.1 Deferred tax liabilities arising during the year	85	59,685
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	85	59,685
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	473	7,378
3. Decreases	**60,709**	**22,274**
3.1 Deferred taxes derecognised during the year	472	21,936
a) reversals	472	21,936
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	60,237	338
4. Closing balance	**11,021**	**71,172**

13.5 Deferred tax assets: annual changes (with offsetting entry to equity)

	Total 31 12 2015	Total 31 12 2014*
1. Opening balance	**448,047**	**463,299**
2. Increases	**35,489**	**175,205**
2.1 Deferred tax assets arising during the year	31,819	168,680
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) others	31,819	168,680
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	3,670	6,525
3. Decreases	**165,617**	**190,457**
3.1 Deferred tax assets derecognised during the year	161,935	189,773
a) reversal	161,935	189,773
b) write-downs of non-recoverable items	-	-
c) due to changes in accounting principles	-	-
d) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	3,682	684
4. Closing balance	**317,919**	**448,047**

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

The increase reported on line "2.1 c) other", is due for EUR 26.9 mln to taxes recognised on the costs of the capital increase carried out during the year.

Line 3.1 a) "Deferred tax assets derecognised during the year" mainly refers to positive fair value changes posted to the reserve for Italian Government securities classified in the portfolio of 'financial assets available for sale', as well as cash flow hedging derivatives.

13.5.1 Deferred tax assets: changes under law 214/2011 (with offsetting entry to equity)

	Ires	Irap	Total 31 12 2015	Total 31 12 2014
1. Opening balance	**3,620**	**868**	**4,488**	**5,013**
2. Increases	**-**	**-**	**-**	**-**
3. Decreases	**215**	**128**	**343**	**525**
3.1 Reversals	-	-	-	-
3.2 Conversion into tax credit	215	128	343	525
a) arising from loss for the period	215	128	343	525
b) arising from tax losses	-	-	-	
3.3 Other decreases	-	-	-	
4. Closing balance	**3,405**	**740**	**4,145**	**4,488**

The table shows deferred tax assets that may be converted into tax credits pursuant to Law 214/2011, recognised with an offsetting entry to equity. These refer to goodwill posted to equity as relating to business combinations “under common control”.

13.6 Deferred tax liabilities: annual changes (with offsetting entry to equity)

	Total 31 12 2015	Total 31 12 2014
1. Opening balance	**168,008**	**64,034**
2. Increases	**46,307**	**157,355**
2.1 Deferred tax liabilities arising during the year	46,307	155,404
a) relating to previous years	-	-
b) due to changes in accounting principles	-	-
c) other	46,307	155,404
2.2 New taxes or increases in tax rates	-	-
2.3 Other increases	-	1,951
3. Decreases	**62,572**	**53,381**
3.1 Deferred tax liabilities derecognised during the year	62,572	53,381
a) reversal	62,572	53,381
b) due to changes in accounting principles	-	-
c) other	-	-
3.2 Reduction in tax rates	-	-
3.3 Other decreases	-	-
4. Closing balance	**151,743**	**168,008**

Changes mainly relate to taxes recognised on changes in equity reserves relating to Italian government securities classified in the portfolio of “financial assets available for sale” in addition to cash flow hedge derivatives.

13.7 Other information

Probability test

Deferred tax assets were recognised after verifying the existence of foreseeable future income sufficient to absorb them (probability test).

In this test, the different rules set forth in the Italian tax laws which impact the assessment in question were taken into account, in particular:

- art. 2, paragraphs 55-59, of Law Decree no. 225 of 29/12/2010 (converted, with amendments, by Law no. 10 of 26/02/2011) which establishes the obligation for financial intermediaries to convert into tax credits DTAs (IRES and IRAP) relating to goodwill, other intangible assets and impairment losses on receivables, in the case of a loss in the statutory financial statements and/or a tax loss;
- art. 84, paragraph 1 of the TUIR, which allows for the possibility of carrying forward IRES tax losses with no time limits;
- art. 1, paragraph 4 of Law Decree no. 201 of 06/12/2011 (converted, with amendments, by law no. 214 of 22/12/2011), which allows for unused excess ACE to be carried forward with no time limits, as well as, alternatively, conversion into a tax credit to be used to offset IRAP due in 5 annual instalments.

Practically speaking, the probability test was carried out by following the steps listed below.

DTAs relating to goodwill, other intangible assets and impairment losses on receivables ("qualified" DTAs), were excluded from the total amount of DTAs for which the existence of sufficient future taxable income needs to be identified.

This is because the above-mentioned art. 2, paragraphs 55-59 of Law Decree 225/2010 made the recovery of that type of DTA certain, with respect to both IRES and IRAP, regardless of the presence of future taxable income.

Indeed, the rule sets forth that, if taxable income for the year in which the recovery of qualified DTAs is expected is not sufficient to absorb them, the resulting tax loss would be convertible into a tax credit that may be, alternatively (i) used to offset, with no amount limits, the various taxes ordinarily due from the Bank, or (ii) requested in the form of a refund, or (iii) transferred to third parties. In addition, qualified DTAs may be converted into tax credit in advance of their natural maturity, in the event of a loss for the year in the statutory financial statements or voluntary liquidation, as well as subjection to bankruptcy proceedings.

In other words, for qualified DTAs the probability test must be deemed automatically satisfied; this is also confirmed by the joint Bank of Italy, Consob and ISVAP document no. 5 of 15/05/2012.

For DTAs other than qualified DTAs, the year in which the relative recovery is expected has been identified (or estimated when uncertain).

Taxable income in future years has been estimated based on the forecast income statements included in the MPS Group business plan; taxable income was estimated:

- at domestic tax consolidation level, for the IRES probability test, since for the payment of this tax the Bank uses the method set forth in arts. 117 et seq. of the TUIR
- at individual level for IRAP.

The data thus processed have shown that taxable income in future years will be sufficient to absorb the unqualified DTAs recognised in the financial statements as at 31 December 2015, including prior losses and ACE deductions carried forward from previous years.

In paragraphs 61 to 66, the 2016 Stability Law (Law no. 208 of 28 December 2015) reduced the IRES rate from 27.5% to 24% and simultaneously introduced an additional IRES tax of 3.5% for credit and financial institutions; both measures are effective as of 2017.

Although in principle the combined reading of the two provisions may lead to conclude that credit and financial institutions are not required to write down IRES DTA expiring later than 2016, unlike other IRES payers, it should still be kept in mind that the new additional tax is paid on an individual basis. This implies that, starting in 2017, IRES DTA can be realised at a rate of 24% by offsetting the tax amount due in the domestic tax consolidation, while 3.5% can only be recovered in the presence of sufficient taxable income on an individual basis.

This is why, starting from these financial statements, checks have been carried out to verify the presence of sufficient taxable incomes also on an individual basis, and the probability test was found to be satisfied in this case as well.

Current tax assets

Items/Amounts	Total 31 12 2015	Total 31 12 2014*
Prepayments of corporate income tax (IRES and IRAP)	-	-
Other tax credits and withholdings	1,928,495	1,792,413
Gross current tax assets	**1,928,495**	**1,792,413**
Offsetting with current tax liabilities	(19,663)	(31,945)
Net current tax assets	**1,908,832**	**1,760,468**

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

In 2015 the Bank made no IRES and IRAP down payments: for IRES, no down payment was due as the previous tax period had ended with a loss, while for IRAP, credit from the previous consolidated tax return (which can be used as a set-off) was higher than the down payment due for 2015.

"Other tax credits and withholdings" mostly consist of tax credits arising from DTA transformation (Law no. 214/2011), for the remaining amount still to be used, credits for income taxes requested in the form of a refund and IRES/IRAP credits from previous tax returns and which may be used for offsetting.

Current tax liabilities

Items/Amounts	31 12 2015			31 12 2014*		
	Booked to net equity	Booked to profit & loss	Total	Booked to net equity	Booked to profit & loss	Total
Corporate income tax (IRES IRAP) payables	(21,245)	40,908	19,663	-	31,945	31,945
Other current income tax payables	-	28,532	28,532	-	112,176	112,176
Gross current tax payables	**(21,245)**	**69,440**	**48,195**	**-**	**144,121**	**144,121**
Offsetting with current tax asset	-	19,663	19,663	-	31,945	31,945
Net current tax payables	**(21,245)**	**49,777**	**28,532**	**-**	**112,176**	**112,176**

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

The tax payables shown in the first line of the table relate to IRAP.

Section 14 - Non-current assets held for sale / discontinued operations and associated liabilities - Item 140 (assets) and 90 (liabilities)

14.1 Non-current assets held for sale and discontinued operations: breakdown by type

	Total	
	31 12 2015	31 12 2014
A. Individual assets		
A.1 Financial assets	22,186	16,581
A.2 Equity investments	3,483	-
A.3 Tangible assets	1,489	224
A.4 Intangible assets	-	-
A.5 Other non-current assets	-	-
Total A	**27,158**	**16,805**
of which valued at cost	4,972	224
of which designated at fair value (level 1)	-	-
of which designated at fair value (level 2)	21,057	-
of which designated at fair value (level 3)	1,129	16,581
B. Asset groups (discontinued operations)	-	-
C. Liabilities associated with individual assets held for sale and discontinued operations	-	-
D. Liabilities included in groups of assets held for sale and discontinued operations	-	-

Assets held for sale as at 31.12.2015 refer to

- the subsidiaries Fabrica Immobiliare SGR S.p.A. (EUR 3.5 mln), Visa Europe Limited (EUR 21.1 mln) and Assofood S.p.A (EUR 1.1 mln)
- and some properties (EUR 1.5 mln).

14.2 Other information

No information to be disclosed for 2015 pursuant to paragraph 42 of IFRS 5.

14.3 Details of investments in companies subject to significant influence not valued at equity

No information to be disclosed for 2015 pursuant to paragraph 37 i) of IAS 28.

Section 15 - Other assets - Item 150

15.1 Other assets: breakdown

	Total 31 12 2015	Total 31 12 2014
Tax credits from the Revenue and other tax levying authorities	438,443	242,445
Third party cheques held at the cashier's for collection	208,669	205,555
Cheques drawn on the Company held at the cashier's for collection	527	1,052
Gold, silver and precious metals	6,267	41,075
Property inventory	33,037	33,054
Items in transit between branches	3,566	9,016
Items in processing	970,169	1,087,065
Receivables associated with the provision of goods and services	-	-
Improvements and incremental costs on third party assets other than those included under tangible assets	79,569	79,403
Prepaid expenses and accrued income not attributable to a separate account	361,667	317,787
Biological assets	9,816	40,337
Other	416,774	347,630
Total	**2,528,504**	**2,404,419**

The lines "Items in processing" and "Other" include transactions which were cleared in early 2016.

LIABILITIES

Section 1 - Deposits from banks - Item 10

1.1 Deposits from banks: breakdown

Items/accounts	Total 31 12 2015	Total 31 12 2014
1. Deposits from central banks	**8,634,173**	**19,200,925**
2. Deposits from banks	**20,886,879**	**20,093,233**
2.1 Current accounts and demand deposits	8,250,152	9,919,639
2.2 Time deposits	2,828,519	1,121,097
2.3 Loans	9,405,494	7,651,681
2.3.1. Repurchase agreements	7,956,187	5,782,835
2.3.2 Other	1,449,307	1,868,846
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	402,714	1,400,816
Total	**29,521,052**	**39,294,158**
Fair value - level 1	-	-
Fair value - level 2	*29,530,583*	*39,316,143*
Fair value - level 3	-	-
Total fair value	**29,530,583**	**39,316,143**

The line “Deposits from central banks” includes EUR 8,600 mln for refinancing operations, guaranteed by securities pledged by the Bank using the pooling mechanism.

Line 2.3.1 “Repurchase agreements” contains the financial liabilities arising from repo transactions with banks on both treasury securities and securities made available through reverse repurchase agreements or securities lending transactions.

1.2 Details of Item 10 “Deposits from banks”: subordinated liabilities

The item includes subordinated liabilities for an amount of EUR 402.4 mln (EUR 402.6 mln in 2014).

The amounts qualifying as capital are set out in Part F, Section 2 “Regulatory capital and ratios”.

1.3 Details of Item 10 “Deposits from banks”: structured liabilities

This table was not completed as the Bank has no such liabilities to report for either the current or the previous year.

1.4 Deposits from banks subject to micro-hedging

Type of transaction/Amount	Total 31 12 2015	Total 31 12 2014
1. Liabilities subject to micro-hedging of fair value	**3,627,327**	**1,758,488**
a) interest rate risk	3,627,327	1,758,488
b) exchange risk	-	-
c) multiple risk	-	-
2. Liabilities subject to micro-hedging cash-flow	**-**	**-**
a) interest rate risk	-	-
b) exchange risk	-	-
c) multiple risk	-	-
Total	**3,627,327**	**1,758,488**

The amount shown in item 1 letter a) “Liabilities subject to micro-hedging of fair value” of EUR 3,627.3 mln refers to the hedging of interest rate risk carried out on certain refinancing transactions.

1.5 Finance lease payables

This table was not completed as the Bank has no such liabilities to report for either the current or the previous year.

Section 2 - Deposits from customers - Item 20

2.1 Deposits from customers: breakdown

Type of transaction/Amount	Total 31 12 2015	Total 31 12 2014*
1. Current accounts and demand deposits	52,433,133	51,695,223
2. Time deposits	12,846,129	10,133,305
3. Loans	18,024,270	24,857,785
3.1 Repurchase agreements	10,574,970	17,804,741
3.2 Other	7,449,300	7,053,044
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	3,114,974	1,241,983
Totale	**86,418,506**	**87,928,296**
Fair value - level 1	-	-
Fair value - level 2	*86,422,907*	*87,933,304*
Fair value - level 3	-	-
Total fair value	**86,422,907**	**87,933,304**

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

Deposits from customers are valued at cost or at amortised cost, except for liabilities subject to micro-hedging of fair value as reported in Table 2.4 of this section, the amortised cost of which is adjusted proportionally to the fair value of the hedged item.

The line "Repurchase agreements" contains the financial liabilities arising from repo transactions with customers on both treasury securities and securities made available through repurchase agreements or securities lending transactions.

Note that at the reporting date, the item included EUR 44.0 mln in interest accrued during 2015 on the New Financial Instruments, to be paid on 1 July 2016.

2.2 Details of Item 20 "Deposits from customers": subordinated liabilities

The amount relates to funding through issuance of the innovative equity instrument 'Floating Rate Equity-linked Subordinated Hybrid' (F.R.E.S.H.) by the vehicle "MPS Preferred Capital II LLC". The item includes subordinated securities for an amount of EUR 28.0 mln (EUR 27.9 mln in 2014).

The amounts qualifying as capital are set out in Part F, Section 2 "Regulatory capital and ratios".

2.3 Details of Item 20 "Deposits from customers": structured liabilities

This table was not completed as the Bank has no such liabilities to report for either the current or the previous year.

2.4 Deposits from customers subject to micro-hedging

Type of transaction/Amount	Totale 31 12 2015	Totale 31 12 2014
1. Liabilities subject to micro-hedging of fair value:	67,428	68,572
a) interest rate risk	67,428	68,572
b) exchange risk	-	-
c) multiple risks	-	-
2. Liabilities subject to micro-hedging of cash flows:	-	-
a) interest rate risk	-	-
b) exchange risk	-	-
c) other	-	-
Total	**67,428**	**68,572**

This table contains a breakdown of Table 2.1 and shows the carrying amount of two borrowings subject to a fair value hedge on the interest-rate risk. The carrying amount corresponds to the amortised cost adjusted by changes in fair value for the specific risk hedged.

2.5 Finance lease payables

This table was not completed as the Bank has no such liabilities to report for either the current or the previous year.

Section 3 - Debt securities issued - Item 30

3.1 Debt securities issued: breakdown

Type of Securities/ Amounts	Total 31 12 2015				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
A. Listed securities					
1. Bonds	27,005,872	15,837,000	10,546,759	-	26,383,759
1.1 Structured	-	-	-	-	-
1.2 Other	27,005,872	15,837,000	10,546,759	-	26,383,759
2. Other securities	494,029	-	494,029	-	494,029
2.1 Structured	-	-	-	-	-
2.2 Other	494,029	-	494,029	-	494,029
Total	**27,499,901**	**15,837,000**	**11,040,788**	**-**	**26,877,788**

The table shows funding represented by securities which, in addition to bonds, also includes certificates (outstanding and maturities).

Liabilities are net of bonds and repurchased CDs. In this connection it is noted that on 31 December 2015 State-guaranteed bonds were in place, issued and concurrently repurchased for a nominal amount of EUR 4,000 mln (EUR 10,500 mln as at 31 December 2014), part of which were then pledged as collateral for financing transactions.

The significant decrease in line 2 "Other securities" is due to the following events:

- full repayment on 15 June 2015 of the nominal residual amount of EUR 1,071.0 mln in New Financial Instruments issued by the Parent Company and subscribed by the Ministry of Economy and Finance (MEF) on 28 February 2013, upon payment of approximately EUR 1,116.0 mln, pursuant to the provisions of the Term-Sheet of the NFIs upon issue;
- in July 2015, in implementation of the resolution adopted by the Board of Directors of the Parent Company on 21 May 2015, reclassification from debt securities in issue to capital of the amount of EUR 243.1 mln, as a result of the capital increase completed exclusively for the payment in shares of the interest accrued as at 31 December 2014 on the New Financial Instruments, in favour of the Ministry of Economy and Finance, pursuant to the regulations governing them.

Type of Securities/ Amounts	Total 31 12 2014				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
A. Listed securities					
1. Bonds	27,744,191	17,647,598	10,081,643	-	27,729,241
1.1 Structured	-	-	-	-	-
1.2 Other	27,744,191	17,647,598	10,081,643	-	27,729,241
2. Other securities	1,944,212	-	594,304	1,349,908	1,944,212
2.1 Structured	-	-	-	-	-
2.2 Other	1,944,212	-	594,304	1,349,908	1,944,212
Total	**29,688,403**	**17,647,598**	**10,675,947**	**1,349,908**	**29,673,453**

3.2 Details of Item 30 "Debt securities in issue": subordinated securities

The item includes subordinated securities for an amount of EUR 5,429.3 mln (EUR 6,802.8 mln as at 31 December 2014).

The amounts qualifying as capital are set out in Part F, Section 2 "Regulatory capital and ratios".

3.3 "Debt securities in issue": securities subject to micro-hedging

Type of transaction / Amount	Total 31 12 2015	Total 31 12 2014
1. Securities subject to micro-hedging of fair value:	**12,860,692**	**13,305,675**
a) interest rate risk	12,743,737	13,257,457
b) exchange risk	-	-
c) multiple risks	116,955	48,218
2. Securities subject to micro-hedging of cash flows:	**1,286,076**	**1,281,124**
a) interest rate risk	1,202,796	1,202,687
b) exchange risk	83,280	78,437
c) other	-	-
Total	**14,146,768**	**14,586,799**

As a result of cash flow hedging, the fair value of derivative contracts is posted to a specific equity reserve.

Section 4 - Financial liabilities held for trading - Item 40

4.1 Financial liabilities held for trading: breakdown

Type of transaction/ Group item	Total 31 12 2015					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	X
3.1.2 Other	-	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	X
3.2.2 Other	-	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives						
1. Financial derivatives		-	1,842,886	-	1,842,886	
1.1 Trading	X	-	1,813,914	-	1,813,914	X
1.2 Fair value option (FVO)	X	-	28,972	-	28,972	X
1.3 Other	X	-	-	-	-	X
2. Credit derivatives		-	1,530	-	1,530	
2.1 Trading	X	-	1,530	-	1,530	X
2.2 Fair value option (FVO)	X	-	-	-	-	X
2.3 Other	X	-	-	-	-	X
Total B	**X**	**-**	**1,844,416**	**-**	**1,844,416**	**X**
Total (A+B)	**-**	**-**	**1,844,416**	**-**	**1,844,416**	**X**

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

Criteria adopted for classification of financial instruments in the three levels of the "fair value hierarchy" are reported in Section A.4, "Fair value disclosure" of Part A, "Accounting policies" of the notes to the financial statements.

Derivatives connected with fair value option instruments are also included in the trading book: these cover the risks of funding designated at fair value arising from possible interest rate fluctuations and from any embedded options in the structured and fixed rate bonds issued (natural and systematic hedging). The fair value of these derivatives, amounting to EUR 29.0 mln (EUR 31.8 mln as at 31 December 2014) is shown in the table in line "B1.2 - Fair value option".

By convention, such derivatives are classified in the trading book. In terms of their representation in the income statement, they comply with rules similar to the rules applicable to hedging derivatives: positive and negative spreads or margins settled or accrued until the balance sheet date are recognised as interest income and expense, while valuation profits and losses are posted under item 110 - "Net profit (loss) from financial assets and liabilities designated at fair value" of the profit and loss statement, in compliance with representations used for funding instruments that adopted the fair value option.

The fair value calculated on financial derivatives excludes value adjustments owing to changes in the Group's creditworthiness, Debit Value Adjustment (i.e. DVA), totalling EUR 8.8 mln (EUR 9.9 mln as at 31 December 2014).

Type of transaction/ Group item	Total 31 12 2014**					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-
3.1.1 Structured	-	-	-	-	-	X
3.1.2 Other	-	-	-	-	-	X
3.2 Other securities	-	-	-	-	-	-
3.2.1 Structured	-	-	-	-	-	X
3.2.2 Other	-	-	-	-	-	X
Total A	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives						
1. Financial derivatives		-	3,648,333	-	3,648,333	
1.1 Trading	X	-	2,011,489	-	2,011,489	X
1.2 Fair value option (FVO)	X	-	31,845	-	31,845	X
1.3 Other	X	-	1,604,999	-	1,604,999	X
2. Credit derivatives		-	2,071	-	2,071	
2.1 Trading	X	-	2,071	-	2,071	X
2.2 Fair value option (FVO)	X	-	-	-	-	X
2.3 Other	X	-	-	-	-	X
Total B	**X**	**-**	**3,650,404**	**-**	**3,650,404**	**X**
Total (A+B)	**-**	**-**	**3,650,404**	**-**	**3,650,404**	**-**

Legend

FV = Fair Value

FV = Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue*

NV = Nominal or Notional Value

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

The amount of EUR 1,605.0 mln, reported on line "1.3 Credit derivatives - Other" relating to the balance as at 31 December 2014, is entirely associated with the representation of the "Alexandria" transaction interest rate swaps as derivative instruments for trading, as described in more detail in the section "*Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)*".

4.2 Details of item 40 "Financial liabilities held for trading": subordinated liabilities

This table was not completed as the Bank has no such liabilities to report for either the current or the previous year.

4.3 Details of item 40 "Financial liabilities held for trading": structured liabilities

This table was not completed as the Bank has no such liabilities to report for either the current or the previous year.

4.4 On-balance-sheet financial liabilities (other than "technical overdrafts") held for trading: annual changes

This table was not compiled since the Bank has no such liabilities to report for either the period under review or the previous year.

Section 5 - Financial liabilities designated at fair value - Item 50

5.1 Financial liabilities designated at fair value: breakdown

Type of transaction / Amount	Total 31 12 2015					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X
1.2 Other	-	-	-	-	-	X
2. Deposits from customers	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	X
2.2 Other	-	-	-	-	-	X
3. Debt securities issued	2,300,727	1,107,947	1,137,524	-	2,245,471	2,421,620
3.1 Structured	220,667	-	206,453	-	206,453	X
3.2 Other	2,080,060	1,107,947	931,071	-	2,039,018	X
Total	**2,300,727**	**1,107,947**	**1,137,524**	**-**	**2,245,471**	**2,421,620**

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

The table shows the financial liabilities represented by fixed-rate and structured bonds which have been classified at fair value and are systematically subject to hedging. Hedging occurs through derivative contracts and is used to cover the risk of interest rate fluctuations and the risk resulting from embedded options.

The fair value option has been adopted systematically for fixed-rate and structured debt securities issued by the Group companies, for which the risk of fair value changes has been hedged by derivatives upon issuance, with the aim of maintaining the hedge for the contractual duration of the hedged securities; derivatives used under the fair value option are classified in the trading book. Hedge accounting is used for securities issued by the Bank for which the decision to hedge was taken after issuance or for which there is no intention to maintain the hedge for the contractual duration of the securities.

Funding subject to hedging with derivative instruments under the fair value option is thus designated at fair value, in accordance with all the relative hedging derivatives which, for the purposes of the financial statements, have been classified under specific sub-items in the trading book.

Positive and negative spreads or margins in relation to derivative contracts settled or accrued until the balance sheet date are recorded in the income statement under interest income and expense, while valuation profits and losses are posted under Item 110, “Net profit (loss) from financial assets and liabilities designated at fair value”, in compliance with reporting used for funding instruments for which the fair value option was used.

Type of transaction / Amount	Total 31 12 2014					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-
1.1 Structured	-	-	-	-	-	X
1.2 Other	-	-	-	-	-	X
2. Deposits from customers	-	-	-	-	-	-
2.1 Structured	-	-	-	-	-	X
2.2 Other	-	-	-	-	-	X
3. Debt securities issued	2,919,368	823,870	2,186,299	-	3,010,169	3,123,687
3.1 Structured	473,279	-	502,716	-	502,716	X
3.2 Other	2,446,089	823,870	1,683,583	-	2,507,453	X
Total	**2,919,368**	**823,870**	**2,186,299**	**-**	**3,010,169**	**3,123,687**

Legend

FV = Fair Value

FV= Fair value calculated excluding value adjustments due to variations in the credit rating of the issuer since the date of issue*

NV = Nominal or Notional Value

5.1.a Liabilities designated at fair value: the Fair Value Option approach

Liabilities for which the fair value option was adopted include natural hedges through debt security derivatives for a book value of EUR 2,245.5 mln (EUR 3,010.2 mln as at 31 December 2014).

5.1.b Financial liabilities designated at fair value: structured debt securities

Item/Amount	Total 31 12 2015	Total 31 12 2014
Index Linked	196,496	476,042
Inflation Linked	9,957	9,777
Reverse Floater	-	16,897
Total	**206,453**	**502,716**

The table reports the main types of structured bonds issued by the Bank and measured at fair value.
Since bonds are measured at fair value as an offset to profit or loss, embedded derivatives are not reported separately.

5.2 - Details of item 50 “Financial liabilities designated at fair value”: subordinated liabilities

The item includes subordinated securities for an amount of EUR 258.4 mln (EUR 347.7 mln as at 31 December 2014). In 2015, no new issues were finalised as part of the portfolio of financial liabilities designated at fair value.

The amounts qualifying as Own funds are set out in Part F, Section 2 “Regulatory capital and ratios”.

Section 6 - Hedging derivatives - Item 60

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

	31 12 2015				
	Fair value				NV
	Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**1,361,860**	**-**	**1,361,860**	**9,024,493**
1) Fair value	-	1,048,186	-	1,048,186	6,676,979
2) Cash flows	-	313,674	-	313,674	2,347,514
3) Foreign investments	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flows	-	-	-	-	-
Total	**-**	**1,361,860**	**-**	**1,361,860**	**9,024,493**

Legend

NV = Nominal or Notional Value

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

Hedges of financial liabilities represented by securities are normally managed through the fair value option.

Information on the underlying strategies and objectives of hedge transactions can be found in Section 2 "Market risks" of Part E "Information on risks and hedging policies".

	31 12 2014*				
	Fair value				NV
	Level 1	Level 2	Level 3	Total	
A. Financial derivatives	**-**	**2,655,599**	**-**	**2,655,599**	**11,577,508**
1) Fair value	-	2,293,423	-	2,293,423	9,229,994
2) Cash flows	-	362,176	-	362,176	2,347,514
3) Foreign investments	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-
2) Cash flows	-	-	-	-	-
Total	**-**	**2,655,599**	**-**	**2,655,599**	**11,577,508**

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

Legend

NV = Nominal or Notional Value

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

Transaction/Type of hedge	Fair Value						Cash flow Hedge		Foreign investments	Total 31 12 2015
	Micro Hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	781,216	-	-	-	-	X	-	X	X	781,216
2. Loans and receivables	124,885	50,055	-	-	-	X	-	X	X	174,940
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X	-
4. Portfolio	X	X	X	X	X	84,674	X	-	X	84,674
5. Other transactions	-	-	-	-	-	X	-	X	-	-
Total assets	**906,101**	**50,055**	**-**	**-**	**-**	**84,674**	**-**	**-**	**-**	**1,040,830**
1. Financial liabilities	7,357	-	-	X	-	X	157,081	X	X	164,438
2. Portfolio	X	X	X	X	X	-	X	-	X	-
Total liabilities	**7,357**	**-**	**-**	**-**	**-**	**-**	**157,081**	**-**	**-**	**164,438**
1. Expected transactions	X	X	X	X	X	X	156,592	X	X	156,592
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-	-
Total	**913,458**	**50,055**	**-**	**-**	**-**	**84,674**	**313,673**	**-**	**-**	**1,361,860**

The tables show the negative fair values of hedging derivatives, classified by hedged assets or liabilities and type of hedging implemented.

In particular, on the assets side, fair value micro-hedging was used to hedge against interest-rate risk on fixed-rate and capped mortgages and bonds classified in the available-for-sale portfolio or among receivables, in order to protect them from unfavourable interest rate changes.

Fair value micro-hedging of the interest-rate risk on financial liabilities refers primarily to hedges of liabilities represented by securities.

Fair value macro-hedging was applied on fixed-rate mortgage loan portfolios.

Cash flow hedges were applied for some specific index-linked bond issues, in order to stabilise their flows through interest rate swaps.

More information on hedged assets and liabilities can be found in the tables contained in Part B of the notes for each section of the balance-sheet items to which the hedged items are posted.

Transaction/Type of hedge	Fair Value						Cash flow Hedge		Foreign investments	Total 31 12 2014*
	Micro Hedge					Macro-hedge	Micro-hedge	Macro-hedge		
	interest rate risk	exchange risk	credit risk	price risk	multiple risks					
1. Financial assets available for sale	2,021,186	-	-	-	-	X	-	X	X	2,021,186
2. Loans and receivables	152,743	12,347	-	-	-	X	-	X	X	165,090
3. Financial assets held to maturity	X	-	-	X	-	X	-	X	X	-
4. Portfolio	X	X	X	X	X	93,615	X	-	X	93,615
5. Other transactions	-	-	-	-	-	X	-	X	-	-
Total assets	**2,173,929**	**12,347**	**-**	**-**	**-**	**93,615**	**-**	**-**	**-**	**2,279,891**
1. Financial liabilities	13,532	-	-	X	-	X	214,606	X	X	228,138
2. Portfolio	X	X	X	X	X	-	X	-	X	-
Total liabilities	**13,532**	**-**	**-**	**-**	**-**	**-**	**214,606**	**-**	**-**	**228,138**
1. Expected transactions	X	X	X	X	X	X	147,570	X	X	147,570
2. Financial assets and liabilities portfolio	X	X	X	X	X	-	X	-	-	-
Total	**2,187,461**	**12,347**	**-**	**-**	**-**	**93,615**	**362,176**	**-**	**-**	**2,655,599**

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

Section 7 - Changes in value of macro-hedged financial liabilities - Item 70

This item was left blank since no macro-hedges have been established on financial liabilities.

Section 8 - Tax liabilities - Item 80

Please refer to section 13 of the assets.

Section 9 - Liabilities associated with individual assets held for sale - Item 90

Please refer to section 14 of the assets.

Section 10 - Other liabilities - Item 100

10.1 Other liabilities: breakdown

	Total 31 12 2015	Total 31 12 2014
Due to the Revenue and other tax levying authorities	205,972	249,649
Due to social security authorities	363,039	572,951
Amounts available to customers	100,945	279,770
Other amounts due to employees	56,385	69,757
Items in transit between branches	1,727	21,835
Items in processing	483,580	529,148
Payables in relation to the payment of supplies of goods and services	181,335	233,581
Irrevocable commitments to disburse funds	176,912	198,111
Accrued expenses and unearned revenues not attributable to other line items	49,390	60,021
Payables for consolidated income tax return	44,930	22,560
Other	2,036,885	1,572,888
Total	**3,701,100**	**3,810,271**

The lines “Items in processing” and “Other” include transactions which were cleared during the first days of 2016.

The lines “Items undergonig processing” and “Other” include transactions which were cleared durign the first days of 2016.

Section 11 - Provision for employee severance pay - Item 110

11.1 Provision for employee severance pay: annual changes

	Total 31 12 2015	Total 31 12 2014
A. Opening balance	**263,033**	**253,812**
B. Increases	**4,223**	**44,003**
B.1 Provision for the year	3,541	8,404
B.2 Other increases	682	35,599
C. Decreases	**28,743**	**34,782**
C.1 Severance payments	8,944	34,119
C.2 Other decreases	19,799	663
D. Closing balance	**238,513**	**263,033**

11.2 Other information

Provision for employee severance pay is considered as a defined benefit fund for the purpose of international accounting standards.

In accordance with the provisions of art. 2120 of the Italian Civil Code, Staff severance pay would amount to EUR 221.8 mln.

The provision for the year, as clarified by the Bank of Italy, does not include amounts which, as a result of the reform introduced by Legislative Decree no. 252 of 5 December 2005, are paid directly by the Bank, depending on the various employee options, to complementary pension schemes or to the treasury fund managed directly by the Italian National Social Security Institute, INPS. These items are recognised in personnel expenses, as “contributions to external pension funds: defined contribution”.

11.2.a Changes in net defined benefit liability during the year: Severance pay

The table below reports the information required by paragraphs 140 and 141 of IAS 19.

Item/Amount	Present value of DBO	
	31 12 2015	31 12 2014
Opening balance	**263,033**	**253,812**
Current service cost	-	-
Interest income/expense	3,541	8,047
Remeasurement of net defined benefit liability (asset):	(19,780)	35,544
Return on plan assets excluding interest	-	-
Actuarial gains (losses) arising from changes in demographic assumptions	-	-
Actuarial gains (losses) arising from changes in financial assumptions	(19,780)	35,544
Changes in effect of limiting net defined benefit asset to asset ceiling	-	-
Past service cost and gains (losses) arising from settlements	-	-
Changes in foreign exchange rates	-	-
Contributions to plan:	-	-
by employer	-	-
by employees	-	-
Payments from plan	(8,944)	(34,119)
Effect of business combinations and disposals	-	-
Effect of any plan curtailments	-	-
Effect of any plan settlements	-	-
Other changes	664	(251)
Closing balance	**238,514**	**263,033**

11.2.b Key actuarial assumptions

Key actuarial assumptions/percentage	31 12 2015	31 12 2014
Discount rates	2.07%	1.34%
Expected rates of salary increases	X	X

11.2.c Sensitivity of defined benefit obligation to changes in key actuarial assumptions

31 12 2015

Actuarial assumptions	Change in DBO	Change (%) in DBO
Discount rates		
Increase of 0.25%	(5,494)	-2.30%
Decrease of 0.25%	5,655	2.37%
Expected rates of salary increases		
Increase of 0.25%	-	-
Decrease of 0.25%	-	-

31 12 2014

Actuarial assumptions	Change in DBO	Change (%) in DBO
Discount rates		
Increase of 0.25%	(6,703)	-2.55%
Decrease of 0.25%	6,927	2.63%
Expected rates of salary increases		
Increase of 0.25%	-	-
Decrease of 0.25%	-	-

Section 12 - Provisions for risks and charges - Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 31 12 2015	Total 31 12 2014
1. Pensions and other post retirement benefit obligations	42,702	60,013
2. Other provisions for risks and charges	952,414	955,337
2.1 legal disputes	612,159	598,639
2.2 personnel charges	96,072	53,234
2.3 other	244,183	303,464
Total	**995,116**	**1,015,350**

12.2 Provisions for risks and charges: annual changes

Item/Amount	Totale 31 12 2015		
	Pensions and other post retirement benefit obligations	Other provisions	Total
A. Opening balance	**60,013**	**955,337**	**1,015,350**
B. Increases	**3,543**	**258,960**	**262,503**
B.1 Provision for the year	2,035	250,118	252,153
B.2 Changes due to the time value of money	916	322	1,238
B.3 Changes due to discount rate changes	-	444	444
B.4 Other increases	592	8,076	8,668
C. Decreases	**20,854**	**261,883**	**282,737**
C.1 Use during the year	2,823	130,253	133,076
C.2 Changes due to discount rate changes	16,448	387	16,835
C.3 Other decreases	1,583	131,243	132,826
D. Closing balance	**42,702**	**952,414**	**995,116**

12.3 Defined benefit company pension funds

12.3.1. Description of funds and related risks

The information provided below concerns defined benefit pension funds in favour of employees and terminated employees, i.e. funds in which the obligation of future payment of retirement benefits is charged on the fund itself and indirectly by the Bank, which may be required to increase the value of the obligation within predetermined limits in the event of inadequate capital assessed in accordance with actuarial criteria.

For each definite benefit plan the Bank relies on analyses carried out by an independent certified actuary.

In accounting for the plans, the surplus or deficit was determined using the credit unitary projection method; therefore the fair value of the assets servicing the plan was deducted from the current value of the obligation, as shown in the statement of financial position (*see Part A of the Notes - Accounting Policies*).

The valuations concerned the participating employees at the date of valuation, which form a closed group of retired or active employees, and were carried out on the basis of these groups of employees as measured in December 2015.

In accordance with IAS 19, revised by amendments issued by IASB on 16/06/2011 and approved by EU Regulation no. 475/2012 dated 5/06/2012, which - as is well-known - may be influenced by many variables, in determining the total cost of each defined benefit plan, objective and prudential technical bases were adopted in formulating both demographic and financial assumptions.

In view of the evolutionary nature of the main relevant aggregates, actuarial valuations were performed under dynamic conditions, so as to subsume in the medium-long term both the average annual changes in the benefits defined in each plan, and the interest rate trends expected in the financial market.

Some of the main actuarial assumptions that were formulated and used as valuation bases are mentioned below:

- technical mortality basis: using death probability data as provided in ISTAT's 2013 tables, broken down by gender and age, with mortality reduced by 20%;
- economic-financial basis: using as annual relative interest rate the interpolated EUR Composite AA rate curve (BFV) as at 31 December 2015.

For each defined benefit plan, the balance sheet equity resulting from valuations carried after reconciliation of actuarial assets and liabilities as at 31 December 2015 underwent a sensitivity analysis to examine the effects of changes in the key technical assumptions included in the calculation model (average annual discount rate and inflation rate), and the results were presented in specific tables.

The possible future increase in INPS pensionable earnings, which in any case is considered in the calculation model in an average annual percentage of 1.5%, was not included in the sensitivity analysis because it is essentially irrelevant to the preparation of the technical financial statements as, taking into account the progressive decrease in active population (given that all defined benefit pensions funds are closed to new participants and considering the retirements occurred during the year), the ratio between active and retired participants is reduced to a percentage of less than 0.1%.

The defined benefit plans, in which the Bank is co-obliged within the limits set out in the articles of association or in the regulations of each plan, are either internal plans, divided in the description below between unfunded and funded, or independent external funds.

As concerns defined benefit plans, an outsourcing process is currently being defined to concentrate and consolidate pre-existing forms, which - though still effective - are closed to new participants and are therefore destined to be phased out due to the progressive reduction in the number of former employees and surviving dependents.

Unfunded internal plans

Supplementary pension provision for staff in the former tax collection division of Banca Monte dei Paschi di Siena S.p.a.

(Bank Register no. 9185)

This is a defined benefit plan designed to provide retired staff of the former Direct Management division of Banca MPS with supplementary pension in the form of annuity.

The entitled population, consisting solely of retirees whose number is 342, is made up of staff of the former business unit, divested in 2006, who retired after the year 1982.

For the purposes of the preparation of the technical financial statements, the liabilities were valued taking into account INPS pension payment regulations issued by Law no. 335/95 and the Plan Regulations.

The valuations concerning participants were carried out on the basis of the positions of retirees receiving immediate or deferred retirement benefits, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.

In the event that the agreed benefits are more costly than expected, the Bank remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

National insurance (INPS) for former Banca Operaia di Bologna staff

(Bank Register no. 9142)

The fund is intended to supplement benefits paid out under INPS pension schemes for retired employees of former Banca Operaia di Bologna.

The Regulations, signed on 23 September 1980, provide for the payment of supplementary benefits so as to reach a certain percentage of the last salary earned, and for the purposes of the preparation of the technical financial statements, the liabilities were valued taking into account INPS pension payment regulations issued by Law no. 335/95. For the purposes of pension calculation, annual salary means a set of items paid on a continuous basis and on which benefits are paid out to surviving dependents.

The valuations concerning participants were carried out on the basis of the positions of retirees, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.

In the event of deficit, the Bank remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

The plan applies to a population made up exclusively of non-active participants, of which 68 are retired and 3 on deferred retirement.

Pension provision for employees of former Banca di Credito Popolare e Cooperativo di Reggio Emilia

(Bank Register no. 9178)

The sole aim of the fund is to supplement compulsory schemes in order to guarantee higher levels of insurance coverage for ex-employees of former Banca di Credito Popolare e Cooperativo di Reggio Emilia, as the direct beneficiaries of a life annuity or as the surviving spouse of a former employee.

The pension provision for employees participating in the Fund is governed by the Regulations issued in 1977 and later amended to reflect subsequent laws. It provides for payment of supplementary benefits so as to reach a certain percentage of the last salary earned.

The valuations concerning participants were carried out on the basis of the positions of retirees, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.

The obligation to pay the benefits lies with the Bank, which must provide the wherewithal to cover the liability over time.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

The Plan applies to a population of only 12 retirees.

Pension provision for employees of former Banca Popolare Veneta

(Bank Register no. 9066)

The pension plan, which applies to a residual population of 23 retirees, is aimed at supplementing the benefits paid out by INPS for employees already retired at 7 December 1989 and their assigns, under labour agreements signed on 4 February 1956 and subsequently on 1 January 1982 for executive staff, as amended.

Also in this case, actuarial valuations were carried out on the basis of each individual position, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.

The Fund is financed exclusively by the company, and in the event of deficit, the Bank remains responsible for providing additional funds to meet the financial requirements of the retirement plans.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

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Finally, there are two positions referring to former General Managers of Banca MPS to whom specific economic benefits other than pension benefits are disbursed. In any event, they are assessed on the basis of actuarial parameters in order to determine the value of the Bank's obligation.

This type of remuneration, known as *ex contractu*, consists of payment of monthly benefits revalued on the basis of automatic pension equalisation indexes.

Funded internal plans

Pension provision for employees of former Banca Nazionale Agricoltura

(Bank Register no. 9047)

The purpose of this provision is to pay additional retirement benefits over and above those paid by INPS to employees of the former Banca Nazionale dell'Agricoltura, who retired before 1 October 2000 or whose employment was terminated after this date without their having exercised the right, provided under the agreement of 12 September 2000, to transfer their contributions to another individual capitalisation, defined contribution fund.

The Plan applies to a population of 248 retirees and 3 employees on deferred retirement.

The Plan's Regulations, first approved in 1966, provide for supplementary benefit up to a certain percentage of the last salary earned, to be paid to the direct beneficiaries and their surviving dependants.

Actuarial valuations were carried out on the basis of the positions of retirees, taking into account details on currently paid pensions, types of pension, personal data of the beneficiary and amount of the annuity paid by the Fund and that paid by INPS.

Although the Fund has its own separate and independent allocation capital, the guarantee of performance of the benefit payment obligation lies with the Bank, which must ensure the wherewithal to cover the liability over time.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

Complementary pension provision for employees of former Banca Toscana

(Bank Register no. 9110)

This defined benefit complementary pension fund is reserved for employees of the former Banca Toscana who were already retired at 1 January 1999 and to active employees hired before 27 April 1993 who did not opt at the time to transfer their contributions to an individual capitalisation and defined contribution fund.

The population of employees eligible for the present and future benefits is composed of 901 retirees, 4 active employees and 4 employees on deferred retirement.

The current Fund Regulations were revised on 16 October 2007 and set out the rules concerning the retirement benefits to be paid to eligible employees, distinguishing between old age, seniority and disability pensions.

Calculation of the complementary benefits is based on the average of the last three years of employment, taking into account only the items specified in the Regulations.

The guarantee of performance of the benefit payment obligation lies with the Bank, which must ensure the wherewithal to cover the liability over time, although the Fund has its own, separate accounting and capital, with the effects set out in art. 2117 of the Italian Civil Code.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

External funds

Cassa di Previdenza Aziendale (Company's Pension Scheme) for employees of Monte dei Paschi di Siena

(Bank Register no. 1127)

The Fund has legal personality and full independence in terms of capital and operation.

It is reserved for employees and retirees of the Bank hired until 31 December 1990 who, following the agreement of 30 June 1989, opted to remain in the specific complementary benefit Section under a defined benefit regime.

The Fund's governance consists of a Board of Directors and a Board of Statutory Auditors with joint membership (some of the members are appointed by Banca MPS and others are appointed by the participants) supported by the General Manager.

Banca MPS provides, free of charge, the employees, premises and other resources required for the autonomous management of the Cassa and incurs all the related costs and expenses, including those for the functioning of the governing and control bodies.

In terms of guarantees given, in accordance with art. 26 of the Articles of Association, any deficits in Section coverage which should be identified during actuarial checks will be made up by the Bank only to the extent necessary to maintain tier 1 services, in accordance with the guarantee to the participants undertaken in compliance with Law no. 218/90 and referred to in the agreement of 24 June 1991.

The complementary benefits, which are determined by subtracting the benefits paid out by INPS from the annual amount of the complementary benefits, are made up of two components. The first component increases the benefits to be paid by the Cassa up to 70% of the fixed items of the salary of an employee of the same level, and the second component increases the complementary benefits by a further 9%.

The assets that comprise the Cassa's capital consist of properties, in a percentage of less than 20% at book value, and for the remaining portion of investments in securities, managed almost entirely under a financial management agreement, with a minimal portion of 3% managed directly.

The population is composed of 2797 retirees, 157 active employees and 133 employees on deferred retirement.

The technical report prepared in accordance with IAS 19 criteria by the designated actuary shows that the Cassa Section's capital at 30 November 2015 (most recent value available at the time of valuation) amounts to EUR 400.6 mln, and the DBO (Defined Benefit Obligation) calculated on Pillar 1 benefits amounts to EUR 179.9 mln.

Pension Fund for personnel of former Banca Agricola Mantovana S.p.A.

(Bank Register no. 1341)

The Fund, which operates on a defined benefit basis, has legal personality and full independence in terms of capital and operation, as its legal form is that of an unincorporated association under art. 36 of the Italian Civil Code.

The Fund's governance consists of a Board of Directors and a Board of Statutory Auditors with joint membership, supported by the General Manager.

The sole purpose of the Fund is to pay to eligible participants complementary benefits over and above those paid out by INPS; the participants include 35 retirees and 3 employees on deferred retirement.

At the valuation date of 31 December 2015, it was not necessary to adjust liabilities, given the realisation of actuarial gains.

Pension Fund for personnel of former Banca Antonveneta S.p.a.

(Bank Register no. 1033)

The Fund, whose legal form is that of an unincorporated association in accordance with article 36 of the Italian Civil Code, has the sole purpose of providing benefits in addition to AGO (General Compulsory Insurance) cheques, was established in 1966 and has continued to operate to date.

In the past, retirees were offered an option to receive the value of their pension as a one-off lump sum payment, and those who opted for this payment are no longer receiving benefits from the Fund.

Although the Fund has legal personality and full independence in terms of capital, in the event of operating deficit, the co-obliged Bank is responsible for providing the wherewithal to cover such deficit.

The population eligible to receive the benefits is composed of only 33 retirees.

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The defined-benefit pension funds for the Parent Company's personnel of the branches in London (BMPS UK Pension Fund) and New York (Retirement Plan) are designed to pay for the employees' benefits on retirement.

As concerns the complementary pension plan for the London branch, the plan is funded by the branch itself through approximately 37.4% of the total salaries. The plan is administered by a Trustee whose members include active employees and the financial resources are managed by a contractor. Fund participants include 18 active employees, 124 employees on deferred retirement and 56 retirees. The plan's deficit (of EUR 0.9 mln as at 31 December 2015) is being made up, as of 1 October 2014, in a seven-year process through 84 monthly instalments. The capital at the end of 2015 was EUR 53.8 mln.

As regards the New York branch's retirement plan, which includes a total of 54 members, of which 20 active employees, has a total of EUR 11.0 mln as at 31 December 2015, with a deficit of EUR 5.8 mln.

In addition, there is a pension plan for Banca Monte dei Paschi Belgio, which includes a total of 72 active employee members; the plan has EUR 3.6 mln as at 31 December 2015, with a deficit of EUR 1.3 mln.

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As required by the Bank of Italy, the internal fund statements can be found in the annexes to the financial statements.

12.3.2 Changes in net defined liability (asset) and reimbursement rights during the year

The following tables show movements for the year in internal and external funds which, according to international accounting standards, come under the heading of defined benefit funds.

12.3.2a Changes in net defined liability (asset) and reimbursement rights during the year - Internal Funds

Item/Amount	31 12 2015			
	A (-)	B (+)	C (+)	D=A+B+C
	Plan assets	Present value of DBO	Effect of asset ceiling	Net defined benefit liability (asset)
Opening balance	**(138,396)**	**180,076**	**12,127**	**53,807**
Current service cost	X	30	X	30
Interest income/expense	(1,169)	1,394	97	322
Remeasurement of net defined benefit liability (asset):	159	(7,605)	5,199	(2,247)
Return on plan assets excluding interest	159	X	X	159
Actuarial gains (losses) arising from changes in demographic assumptions	X	-	X	-
Actuarily gains (losses) arising from experience adjustments	X	(2,813)	X	(2,813)
Actuarial gains (losses) arising from changes in financial assumptions	X	(4,792)	X	(4,792)
Changes in effect of limiting net defined benefit asset to asset ceiling	X	x	5,199	5,199
Past service cost and gains (losses) arising from settlements	X	-	X	-
Changes in foreign exchange rates	-	-	-	-
Contributions to plan:	(13,109)	-	-	(13,109)
by employer	(13,109)	-	X	(13,109)
by employee	-	-	X	-
Payments from plan	10,842	(13,665)	X	(2,823)
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	X	-
Effect of any plan settlements	-	-	X	-
Other changes	-	1	-	1
Closing balance	**(141,673)**	**160,231**	**17,423**	**35,981**

Item/Amount	31 12 2014			
	A (-)	B (+)	C (+)	D=A+B+C
	Plan assets	Present value of DBO	Effect of asset ceiling	Net defined benefit liability (asset)
Opening balance	**(143,205)**	**170,978**	**12,076**	**39,849**
Current service cost	X	26	X	26
Interest income/expense	(3,021)	4,314	319	1,612
Remeasurement of net defined benefit liability (asset):	(3,515)	19,017	(270)	15,232
Return on plan assets excluding interest	(3,515)	X	X	(3,515)
Actuarial gains (losses) arising from changes in demographic assumptions	X	4,244	X	4,244
Actuarily gains (losses) arising from experience adjustments	X	(78)	X	(78)
Actuarial gains (losses) arising from changes in financial assumptions	X	14,851	X	14,851
Changes in effect of limiting net defined benefit asset to asset ceiling	X	X	(270)	(270)
Past service cost and gains (losses) arising from settlements	X	-	X	-
Changes in foreign exchange rates	-	-	-	-
Contributions to plan:	-	-	-	-
by employer	-	-	X	-
by employee	-	-	X	-
Payments from plan	11,345	(14,259)	X	(2,914)
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	X	-
Effect of any plan settlements	-	-	X	-
Other changes	-	-	2	2
Closing balance	**(138,396)**	**180,076**	**12,127**	**53,807**

12.3.2b Changes in net defined liability (asset) and reimbursement rights during the year: external funds

Item/Amount	31 12 2015			
	A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Opening balance	**(477,688)**	**269,656**	**214,238**	**6,206**
Current service cost	X	2,005	X	2,005
Interest income/expense	(7,094)	5,077	2,611	594
Remeasurement of net defined benefit liability (asset):	11,684	(16,258)	3,884	(690)
Return on plan assets excluding interest	11,684	X	X	11,684
Actuarial gains (losses) arising from changes in demographic assumptions	X	1,472	X	1,472
Actuarily gains (losses) arising from experience adjustments	X	(6,074)	X	(6,074)
Actuarial gains (losses) arising from changes in financial assumptions	X	(11,656)	X	(11,656)
Changes in effect of limiting net defined benefit asset to asset ceiling	X	X	3,884	3,884
Past service cost and gains (losses) arising from settlements	X	-	X	-
Changes in foreign exchange rates	(4,303)	4,896	-	593
Contributions to plan:	(2,151)	-	-	(2,151)
by employer	(2,151)	-	X	(2,151)
by employee	-	-	X	-
Payments from plan	10,348	(10,348)	X	-
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	X	-
Effect of any plan settlements	-	-	X	-
Other changes	168	-	-	168
Closing balance	**(469,036)**	**255,028**	**220,733**	**6,725**

Item/Amount	31 12 2014 A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Opening balance	**(463,769)**	**241,659**	**237,529**	**15,419**
Current service cost	X	2,135	X	2,135
Interest income/expense	(13,744)	7,887	6,494	637
Remeasurement of net defined benefit liability (asset):	(5,549)	25,609	(29,785)	(9,725)
Return on plan assets excluding interest	(5,549)	X	X	(5,549)
Actuarial gains (losses) arising from changes in demographic assumptions	X	2,999	X	2,999
Actuarily gains (losses) arising from experience adjustments	X	(6,274)	X	(6,274)
Actuarial gains (losses) arising from changes in financial assumptions	X	28,884	X	28,884
Changes in effect of limiting net defined benefit asset to asset ceiling	X	X	(29,785)	(29,785)
Past service cost and gains (losses) arising from settlements	X	-	X	-
Changes in foreign exchange rates	(4,027)	4,570	-	543
Contributions to plan:	(3,082)	-	-	(3,082)
by employer	(3,082)	-	X	(3,082)
by employee	-	-	X	-
Payments from plan	12,204	(12,204)	X	-
Effect of business combinations and disposals	-	-	-	-
Effect of any plan curtailments	-	-	X	-
Effect of any plan settlements	-	-	X	-
Other changes	279	-	-	279
Closing balance	**(477,688)**	**269,656**	**214,238**	**6,206**

12.3.2c Changes in net defined liability (asset) and reimbursement rights during the year - Total

Item/Amount	31 12 2015			
	A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Internal funds	(141,673)	160,231	17,423	35,981
External funds	(469,037)	255,028	220,734	6,725
Total defined benefit funds	**(610,710)**	**415,259**	**238,157**	**42,706**

Item/Amount	31 12 2014			
	A (-) Plan assets	B (+) Present value of DBO	C (+) Effect of asset ceiling	D=A+B+C Net defined benefit liability (asset)
Internal funds	(138,396)	180,076	12,127	53,807
External funds	(477,689)	269,656	214,239	6,206
Total defined benefit funds	**(616,085)**	**449,732**	**226,366**	**60,013**

12.3.3 Information on Fair value of plan assets

Item	31 12 2015			
	Internal pension plans		External pension plans	
	Listed in active markets	Not listed in active markets	Listed in active markets	Not listed in active markets
Cash and cash equivalents	100,437	-	13,692	-
of which: used by the Bank	100,437	-	-	-
Equity instruments	-	-	39,462	-
of which: issued by Bank	-	-	11	-
Debt instruments	41,236	-	203,892	-
of which: issued by the Bank	-	-	12,073	-
Real estate	-	-	-	65,300
of which: used by the Bank	-	-	-	-
Derviatives	-	-	-	-
UCITS	-	-	146,691	-
Asset-backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	**141,673**	**-**	**403,737**	**65,300**
of wich: own instruments/assets used by the Bank	100,437	-	12,084	-

The table shows, for funded defined benefit plans, the total amount of plan assets. In particular, the assets refer to the following funds:

- Pension Fund for personnel of former Banca Agricola Mantovana S.p.A.
- Pension Fund for personnel of former Banca Toscana S.p.A.
- Pension Fund for personnel of former Banca Antonveneta
- Cassa di Previdenza Aziendale for Monte dei Paschi di Siena employees, defined benefit section

the total of which exceed the obligations existing at year end.

Item	31 12 2014			
	Internal pension plans		External pension plans	
	Listed in active markets	Not listed in active markets	Listed in active markets	Not listed in active markets
Cash and cash equivalents	95,244	-	19,212	-
of which: used by the Bank	95,244	-	597	-
Equity instruments	-	-	37,860	-
of which: issued by Bank	-	-	899	-
Debt instruments	43,152	-	247,672	-
of which: issued by the Bank	-	-	12,524	-
Real estate	-	-	-	67,699
of which: used by the Bank	-	-	-	-
Derviatives	-	-	-	-
UCITS	-	-	105,246	-
Asset-backed securities	-	-	-	-
Structured debt	-	-	-	-
Total	**138,396**	**-**	**409,990**	**67,699**
of wich: own instruments/assets used by the Bank	95,244	-	14,020	-

12.3.4 Key actuarial assumptions used

Key actuarial assumptions/percentages	31 12 2015		31 12 2014	
	Defined benefit funds		Defined benefit funds	
	Internal pension plans	External pension plans	Internal pension plans	External pension plans
Discount rates	1.46%	2.52%	0.93%	1.87%
Expected rates of salary increases	1.50%	2.04%	1.50%	2.04%

A discount rate of 1.46% was used for internal plans and of 2.52% for external ones (2.07% for Provision for severance pay, see section 11.2b), calculated as a weighted average of interest rates in EUR Composite AA yield curve as at 31.12.2015, using, as weights, the ratio between the amount paid / paid in advance for each maturity and the total amount to be paid /paid in advance for the entire duration of the population considered.

12.3.5 Information on amount, timing and uncertainty of cash flows

31 12 2015

Actuarial assumption	Change in DBO	Change (%) in DBO
Discount rate		
Increase of 0.25%	(5,689)	-1.45%
Decrease of 0.25%	4,877	1.24%
Expected rates of salary increases		
Increase of 0.25%	(259)	-0.07%
Decrease of 0.25%	(3,415)	-0.87%

31 12 2014

Actuarial assumption	Change in DBO	Change (%) in DBO
Discount rate		
Increase of 0.25%	(16,138)	-3.74%
Decrease of 0.25%	10,963	2.54%
Expected rates of salary increases		
Increase of 0.25%	7,017	1.63%
Decrease of 0.25%	(14,652)	-3.39%

12.3.6 Plans covering multiple employers

The table in this section was not completed since there are no plans covering multiple employers to report for either the current or previous year.

12.3.7 Defined benefit plans sharing risks among entities under common control

The table in this section was not completed since there are no defined benefit plans sharing risks among entities under common control to report for either the current or previous year.

12.4 Provisions for risks and charges - Other provisions

Items/Amounts	Total 31 12 2015	Total 31 12 2014
2.1 Legal disputes	612,159	598,639
- Revocatory	105,790	101,587
- Other legal disputes	506,369	497,052
2.2 personnel charges	96,072	53,234
2.3 other	244,183	303,464
- Risks related to the sale of business units	35,093	61,528
- Charges due to corporate restructuring	30,061	35,490
- Payments to financial advisors	214	6,734
- Onerous contracts	130	2,250
- Charges for embezzlment	14,537	16,058
- Claims and Court agreements	3,798	1,151
- Other	160,350	180,253
Total	952,414	955,337

Section 13 - Redeemable shares - Item 140

The tables in this section were not completed since there are no redeemable shares to report for either the current or previous year.

Section 14 - Company equity - Items 130, 150, 160, 170, 180, 190 and 200

14.1 "Share capital" and "Treasury shares": breakdown

14.1.a "Share capital" breakdown

(in units of Eur)

Items/Amounts	31 12 2015		31 12 2014	
	Implied par value share (a)	Par value of fully paid shares	Par value per share (a)	Par value of fully paid shares
Ordinary shares	3.07	9,001,756,821	2.44	12,484,206,649
Total share capital		**9,001,756,821**		**12,484,206,649**

a) On 6 June 2011 the Bank's Extraordinary Shareholders' Meeting resolved that indication of the par value of the classes of shares be eliminated; accordingly, as at 31.12.2011, the so-called "Implied par value" is indicated, which is obtained by dividing the total share capital amount by the number of shares in the same category, outstanding at the reference date.

Ordinary shares are registered and indivisible. Each share entitles to one vote. Information on the number of fully paid-up shares can be found in the notes to Table "14.2 Share capital - number of shares: annual changes".

In June 2015, the Bank completed a share capital increase of EUR 2,993,160,608.10. As a result of this transaction, the share capital amounted to EUR 8,758,683,020.70, represented by 2,814,082,623 ordinary shares with no par value.

In July 2015, in execution of the resolution adopted by the Bank's Board of Directors on 21 May 2015, 117,997,241 ordinary shares (the "MEF Shares"), equal to 4% of the share capital, which thus increased by EUR 243,073,800.00, were issued to the Ministry of Economy and Finance (MEF) for interest accrued as at 31 December 2014 pursuant to the regulation relating to "New Financial Instruments" set forth under Decree Law no. 95 of 6 July 2012, as amended.

As a result of the above, at the reporting date, the Bank's share capital amounted to EUR 9,001,756,820.70, represented by 2,932,079,864 ordinary shares with no par value.

14.1.b Treasury shares: breakdown

(in units of Eur)

Items/Amounts	31 12 2015		31 12 2014	
	Implied par value share (a)	Par value of fully paid shares	Par value per share (a)	Par value of fully paid shares
Ordinary shares	3.07	9,001,756,821	2.44	12,484,206,649
Total share capital		**9,001,756,821**		**12,484,206,649**

As at 31 December 2015, the Bank held no ordinary treasury shares.

14.2 Share capital - Number of shares: annual changes

Item/Type		31 12 2015	31 12 2014
		Ordinary	Ordinary
A.	**Shares outstanding as at the beginning of the year**	**5,116,513,875**	**11,627,044,328**
	- fully paid	5,116,513,875	11,627,044,328
	- not fully paid	-	-
A.1	Treasury shares (-)	9	54,495,378
A.2	**Shares outstanding: opening balance**	**5,116,513,866**	**11,572,548,950**
B.	**Increases**	**2,676,254,180**	**5,000,243,422**
B.1	New issues	2,676,254,171	4,999,698,478
	- Against payment:	2,676,254,171	4,999,698,478
	- Business combinations	-	-
	- Bond converted	-	-
	- Warrats exercised	-	-
	- Other	2,676,254,171	4,999,698,478
	- without payment:	-	-
	- to employees	-	-
	- to directors	-	-
	- Other	-	-
B.2	Sale of treasury shares	-	544,944
B.3	Other increases	9	-
C.	**Decreases**	**4,860,688,182**	**11,456,278,506**
C.1	Cancellation	-	-
C.2	Purchase of treasury shares	-	-
C.3	Business transferred	-	-
C.4	Other decreases	4,860,688,182	11,456,278,506
D.	**Shares outstanding: closing balance**	**2,932,079,864**	**5,116,513,866**
D.1	Treasury shares (+)	-	9
D.2	Shares outstanding as at the end of the year	2,932,079,864	5,116,513,875
	- fully paid	2,932,079,864	5,116,513,875
	- not fully paid	-	-

Line B.1 “New issues” refers

- to new shares subscribed in accordance with the share capital increase resolution approved by the Extraordinary Shareholders’ Meeting of Banca Monte dei Paschi di Siena S.p.A. held on 16 April 2015;
- to new shares subscribed in accordance with the share capital increase resolution for the payment of interest as at 31 December 2014 on the New Financial Instruments, passed by the Bank’s Board of Directors on 21 May 2015.

Lines B3 and C.4 “Other decreases” include the reverse split of the Bank’s ordinary shares at a ratio of 1 new ordinary share to 20 shares held, pursuant to the resolution issued by the Extraordinary Shareholders Meeting of Banca Monte dei Paschi di Siena S.p.A. held on 16 April 2015, after the cancellation of 15 ordinary shares of the Bank (of which 9 shares held by the Bank itself).

Share capital consists of 2,932,079,864 ordinary shares.

14.3 Share capital: other information

On 147,618 ordinary shares a restriction exists on the payout of dividends since the Bank has acquired usufruct in these shares.

14.3a Equity instruments: breakdown and annual changes

The equity component of convertible bonds outstanding as at 31 December 2014, amounting to EUR 3.0 mln, referred to bonds issued and convertible into treasury shares. This mainly concerned the value determined upon issue of the Convertible Preferred Securities in relation to the embedded option which, according to IAS 32, must be separated from the bond instrument since it is considered an equity instrument.

In execution of the resolution adoped by the Bank's ordinary shareholders' meeting held on 16 April 2015, this reserve was fully used to cover previous year losses.

14.4 Retained earnings: other information

14.4.a Item "Reserves" - breakdown

See Section F, "Information on shareholders' equity" of these notes to the financial statements.

14.4.b Information on Equity items under art. 2427.7bis Italian Civil Code

		Note	31 12 2015	Under tax suspension	Available for use (1)	Amounts used in the last 4 years to cover losses	Amounts used in the last 4 years for share capital increase
130 Valuation reserves	Financial assets availabre for sale	(1)	117,647	-		-	
	Cash flow Hedges		(191,928)	-		-	
	Exchange differences	(1)	6,799	-		-	
	Actuarial gains (losses) on defined benefit plans		105,919	-		-	
	Revaluation Law 185/2008 art.15 paragraph 16 et sequ		-	-		146,372	
	Revaluation Law 266/2005		-	-		57,083	
	Valuation reserves		**(173,401)**	**-**		**203,455**	
150 Equity Instruments	**Equity instruments**		**-**	**-**		**3,002**	
160 Reserves	Legal reserve			-		572,054	
	Statutory reserve			-		1,655,224	
	Extraordinary reserve			-		1,815,974	
	Other:						
	Special reserve L.218/90			-		163,794	
	Employee profit sharing reserve			-		1,192	
	Reserve pursuant to art.6 letter a) L.D. 38/2005 (fair value option)	(3)	-	-		159,195	
	Special reserve Art. 23 L.D. 153/99		-	-		318,639	
	Reserve art. 7 paragraph 4 L.D. 38/2005		-	-		18,942	
	Reserve pusuant to art. 13 L.D. 124/93		-	-		12,219	
	Riserve pursuant to art.19 dlg 87/92		-	-		575,027	
	Merger surplus	(2)	47,682	-	ABC	1,221,418	
	2008 Fresh notes reclassified to Liabilities		(76,000)	-		-	
	IAS 8 Restatement reserve		(619,233)	-		3,781	
	Costs incurred for the capital incrase		(88,769)	-		-	
	Gains (Losses) carried forward		-	-		27	
	Reserves		**(736,320)**	**-**		**6,517,486**	
170 Share premium reserve	Share premium reserve	(2)	6,325	-	ABC	3,367,899	752,262
180. Share capital	Share capital		9,001,757	-		6,718,684	-
190. Treasury shares	Treasury shares		-	-		-	-
200. Profit (Loss) for the year	Profit (Loss) for the year		416,633	-		-	-
Total shareholders' equity			**8,514,994**	**-**		**16,810,526**	**752,262**

Legend:

A for capital increase;
B to cover losses;
C to distribute to shareholders

Notes:

(1) The reserve is unavailable pursuant to art. 6 of Italian Legislative Decree no. 38/2005.
(2) Pursuant to art. 2431 of the Italian Civil Code, it is possible to distribute only the part exceeding the limit required to cover the missing part of the Legal Reserve to reach the threshold indicated by art. 2430 of the Italian Civil Code;
(3) As at 31 December 2015, the Bank is obliged to replenish the reserve under art. 6.1 a) of Italian Legislative Decree no. 38/2005 for an amount of EUR 173.0 mln.

In execution of the resolution passed by the extraordinary Shareholders' meeting of the Bank, held on 16 April 2015, the share capital reduction (EUR 6,718.7 mln) carried out in accordance with art. 2446 of the Italian civil code to cover the operating loss of 2014 and the losses carried forward from the previous years, affected firstly and definitively the portion of share capital consisting of reserves subject to tax suspension, amounting to EUR 1,394.8 mln. Consequently, in future years the reserves subject to tax suspension will not be replenished and the tax suspension restriction on the remaining tax capital or arising from future capital increases will not be restored.

Lastly it should be noted that, during the same Shareholders' meeting, a resolution was passed to reduce definitively and not replenish the reserves subject to the statutory requirement of replenishment and/or under a tax suspension regime, which were also used to cover the loss of FY 2012 and part of the loss of FY 2014.

14.4.c Proposal to cover losses under art. 2427.22septies of the Italian Civil Code

Dear Shareholders,

the financial statements close with a net profit of EUR 416,632,656. However, the accounting as a CDS derivative of the Alexandria transaction, described in greater detail in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", resulted in negative effects recorded in shareholders'equity amounting to EUR 619,232,917. Additionally, capital increase costs incurred in 2015 amounted to EUR 88,769,839 and were recorded directly to equity.

Therefore, as at 31 December 2015 losses and charges to be covered amount to EUR 708,002,756. Thus, taking into account the net operating profit and the reserves available for the coverage of losses, we submit the proposal to cover part of this loss using the net operating profit of EUR 416,632,656, the Share premium reserve for an amount of EUR 6,325,105, arising from the sale of unsubscribed rights from last June's capital increase, and the merger surplus of EUR 47,682,430 resulting from the absorption of Consum.it S.p.A.

Following the use of these reserves, the loss to be carried forward amounts to EUR 237,362,565.

Please note that the Bank is required to replenish the reserve pursuant to art. 6, para. 1, letter a) of Legislative Decree 38/2005 for the amount of EUR 172,991,753. That reserve derives from gains on fair value option financial instruments. This obligation prevents the distribution of future profits until the reserve is replenished.

In any event, as at 31 December 2015 a total of EUR 173,401,126 is recognised for negative reserves pursuant to art. 6, para. 1, letter b) of Legislative Decree 38/2005 and similar.

Siena, 25 February 2016

The Board of Directors

14.5 Equity instruments: breakdown and annual changes

None to report as at 31 December 2015.

14.6 Other information

See "Part F - Information on shareholders' equity" of these notes to the financial statements.

Other information

1 Guarantees and commitments

	Transactions	Amount 31 12 2015	Amount 31 12 2014
1)	Financial guarantees given to	2,987,788	2,605,457
	a) Banks	492,369	591,650
	b) Customers	2,495,419	2,013,807
2)	Commercial guarantees given to	3,811,435	4,223,634
	a) Banks	212,717	274,780
	b) Customers	3,598,718	3,948,854
3)	Irrevocable commitments to disburse funds	5,824,867	5,692,377
	a) Banks	2,295,580	1,845,992
	i) drawdown certain	2,262,259	1,812,991
	ii) drawdown uncertain	33,321	33,001
	b) Customers	3,529,287	3,846,385
	i) drawdown certain	2,129,279	2,172,523
	ii) drawdown uncertain	1,400,008	1,673,862
4)	Underlying commitments on credit derivatives: sales of protection	429,921	225,322
5)	Assets pledged as collateral for third-party commitments	7,529	7,530
6)	Other commitments	1,388,456	902,270
	Total	**14,449,996**	**13,656,590**

2 Assets pledged as collateral for liabilities and commitments

Portfolios	31 12 2015	31 12 2014
1. Financial assets held for trading	-	12,204
2. Financial assets designated at fair value	-	-
3. Financial assets available for sale	7,877,115	21,619,300
4. Financial assets held to maturity	-	-
5. Loans to banks	2,102,249	2,745,805
6. Loans to customers	28,939,254	30,657,407
7. Property, plant and equipment	-	-

The table summarises the assets pledged by the Bank as collateral for its liabilities, mainly represented by repurchase agreements. The amount in line "6. Loans to customers" includes approx. EUR 21.5 bn related to loans transferred to the vehicle MPS Covered Bond S.r.l. as part of the programme for the issuance of covered bonds.

3 Operating leases

3.1 Future minimum lease payments due under operating leases

Items/Amounts	31 12 2015
Up to 1 year	87,895
From 1 to 5 years	351,580
Over 5 years	1,098,688
Future minimum lease payments due	**1,538,163**
Non-cancellable future minimum lease payments receivable	18,109

The amounts in the table express the lease payments to Perimetro Gestione Proprietà Immobiliari S.C.P.A.

4 Asset management and trading on behalf of third parties

Type of services	Amount 31 12 2015
1. Trading of financial instruments on behalf of third parties	
a) Purchases	2,732,287
1. Settled	2,732,287
2. Unsettled	-
b) Sales	3,582,784
1. Settled	3,582,784
2. Unsettled	-
2. Asset management accounts	
a) individual	4,104,615
b) collective	2,092
3. Custody and administration of securities	
a) third party securities on deposit associated with custodian bank transactions (excluding asset management)	-
1. Securities issued by companies included in consolidation	-
2. Other securities	-
b) Other third party securities on deposit (excluding asset management)	81,448,865
1. Securities issued by companies included in consolidation	17,809,950
2. Other securities	63,638,915
c) third party securities deposited with third parties	75,318,012
d) own securities deposited with third parties	20,589,231
4. Other transactions	**38,868,910**

5 Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

Type	Gross amount of financial assets (a)	Amount of financial liabilities offset in balance sheet (b)	Net amount of financial assets recognised in the balance sheet (c=a-b)	Related amounts not subject to balance sheet offsetting		Net amount (f=c-d-e) 31 12 2015	Net amount (f=c-d-e) 31 12 2014
				Financial instruments (d)	Deposits of cash collateral received (e)		
1. Derivatives	2,580,114	-	2,580,114	1,920,334	323,590	336,190	431,689
2. Repurchase agreements	12,437,989	-	12,437,989	12,437,773	-	216	1,412
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total as at 31 12 2015	**15,018,103**	**-**	**15,018,103**	**14,358,107**	**323,590**	**336,406**	**X**
Total as at 31 12 2014	**15,362,470**	**-**	**15,362,470**	**14,641,058**	**288,311**	**X**	**433,101**

6 Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

Type	Gross amount of financial liabilities (a)	Amount of financial assets offset in balance sheet (b)	Net amount of financial liabilities recognised in the balance sheet (c=a-b)	Related amounts not subject to balance sheet offsetting		Net amount (f=c-d-e) 31 12 2015	Net amount (f=c-d-e) 31 12 2014
				Financial instruments (d)	Deposits of cash collateral received (e)		
1. Derivatives	2,848,607	-	2,848,607	1,920,334	854,063	74,210	524,540
2. Repurchase agreements	18,531,157	-	18,531,157	18,480,334	18,227	32,596	-
3. Securities lending	-	-	-	-	-	-	-
4. Other	-	-	-	-	-	-	-
Total as at 31 12 2015	**21,379,764**	**-**	**21,379,764**	**20,400,668**	**872,290**	**106,806**	**X**
Total as at 31 12 2014	**32,246,407**	**-**	**32,246,407**	**28,490,477**	**3,231,390**	**X**	**524,540**

IFRS 7 requires disclosure of information for all financial instruments that:

- were offset in the balance sheet pursuant to IAS 32;
- could potentially be offset, given certain conditions, but presented in the balance sheet as open balances as they are governed by "framework offsetting agreements or similar agreements" which do not meet the criteria established in IAS 32 for offsetting.

For the purposes of reconciliation of the amounts shown in the column (c) "net amount of financial assets/liabilities recognised in the balance sheet" with the opening balances shown in "Part B - Information on the separate balance sheet", note that:

- the amount relating to both trading and hedging derivative financial instruments, aided by netting agreements or similar, is represented in asset items 20 "Financial assets held for trading" and 80 "Hedging derivatives" and in liability items 40 "Financial liabilities held for trading" and 60 "Hedging derivatives";
- the amount related to repurchase agreements subject to netting agreements or similar is shown in line "Repurchase agreements/Reverse repurchase agreements" in the tables containing a breakdown of asset items 60 "Loans to banks" and 70 "Loans to customers" and of liability items 10 "Deposits from banks" and 20 "Deposits from customers".

Note also that:

- with regard to securities lending transactions, the above tables include transactions involving the payment of cash collateral fully owned by the lender since they are the only transactions which are recognised in the balance sheet.
- the repurchase agreements are recognised in the tables at amortised cost, while the financial collateral and derivative transactions are reported at their fair value.

7 Securities lending transactions

The Bank has in place, as borrower, securities lending transactions guaranteed by other securities, amounting to approximately EUR 2.5 bn, signed with leading market counterparties.

The Bank has also in place, as borrower, securities lending transactions (mainly Italian government securities) with customers, amounting to approximately EUR 2.9 bn. The main purpose of the operations is government securities that the Bank, in turn, transfers to the subsidiary MPS Capital Services.

These transactions, which in accordance with current accounting regulations have no impact on the balance sheet, are closed with the aim of increasing the counter-balancing capacity of the Bank.

8 Information on joint control activities

This paragraph was not completed as no such activities are present for the Bank.

Part C - Information on the separate income statement

Section 1 - Interest income/expense and similar revenues/charges - Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Itme/Type	Debt securities	Loans	Other transactions	Total 31 12 2015	Total 31 12 2014*
1. Financial assets held for trading	1,989	2,811	45,916	50,716	87,683
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	295,627	-	-	295,627	468,305
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	44,091	294,348	-	338,439	459,964
6. Loans to customers	47,376	3,170,789	-	3,218,165	3,658,557
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	15,474	15,474	8,984
Total	**389,083**	**3,467,948**	**61,390**	**3,918,421**	**4,683,493**

**With respect to published accounts, prior period balances are reflective of changes described in the section 'Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down by EUR 150.1 mln, on line "3. Financial assets available for sale".*

The amount in line "1. Financial assets held for trading", in the "Other transactions" column, includes the positive net balance of spreads relating to derivatives connected with financial liabilities designated at fair value (fair value option), for an amount of EUR 38.4 mln (EUR 76.6 mln as at 31 December 2014).

Lines 5 and 6, "Loans to banks" and "Loans to customers", in the "Debt securities" column, include interest income on treasury securities not listed in active markets and classified in these portfolios.

The amount in line "8. Other assets", in the "Other transactions" column, shows mainly interest accrued on tax credits.

Interest other than that recognised in item 130 "Net impairment losses/reversals" accrued during the year for positions that are classified as "non-performing" as at balance-sheet date totalled EUR 680.3 mln (EUR 553.6 mln as at 31 December 2014).

This interest is calculated for financial assets measured at amortised cost under the effective interest rate method and is entered in different columns based on the original 'technical form'. Interest on arrears accrued during the year is posted to interest income only for the portion actually recovered. The portion of interest on arrears not recovered is written down and deducted directly from interest accrued. Any amounts recovered in subsequent years are treated as a write-back on receivables and recognised in Item 130 of the profit and loss statement, "Net impairment losses/reversals on loans".

The bank recognized the positive components of income accrued on financial liabilities under "Interest and similar income", aligning the classification of such proceeds to the regulatory (Eba clarification of 22 May 2015). It was therefore revised the practice until now applied by the sector which provided recognition of the positive components in decrease in negative interest.

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

1.2 Interest income and similar revenues: spreads on hedging transactions

Information on spreads relating to hedging transactions is provided in Table 1.5.

1.3 Interest income and similar revenues: other information

1.3.1 Interest income from financial assets denominated in foreign currency

Interest income from financial assets denominated in foreign currency for 2015 amounted to EUR 39.4 mln, as compared to EUR 60.9 mln in 2014.

1.3.2 Interest income from finance leases

This table was not compiled since the Bank had no finance leases on which interests accrue to report for either the period under review or the previous year.

1.4 Interest expense and similar charges: breakdown

Item/Type		Deposits	Secuties	Other transactions	Total 31 12 2015	Total 31 12 2014*
1.	Deposits from central banks	(11,853)	X	-	(11,853)	(44,182)
2.	Deposits from banks	(182,056)	X	-	(182,056)	(201,688)
3.	Deposits from customers	(618,538)	X	-	(618,538)	(889,063)
4.	Debt securities issued	X	(956,954)	-	(956,954)	(1,507,717)
5.	Financial liabilities held for trading	-	-	-	-	-
6.	Financial liabilities designated at fair value	-	(116,921)	-	(116,921)	(205,463)
7.	Other liabilities	X	X	(804)	(804)	(18)
8.	Hedging derivatives	X	X	(53,703)	(53,703)	(161,103)
	Total	**(812,447)**	**(1,073,875)**	**(54,507)**	**(1,940,829)**	**(3,009,234)**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down (in absolute value) by EUR 14.2 mln, on line "3. Deposits from customers" and by EUR 114.5 mln on line "8. Hedging derivatives".*

Lines 2, "Deposits from banks" and 3, "Deposits from customers", in the "Deposits" column, include interest on payables under repurchase agreements on: treasury securities recognised in the balance sheet or securities not recognised in the balance sheet obtained through repo transactions or from self-securitisations without derecognition.

Line 4, "Debt securities issued", indicates the interest expense accrued during the year on bonds and certificates of deposit valued at amortised cost. In particular, interest on the New Financial Instruments/former Tremonti Bonds accrued in 2015, totalling EUR 53.2 mln (EUR 401.4 mln as at 31 December 2014), was posted to this item; for further information see table 3.1 "Debt securities issued: breakdown" in these Notes to the Financial Statements.

The Bank recognized the negative components of income on loans under "Interest expense and similar charges", aligning the classification of such charges to the regulatory (Eba clarification of 22 May 2015). It was therefore revised the practice until now applied by the sector which provided recognition of the negative components in decrease in interest income.

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

1.5 Interest expense and similar charges: spreads on hedging transactions

Items	Total 31 12 2015	Total 31 12 2014*
A. Positive spreads on hedging transactions	530,796	684,909
B. Negative spreads on hedging transactions	(584,499)	(846,012)
C. Balance (A+B)	**(53,703)**	**(161,103)**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down (in absolute value) by EUR 114.5 mln, on line "B. Negative spreads on hedging transactions".*

In line with its hedging objectives and consequent minimisation of risks in the banking book, the Bank carries out both fair value and cash flow hedging transactions.

1.6 Interest expense and similar charges: other information

1.6.1 Interest expense on liabilities denominated in foreign currency

Interest expense on financial liabilities denominated in foreign currency for 2015 amounted to EUR 29.8 mln as compared to EUR 27.5 mln in 2014.

1.6.2 Interest expense on liabilities from finance leases

This table was not compiled since the Bank had no finance leases on which interests accrue to report for either the period under review or the previous year.

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

2.1 Fee and commission income: breakdown

Type of service / Amount	Totale 31 12 2015	Totale 31 12 2014
a) guarantees issued	82,079	82,694
b) credit derivatives	-	-
c) management, brokerage and advisory services:	925,730	892,855
1. trading of financial instruments	32,144	16,349
2. currency trading	4,612	5,424
3. asset management	49,847	50,280
3.1 individual accounts	49,847	50,280
3.2. collective investment schemes	-	-
4. custody and administration of securities	7,675	7,067
5. custodian bank	-	-
6. placement of securities	19,220	22,505
7. client instructions	46,010	52,466
8. advisory on	5,268	2,396
8.1 investments	5,246	2,396
8.2 financial structure	22	-
9. distribution of third-party services	760,954	736,368
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	219,929	224,571
9.3 other products	541,025	511,797
d) collection and payment services	248,808	240,063
e) servicing of securitisations	133	160
f) factoring transaction services	-	-
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	535,703	574,015
j) other services	270,352	219,479
Total	**2,062,805**	**2,009,266**

2.2 Fee and commission income: distribution channels of products and services

Channel/Sectors	31 12 2015	31 12 2014
a) Group branches	**819,143**	**708,123**
1. portfolio management	49,847	45,074
2. placement of securities	19,220	21,104
3. third party services and products	750,076	641,945
b) "Door-to-door" sales	**-**	**89,900**
1. portfolio management	-	5,206
2. placement of securities	-	1,401
3. third party services and products	-	83,293
c) Other distribution channels	**10,878**	**11,130**
1. portfolio management	-	-
2. placement of securities	-	-
3. third party services and products	10,878	11,130

2.3 Fee and commission expense: breakdown

Type of service / Amount	Total 31 12 2015	Total 31 12 2014
a) guarantees received	(43,597)	(96,955)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(26,072)	(94,434)
1. trading of financial instruments	(12,782)	(14,036)
2. currency trading	(31)	(54)
3. asset management:	(722)	(792)
3.1 own portfolio	-	-
3.2 third-party portfolios	(722)	(792)
4. custody and administration of securities	(8,511)	(10,573)
5. placement of financial instruments	(1,114)	(497)
6. off-site marketing of financial instruments, products and services	(2,912)	(68,482)
d) collection and payment services	(99,018)	(89,215)
e) other services	(110,842)	(86,281)
Total	**(279,529)**	**(366,885)**

Line "a) guarantees received" includes EUR 41.4 mln (EUR 95.2 mln as at 31 December 2014) of fees and commissions paid by the Bank for the guarantee pledged by the Italian Government on securities issued and concurrently repurchased, for a residual nominal amount of EUR 4,000.0 mln as at 31 December 2015.

The reduction on line c.6 "off-site marketing of financial instruments, products and services" is justified by the assignment to Widiba of the banking and investment services business and the related off-site marketing through financial advisors (extraordinary transaction finalised in December 2014).

Line "e) other services" includes fee and commission expense for an amount of EUR 29.5 mln (EUR 9.4 mln as at 31 December 2014) on securities lending.

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

Section 3 - Dividends and similar income - Item 70

3.1 Dividends and similar income: breakdown

Item/Income	31 12 2015			31 12 2014		
	Dividends	Income from unitis in UCITS	Total	Dividends	Income from unitis in UCITS	Total
A. Financial assets held for trading	78	-	78	64	-	64
B. Financial assets available for sale	9,074	5,805	14,879	19,698	13,506	33,204
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	126,890	-	126,890	99,377	-	99,377
Total	**136,042**	**5,805**	**141,847**	**119,139**	**13,506**	**132,645**

The table shows the amount of dividends received on shares traded within the trading book, non-controlling interest classified in the available-for-sale asset portfolio and controlling interests and stakes in associates.

Line "B. Financial assets available for sale" includes the dividend of EUR 8.5 mln received on the investment in the Bank of Italy.

Line "D. Investments" includes the dividend of EUR 108.1 mln collected on the AXA MPS Assicurazione Vita SpA shareholding.

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

4.1 Net profit (loss) from trading: breakdown

Transactions / P&L items	Capital Gains	Trading Profit	Capital Losses	Trading Losses	31 12 2015 Net Profit (Loss)	31 12 2014* Net Profit (Loss)
1. Financial assets held for trading	53	15,136	(687)	(8,913)	5,589	9,291
1.1 Debt securities	10	4,390	(669)	(49)	3,682	898
1.2 Equity instruments	43	17	(17)	(1)	42	(4)
1.3 Units of UCITS	-	33	(1)	-	32	3,156
1.4 Loans	-	-	-	(1,812)	(1,812)	1,179
1.5 Other	-	10,696	-	(7,051)	3,645	4,062
2. Financial liabilities held for trading	-	-	-	(4)	(4)	-
2.1 Debt securities	-	-	-	-	-	-
2.2 Deposits	-	-	-	-	-	-
2.3 Other	-	-	-	(4)	(4)	-
3. Other financial assets and liabilities: exchange differences	X	X	X	X	31,523	26,737
4. Derivatives	1,036,614	1,566,486	(845,068)	(1,246,241)	575,288	(110,709)
4.1 Financial derivatives:	1,022,252	1,025,725	(844,268)	(1,207,091)	60,115	(1,016,908)
- on debt securities and interest rates	579,743	578,756	(467,899)	(565,211)	125,389	(1,026,793)
- on equity instruments and stock indices	68,753	4,802	(65,860)	(794)	6,901	115
- on currency and gold	X	X	X	X	63,497	8,225
- other	373,756	442,167	(310,509)	(641,086)	(135,672)	1,545
4.2 Credit derivatives	14,362	540,761	(800)	(39,150)	515,173	906,199
Total	**1,036,667**	**1,581,622**	**(845,755)**	**(1,255,158)**	**612,396**	**(74,681)**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down by EUR 968.0 mln, on line "4.1. Financial derivatives: on debt securities and interest rates" and up by EUR 905.6 mln on line "4.2 Credit derivatives".*

Line "4.2 credit derivatives" includes the total positive contribution of the Alexandria transaction in 2015, amounting to EUR 608 mln.

Section 5 - Net profit (loss) from hedging - Item 90

5.1 Net profit (loss) from hedging: breakdown

P&L items/Values	Total 31 12 2015	Total 31 12 2014*
A. Gains on:		
A.1 Fair value hedging instruments	203,594	268,367
A.2 Hedged financial assets (fair value)	25,004	667,425
A.3 Hedged financial liabilities (fair value)	87,463	25,868
A.4 Cash-flow hedging derivatives	-	-
A.5 Assets and liabilities denominated in foreign currency	-	-
Total gains on hedging activities (A)	**316,061**	**961,660**
B. Losses on:		
B.1 Fair value hedging instruments	114,071	662,201
B.2 Hedged financial assets (fair value)	162,167	44,523
B.3 Hedged financial liabilities (fair value)	39,625	250,338
B.4 Cash-flow hedging derivatives	18,716	27,308
B.5 Assets and liabilities denominated in foreign currency	-	-
Total losses on hedging activities (B)	**334,579**	**984,370**
C. Net profit (loss) from hedging activities (A - B)	**(18,518)**	**(22,710)**

**With respect to published accounts, prior period balances are reflective of changes described in the section "Restatement of prior period accounts in compliance with IAS 8 (Accounting policies, changes in estimates and errors)", which is referenced to for further details. In particular, the balance at 31 December 2014 was adjusted down by EUR 851.0 mln, on line "A.2 Hedged financial assets (fair value)" and by EUR 853.6 mln on line "B.1 Fair value hedge derivatives".*

For information on hedging derivatives, the gains and losses on which are indicated in lines A.1 and A.4, B.1 and B.4 of this table, see Section 8, "Hedging derivatives - Item 80" of the Assets and Section 6, "Hedging derivatives - item 60" of the Liabilities in Part B of the notes to the financial statements.

More information on hedged assets and liabilities can be found in the tables in Part B of the notes for each section of the accounts to which hedges are posted.

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

6.1 Gains (losses) on disposal / repurchase: breakdown

Items / P&L items	Total 31 12 2015			Total 31 12 2014		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
Financial assets						
1. Loans to banks	-	(911)	(911)	668	(1,076)	(408)
2. Loans to customers	23,873	(76,390)	(52,517)	62,308	(99,220)	(36,912)
3. Financial assets available for sale	297,182	(22,744)	274,438	297,572	(80,623)	216,949
3.1 Debt securities issued	293,734	(22,683)	271,051	214,449	(79,268)	135,181
3.2 Equity instruments	2,916	(17)	2,899	65,469	(6)	65,463
3.3 Units of UCITS	532	(44)	488	17,654	(1,349)	16,305
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**321,055**	**(100,045)**	**221,010**	**360,548**	**(180,919)**	**179,629**
Financial liabilities	-	-	-	-	-	-
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	1,546	(2,708)	(1,162)	2,357	(12,803)	(10,446)
Total liabilities	**1,546**	**(2,708)**	**(1,162)**	**2,357**	**(12,803)**	**(10,446)**

The amount of EUR 52.5 mln posted to line 2 "Loans to customers" - column 'Net profit (loss)', includes EUR 49.1 mln related to the block sale without recourse, concluded in the months of June and December, of a doubtful loan portfolio to, respectively, Banca IFIS S.p.A. and a securitisation entity that is funded by an associate of Cerberus Capital Management, L.P and the vehicle Epicuro SPV S.r.l., funded by Deutsche Bank companies.

Section 7 - Net profit (loss) from financial assets and liabilities designated at fair value - Item 110

7.1 Net changes in financial assets and liabilities designated at fair value: breakdown

Transaction/P&L items	Capital Gains	Gaiins following disposal	Capital Losses	Losses following disposal	Net Profit (Loss) 31 12 2015	Net Profit (Loss) 31 12 2014
1. Financial assets	-	-	-	-	-	-
1.1 Debt securities issued	-	-	-	-	-	-
1.2 Equity instruments	-	-	-	-	-	-
1.3 Units of UCITS	-	-	-	-	-	-
1.4 Loans	-	-	-	-	-	-
2. Financial liabilities	99,839	9,726	(4,851)	(3,167)	101,547	(28,234)
2.1 Debt securities issued	99,839	9,726	(4,851)	(3,167)	101,547	(28,234)
2.2. Deposits from banks	-	-	-	-	-	-
2.3. Deposits from customers	-	-	-	-	-	-
3. Financial assets and liabilities	X	X	X	X	-	-
4. Credit and financial derivatives	23,721	48,512	(56,636)	(55,890)	(40,293)	6,374
Total	**123,560**	**58,238**	**(61,487)**	**(59,057)**	**61,254**	**(21,860)**

7.1.a Net profit (loss) from financial assets and liabilities designated at fair value under the fair value option

Type/Item	Capital Gains	Gains following disposal	Capital Losses	Losses following diaposal	Net Profit (Loss)	
					31 12 2015	31 12 2014
Assets	**-**	**-**	**-**	**-**	**-**	**-**
Liabilities	**99,839**	**9,726**	**(4,851)**	**(3,167)**	**101,547**	**(28,234)**
Natural hedge through derivatives contracts	99,839	9,726	(4,851)	(3,167)	101,547	(28,234)
Financial derivatives	**23,721**	**48,512**	**(56,636)**	**(55,890)**	**(40,293)**	**6,374**
Natural hedges	23,721	48,512	(56,636)	(55,890)	(40,293)	6,374
Total	**123,560**	**58,238**	**(61,487)**	**(59,057)**	**61,254**	**(21,860)**

The item includes solely the profit, loss, capital gains and capital losses from structured and fixed-rate bonds included in the fair value option and derivative contracts through which these bonds receive natural hedge.

During the year, changes in fair value of financial liabilities (FVO) arising from changes in own creditworthiness resulted in capital gains of EUR 62.6 mln (cumulative capital gains EUR 176.1 mln), against capital losses of EUR 35.9 mln in 2014.

Changes in the fair value of liabilities issued due to changes in own creditworthiness are 'immunised' for the purpose of capital quantification.

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

8.1 Net impairment losses (reversals) on loans: breakdown

Transactions/ P&L items	Value Adjustments			Write - backs				Total 31 12 2015	Total 31 12 2014
	Specific			Specific		Portfolio			
	Write-offs	Others	Portfolio	A	B	A	B		
A. Loans to banks	**(47)**	**(25,752)**	**(1,427)**	**27**	**1,542**	**-**	**322**	**(25,335)**	**6,196**
- Loans	(47)	(689)	(1,427)	27	1,542	-	-	(594)	(2,003)
- Debt securities	-	(25,063)	-	-	-	-	322	(24,741)	8,199
B. Loans to customers	**(38,465)**	**(3,447,874)**	**(18,208)**	**506,387**	**1,137,540**	**-**	**198,317**	**(1,662,303)**	**(6,106,807)**
Non-performing loans purchased	-	(1,318)	-	1,000	709	-	-	391	(11,683)
- Loans	-	(1,318)	X	1,000	709	-	X	391	(11,683)
- Debt securities	-	-	X	-	-	-	X	-	-
Other receivables	(38,465)	(3,446,556)	(18,208)	505,387	1,136,831	-	198,317	(1,662,694)	(6,095,124)
- Loans	(38,465)	(3,446,556)	(17,470)	505,387	1,136,831	-	198,306	(1,661,967)	(6,097,757)
- Debt securities	-	-	(738)	-	-	-	11	(727)	2,633
C. Total	**(38,512)**	**(3,473,626)**	**(19,635)**	**506,414**	**1,139,082**	**-**	**198,639**	**(1,687,638)**	**(6,100,611)**

Legend
A = From interest
B= Other reversals

In particular, the column "Write-offs" shows losses recorded in relation to the derecognition of financial instruments, whereas the "Other" column includes specific write-downs on non-performing loans subject to analytical valuation. Portfolio value adjustments are quantified with reference to financial instruments that are not non-performing.

Column "A" (specific reversals) incorporates the reversals represented by interest released on non-performing positions valued at amortised cost and interest on arrears recovered and written down in the year in which it was accrued.

For further information on loans to banks and customers, see Section 1, "Credit risk", in Part E of the notes to the financial statements.

8.2 Net impairment losses (reversals) on financial assets available for sale: breakdown

Transactions/ P&L items	Value Adjustments		Write - backs		Total 31 12 2015	Total 31 12 2014
	Specific		Specific			
	Write-offs	Others	A	B		
A. Debt securities issued	-	(1,043)	-	-	(1,043)	(272)
B. Equity instruments	-	(14,499)	X	X	(14,499)	(38,127)
C. Units of UCITS	-	(510)	X	-	(510)	(17,833)
D. Loans to banks	-	-	-	-	-	-
E. Loans to customers	-	-	-	-	-	-
F. Total	**-**	**(16,052)**	**-**	**-**	**(16,052)**	**(56,232)**

Legend
A = From interest
B= Other reversals

8.3 Net impairment losses (reversals) on financial assets held to maturity: breakdown

This table has not been completed since these value adjustments were not present for the Bank in 2015 or in the year of comparison.

8.4 Net impairment losses (reversals) on other financial transactions: breakdown

Transactions / P&L items	Value Adjustments			Write-backs				Total 31 12 2015	Total 31 12 2014
	Specific			Specific		Portfolio			
	Write-offs	Others	Portfolio	A	B	A	B		
A. Guarantees issued	-	(14,598)	(661)	-	30,564	-	2,636	17,941	(127,946)
B. Credit derivatives	-	-	-	-	-	-	-	-	-
C. Commitments to disburse funds	-	(83)	(16)	-	231	-	546	678	274
D. Other transactions	-	-	-	-	2,580	-	-	2,580	(4,780)
E. Total	**-**	**(14,681)**	**(677)**	**-**	**33,375**	**-**	**3,182**	**21,199**	**(132,452)**

Legend
A = From interest
B= Other reversals

This item shows impairment losses/reversals (against expected loss) on guarantees issued, if drawdown.

Section 9 - Administrative expenses - Item 150

9.1 Personnel expenses: breakdown

	Total 31 12 2015	Total 31 12 2015
1. Employees	(1,579,962)	(1,965,308)
a) wages and salaries	(1,141,210)	(1,183,832)
b) social-welfare charges	(311,551)	(321,249)
c) severance pay	(41,783)	(41,831)
d) social security expenses	-	-
e) provision for staff severance pay	(3,541)	(8,404)
f) pension fund and similar obligations:	(352)	(1,638)
- defined contribution	-	-
- defined benefit	(352)	(1,638)
g) contributions to external pension funds:	(17,932)	(18,125)
- defined contribution	(15,333)	(15,353)
- defined benefit	(2,599)	(2,772)
h) costs related to share-based payments	-	-
i) other employee benefits	(63,593)	(390,229)
2. Other staff	(897)	(406)
3. Directors and Statutory Auditors	(2,212)	(1,772)
4. Retired personnel	(9,955)	(8,753)
5. Recovery of expenses for employees of the Bank seconded to other entities	79,568	83,004
6. Reimbursement of expenses for employees of other entities seconded to the bank	(14,516)	(15,722)
Total	**(1,527,974)**	**(1,908,957)**

Line f) "pension fund and similar obligations" includes amounts set aside for internal funds, while line g) "contributions to external pension funds" includes contributions paid and adjustments made to external pension funds.

Line i) "other employee benefits" includes employee incentives for employment termination for an amount of approximately EUR 16.8 mln (EUR 338.5 mln as at 31 December 2014).

9.2 Average number of employees by category

Category / Average Number	31 12 2015	31 12 2014
Employees:	**23,092**	**24,328**
a) executives	278	285
b) middle managers	8,824	9,192
c) remaining staff	13,990	14,851
Other personnel	**-**	**-**
Total	**23,092**	**24,328**

9.3 Defined benefit company pension funds: costs and revenues

Items/Amounts	31 12 2015			31 12 2014		
	Defined benefit company pension funds		Provision for staff severance pay	Defined benefit company pension funds		Provision for staff severance pay
	Internal pension plan	External pension plan		Internal pension plan	External pension plan	
Interest income/expense	(322)	(594)	(3,541)	(1,612)	(637)	(8,047)
Current service cost and gains (losses) arising from settlements*	(30)	(2,005)	-	(26)	(2,135)	-
Past service cost	-	-	-	-	-	-
Gains (losses) arising from settlements**	-	-	-	-	-	-
Other operating costs	-	-	-	-	-	(357)
Total	**(352)**	**(2,599)**	**(3,541)**	**(1,638)**	**(2,772)**	**(8,404)**

* Past service cost and gains and losses arising from settlements need not be distinguished if they occur together (IAS 19.100)

** Only in the event of settlement not set out in the terms of the plan

9.4 Other employee benefits

No information to report pursuant to sections 53, 158 and 171 of IAS 19.

9.5 Other administrative expenses: breakdown

Items/Amounts	31 12 2015	31 12 2014
Stamp duties	(219,325)	(223,188)
Indirect taxes and duties	(33,756)	(31,191)
Municipal real estate property tax	(9,127)	(9,694)
Property rentals	(180,534)	(194,338)
Cleaning service contracts	(14,847)	(15,459)
Insurance	(24,338)	(15,756)
Rentals	(101,219)	(96,417)
Remuneration of external professionals	(141,594)	(107,649)
Third-party data processing	(8,307)	(6,226)
Utilities	(34,414)	(37,801)
Maintenance of movable and immovable properties (used in the business)	(22,305)	(22,581)
Postage	(24,903)	(33,476)
Advertising, sponsorships and promotions	(4,692)	(7,536)
Membership dues	(6,274)	(4,639)
Reimbursement of employee car and travel expenses	(9,848)	(8,986)
Security services	(14,114)	(26,410)
Expenses for personnel training	(3,232)	(2,587)
Charges for services provided by companies and entities of the MPS Group	(351,037)	(386,854)
Corporate entertainment expenses	(2,667)	(3,323)
Printing and stationery	(6,969)	(9,315)
Telephone, telefax and telegraph	(4,130)	(4,586)
Transportation	(30,065)	(33,111)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(5,766)	(8,068)
Contributions Relosution Funds (SRF) and Deposit Guarantee Schemes (DGS)	(141,556)	(175)
Others	(11,702)	(42,223)
Total	**(1,406,721)**	**(1,331,589)**

Line "Advertising, sponsorships and promotions" for an amount of EUR 4.7 mln includes advertising, events and printing (EUR 1.6 mln), sponsorships and promotions (EUR 2.8 mln) and other communication expenses (EUR 0.3 mln).

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

Section 10 - Net provisions for risks and charges - Item 160

10.1 Net provisions for risks and charges: breakdown

Items/Amounts	31 12 2015				31 12 2014			
	Legal disputes	Personnel costs	Others	Total	Legal disputes	Personnel costs	Others	Total
Provisions for the year	(125,824)	(14,460)	(67,786)	(208,070)	(193,526)	(17,471)	(170,397)	(381,394)
Write-backs	72,302	9,963	48,483	130,748	42,964	10,300	147,840	201,104
Total	**(53,522)**	**(4,497)**	**(19,303)**	**(77,322)**	**(150,562)**	**(7,171)**	**(22,557)**	**(180,290)**

Changes due to the time value of money are included in "Provisions for the year" and show the amount of "time value" accrued during the year due to the expected imminent maturity of the estimated liability.

Section 11 - Net losses (reversals) on property, plant and equipment - Item 170

11.1 Net losses (reversals) on property, plant and equipment: breakdown

Assets / P&L items	Amortization	Impairment losses	Write-backs	Net Profit (loss) 31 12 2015	Net Profit (loss) 31 12 2014
Tangible assets					
A.1 Owned	(55,426)	(6,984)	-	(62,410)	(90,945)
- used in the business	(49,915)	(5,107)	-	(55,022)	(71,833)
- held for investment	(5,511)	(1,877)	-	(7,388)	(19,112)
A.2 Leased	-	-	-	-	-
- used in the business	-	-	-	-	-
- held for investment	-	-	-	-	-
Total	**(55,426)**	**(6,984)**	**-**	**(62,410)**	**(90,945)**

Property and equipment with a finite life is tested for impairment.

Section 12 - Net adjustments to (recoveries on) intangible assets - Item 180

12.1 Net adjustments to intangible assets: breakdown

Assets / P&L items	Amortization (a)	Impairment losses (b)	Write-backs (c)	Net profit (loss) (a+b-c) 31 12 2015	Net profit (loss) 31 12 2014
Intangible assets					
A.1 Owned	(27,968)	-	-	(27,968)	(27,975)
- generated internally by the company	-	-	-	-	-
- other	(27,968)	-	-	(27,968)	(27,975)
A.2 Leased	-	-	-	-	-
Total	**(27,968)**	**-**	**-**	**(27,968)**	**(27,975)**

Amortisation mainly relates to intangible assets, all with a definite life, recognised in the 2008 financial statements identified during the PPA process for former subsidiary Banca Antonveneta.

Section 13 - Other operating expenses (income) - Item 190

13.1 Other operating expenses: breakdown

Items/Amounts	Total 31 12 2015	Total 31 12 2014
Costs of robberies	(5,824)	(5,204)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(11,372)	(11,996)
Other expenses on real estate (real estate inventory)	(226)	(751)
Costs from judgments and settlement agreements	(65,643)	(70,060)
Other	(15,491)	(40,617)
Total	**(98,556)**	**(128,628)**

13.2 Other operating income: breakdown

Items/Amounts	Total 31 12 2015	Total 31 12 2014
Rents from investment real estate	14,056	13,678
Other revenues from real estate (real estate inventory)	857	647
Recovery of taxes	228,732	229,839
Recovery of insurance premiums	11,625	6,022
Income from financial lease transaction	126,125	125,610
Other	45,509	52,009
Total	**426,904**	**427,805**

The amount of EUR 126.1 mln classified under "Recoveries of other expenses" includes the "fast-track facility fee" introduced by Law Decree 201/2011 ("Save Italy Decree") amounting to EUR 53.3 mln (EUR 60 mln as at 31 December 2014) and the compensation of legal fees incurred for the enforced recovery of non-performing loans of EUR 34.7 mln (EUR 32.6 mln as at 31 December 2014).

Section 14 - Gains (Losses) on investments - Item 210

14.1 Gains (losses) on investments: breakdown

P&L items/Sectors	Total 31 12 2015	Total 31 12 2014
A. Income	137,196	206,059
1. Revaluations	-	-
2. Gains on disposal	136,558	102,651
3. Write-backs	-	21,397
4. Other income	638	82,011
B. Expense	(34,476)	(884,291)
1. Write-downs	-	-
2. Impairment losses	(34,470)	(884,291)
3. Losses on disposal	(6)	-
4. Other expenses	-	-
Net Profit (Loss)	**102,720**	**(678,232)**

The amount of EUR 136.6 mln shown in line "A.2 Gains on disposal" consists entirely of the gain from the sale of Anima Holding Spa.

For further information on the methodology for determining impairment losses, please see section 10.5, part B, of these notes to the financial statements.

Section 15 - Net gains (losses) on tangible and intangible assets measured at fair value - Item 220

The tables for this section were not completed since the Group has no tangible and intangible assets carried at fair value to report for either the current or previous year.

Section 16 - Impairment of goodwill - Item 230

16.1 Impairment of goodwill: breakdown

In 2015 the Bank did not make any impairments because all the goodwill allocated to the different CGUs (Cash Generating Units) had been fully written down in the financial statements of the previous year, as a result of the audit conducted to verify the existence or recoverability of the carrying value, which led to a total impairment of EUR 661.8 mln.

For additional information concerning the methods for conducting impairment tests, see the appropriate section in Part B of the Notes to the Financial Statements - Information on the separate balance sheet - Section “12.1 of Assets - Intangible Assets: breakdown by type”.

Section 17 - Gains (losses) on disposal of investments - Item 240

17.1 Gains (losses) on disposals of investments: breakdown

P&L items/Sectors	Total 31 12 2015	Total 31 12 2014
A. Property	1,423	22,867
- Gains on disposal	1,459	23,633
- Losses on disposal	(36)	(766)
B. Other assets	(1)	4,695
- Gains on disposal	4	4,802
- Losses on disposal	(5)	(107)
Net Profit (Loss)	**1,422**	**27,562**

Section 18 - Tax expense (recovery) on income from continuing operations - Item 260

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

P&L items/Sectors	Total	
	31 12 2015	31 12 2014*
1. Current tax (-)	(40,112)	(29,235)
2. Adjustments to current tax of prior years (+/-)	(11,391)	(74,071)
3. Reduction of current tax for the year (+)	-	-
3.bis "Reduction in current tax for the period due to tax credits under Law 214/2011	1,818,452	648,399
4. Changes in prepaid taxes (+/-)	(1,835,766)	1,345,906
5. Changes in deferred taxes (+/-)	60,151	(39,735)
6. Tax expense for the year (-) (-1+/-2 +3+/-4+/-5)	**(8,666)**	**1,851,264**

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

The line "Current tax" includes IRAP for the current year (EUR 19.7 mln).

18.2 Reconciliation of theoretical to actual tax charge

Items	31 12 2015	%	31 12 2014*	%
Pre-tax profit (loss) from continuing operations	425,298		(7,343,117)	
Theoretical IRES payable	(116,957)	27.5%	2,019,357	27.5%
Permanent increases	**(35,832)**		**(470,695)**	
Non-deductible interest expense	(16,167)	3.8%	(19,383)	-0.3%
Losses on sale of AFS equity investments	(3,630)	0.9%	(9,464)	-0.1%
Losses on disposal of subsidiaries and associates	(9,479)	2.2%	(236,386)	-3.2%
Non-deductible administrative expenses (Municipal real estate property tax, vehicles, telephone, etc.)	(6,556)	1.5%	(23,469)	-0.3%
Impairment on goodwill	-	0.0%	(181,993)	-2.5%
Permanent decreases	**158,221**	0.0%	**17,960**	0.0%
Losses on disposal of subsidiaries and associates	757	-0.2%	12,680	0.2%
Losses on sale of AFS equity investments	38,491	-9.1%	49,376	0.7%
Deduction IRAP	1,080	-0.3%	7,510	0.1%
Deduction ACE	85,902	-20.2%	46,898	0.6%
Excluded dividends	31,991	-7.5%	27,750	0.4%
Tax disputes	**-**		**(126,254)**	**-1.7%**
Tax on revaluation of partecipation in Bankit	**-**		**(26,249)**	**-0.4%**
Other components (IRES relative to previous years, spreads between Italian and foreign tax rate, etc.)	**(22,688)**	**5.3%**	**53,773**	**0.7%**
Effective IRES payable	(17,256)	4.1%	1,594,146	21.7%
Theoretical IRAP payable	(19,776)	4.7%	341,455	4.7%
Economic items not relevant for IRAP purposes	**(1,023)**		**(143,191)**	
Non-deductible interest expense	(3,609)	0.8%	(5,597)	-0.08%
Value adjustments and credit losses	1,475	-0.3%	(6,473)	-0.09%
Non-deductible costs of personnel	(1,653)	0.4%	(60,185)	-0.82%
Profit (Loss) on subsidiaries and associates	4,776	-1.1%	(31,275)	-0.43%
Other non-deductible administrative expenses (10%)	(6,541)	1.5%	(6,192)	-0.08%
Amortization non-deductible (10%)	(351)	0.1%	(388)	-0.01%
Impairment on goodwill	-	0.0%	(30,773)	-0.42%
Other economic Iterm not relevant	1,835	-0.4%	(4,999)	-0.07%
Excluded dividends	3,045	-0.7%	2,691	0.0%
Value adjustments on loans transferred	**25,209**	**-5.9%**	**9,254**	**0.1%**
Increase regional rates effetct	**55**	**0.0%**	**30,362**	**0.4%**
Adjustments DTA/DTL for regulatory changes occurred	**9,172**	**-2.2%**	**7,618**	**0.1%**
Other components (IRAP relative to previous years, spreads beetween italian and foreign tax rate, etc.)	**(5,047)**	**1.2%**	**11,620**	**0.2%**
Effective IRAP payable	8,590	-2.0%	257,118	3.5%
Total effective IRES and IRAP tax expense	(8,666)	2.0%	1,851,264	25.2%

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

Section 19 - Profit (loss) after tax from assets held for sale and discontinued operations - Item 280

This section was not completed as no such entities are present.

Section 20 - Other information

No additional disclosure to that presented in accordance with the international accounting standards and Circular letter no. 262 of the Bank of Italy is required.

Section 21 - Earnings per Share (EPS)

For the following section, see the description in the Consolidated Financial Statements.

Part D - Statement of Comprehensive Income

Statement of Comprehensive Income

31 12 2015

	Items	Gross	Income Tax	Net
10.	**Proft (loss) for the period**	X	X	416,633
	Other income components without reversal to profit & loss		-	-
20.	Tangible assets	-	-	-
30.	Intangible assets	-	-	-
40.	Defined benefit plans	22,504	(6,189)	16,316
50.	Non-current assets held for sale	-	-	-
60.	Share of valuation reserves of equity instruments valued at equity	-	-	-
	Other income components with reversal to profit & loss		-	-
70.	**Hedges of foreign investments:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit & loss	-	-	-
	c) other changes	-	-	-
80.	**Exchange differences:**	8,992	(3,343)	5,649
	a) changes in value	-	-	-
	b) reversal to profit & loss	-	-	-
	c) other changes	8,992	(3,343)	5,649
90.	**Cash flow hedges:**	56,326	(18,503)	37,823
	a) changes in fair value	21,198	(6,964)	14,235
	b) reversal to profit & loss	-	-	-
	c) other changes	35,128	(11,539)	23,588
100.	**Financial assets available for sale:**	296,974	(97,102)	199,872
	a) changes in fair value	355,254	(118,464)	236,790
	b) reversal to profit & loss	(58,125)	21,365	(36,760)
	- impairment provisions	10,039	(1,039)	9,000
	- realised net gains/losses	(68,164)	22,404	(45,760)
	c) other changes	(155)	(3)	(158)
110.	**Non-current assets held for sale:**	19,165	(1,288)	17,877
	a) changes in value	21,057	(1,415)	19,642
	b) reversal to profit & loss	(1,892)	127	(1,765)
	c) other changes	-	-	-
120.	**Share of valuation reserves of equity investments valued at equity:**	-	-	-
	a) changes in fair value	-	-	-
	b) reversal to profit & loss	-	-	-
	- impairment provisions	-	-	-
	- realised net gains/losses	-	-	-
	c) other changes	-	-	-
130.	**Other income components**	403,961	(126,425)	277,536
140.	**Total comprehensive income (Item 10 + 130)**	403,961	(126,425)	694,169

Part E - Information on risks and hedging policies

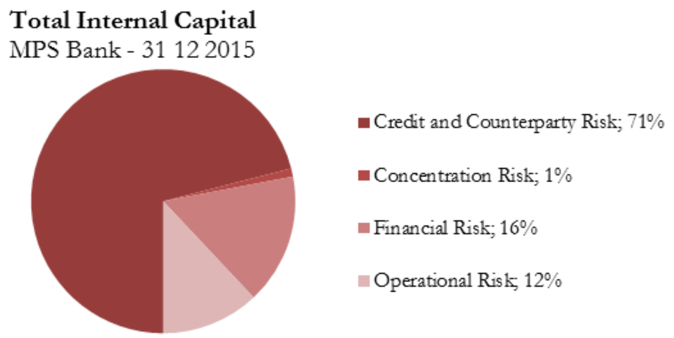
Note: Public Disclosure (Basel III Pillar) is published on the Group's website: www.mps.it/investors.

Foreword

This Part of the Notes to the Financial Statements provides quantitative information on risks referring to the Bank. For qualitative information on the risk management process and on the management and monitoring of risks, please refer to Part E of the Notes to the consolidated financial statements.

An analysis of the Economic Capital

As at 31 December 2015, the Overall Economic Capital of Banca Monte dei Paschi di Siena (excluding intragroup transactions) is attributable by approx. 71% to the credit and counterparty risk (which already includes the requirements relating to issuer risk on the Banking Book, investment risk and real estate risk), by approx. 1% to concentration risk, by 16% to financial risk and approx. 12% to operational risks.



Section 1 - Credit Risk
Qualitative Information

1. General aspects

Please refer to Part E of the Notes to the consolidated financial statements.

2. Credit risk management policies

Please refer to Part E of the Notes to the consolidated financial statements.

Quantitative Information

A. Credit quality

For the purposes of quantitative information on the credit quality, the term "credit exposures" does not include equity securities and Units of UCITS, whereas the term "exposures" includes equity securities and Units of UCITS.

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

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

Portfolio/quality	Doubtful loans	Unlikely to pay	Past-due Impaired exposures	Past-due Not Impaired exposures	Performing exposures	Total
1. Financial assets available for sale	-	2,115	-	-	16,564,591	16,566,706
2. Financial assets held to maturity	-	-	-	-	-	-
3. Loans to banks	1,272	525	-	141	34,372,800	34,374,738
4. Loans to customers	6,921,107	9,233,352	1,835,358	2,524,883	74,869,693	95,384,393
5. Financial assets designated at fair value	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-
Total 31 12 2015	**6,922,379**	**9,235,992**	**1,835,358**	**2,525,024**	**125,807,084**	**146,325,837**
Total 31 12 2014*	**5,663,364**	**8,772,949**	**2,400,859**	**3,373,159**	**138,835,915**	**159,046,246**

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

The data as at 31 December 2014 are presented in accordance with the new definition of impaired assets adopted by the Bank of Italy in the 7th update of 20 January 2015 of Circular 272 "Accounting Matrix", in force from 1 January 2015 Impaired financial assets are broken down into the following categories: doubtful, unlikely to pay and overdue and/or past due non-performing exposures and include cash assets (loans and debt securities) and "off-balance sheet" (guarantees issued, irrevocable and revocable commitments to grant funds, etc.), to borrowers who fall within the "non-performing" category as defined by Commission Implementing Regulation (EU) no. 680/2014, as amended. Financial instruments in the "Financial assets held for trading" portfolio and derivative contracts are excluded.
The notions of substandard and restructured exposures were therefore repealed and included in the unlikely to pay aggregate, with the exception of objective substandard (EUR 1,108.1 mln as at 31 December 2014) inserted in past due non-performing exposures.

Since the entire portfolio of financial assets is subject to classification by credit quality, with the exception of equity securities and units of UCITS, it should be noted that the items "Loans to banks" and "Loans to customers" include not only loans but also other types of assets (debt securities, etc.). All amounts are book values, and thus, net of any related doubtful amounts.

Lastly, at the reporting date line "3. Loans to banks" includes net non-performing forborne exposures amounting to EUR 2.1 mln and line "4. Loans to customers" includes net performing forborne exposures totalling EUR 2,091.8 mln (EUR 1,244.4

mln as at 31 December 2014) and net non-performing forborne exposures of EUR 4,488.5 mln (EUR 4,551.4 mln as at 31 December 2014).

The table below provides an ageing analysis of past due amounts on performing financial assets.

Portfolio/Quality	Performing Exposures					
	Past due up to 3 months	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year	Not past due	Total 31 12 2015
1. Financial assets available for sale	-	-	-	-	16,564,591	16,564,591
2. Financial assets held to maturity	-	-	-	-	-	-
3. Loans to banks	-	-	-	141	34,372,800	34,372,941
4. Loans to customers	1,724,071	317,792	383,126	99,894	74,869,693	77,394,576
5. Financial assets designated at fair value	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-
Totale 31 12 2015	**1,724,071**	**317,792**	**383,126**	**100,035**	**125,807,084**	**128,332,108**

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

31 12 2015

Portfolio/quality	Non perfoming assets			Performing			Total (Net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Specific write-downs	Net exposure	
1. Financial assets available for sale	3,514	1,399	2,115	16,564,592	-	16,564,592	16,566,707
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Loans to banks	70,018	68,221	1,797	34,380,488	7,547	34,372,941	34,374,738
4. Loans to customers	35,937,562	17,947,746	17,989,816	77,907,894	513,318	77,394,576	95,384,392
5. Financial assets designated at fair value	-	-	-	X	X	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-
Total 31 12 2015	**36,011,094**	**18,017,366**	**17,993,728**	**128,852,974**	**520,865**	**128,332,109**	**146,325,837**
Total 31 12 2014*	**33,689,337**	**16,852,165**	**16,837,172**	**146,112,851**	**671,390**	**142,209,074**	**159,046,246**

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

The data as at 31 December 2014 are presented in accordance with the new definition of impaired assets adopted by the Bank of Italy in the 7th update of 20 January 2015 of Circular 272 "Accounting Matrix", in force from 1 January 2015 Impaired financial assets are broken down into the following categories: doubtful, unlikely to pay and overdue and/or past due non-performing exposures and include cash assets (loans and debt securities) and "off-balance sheet" (guarantees issued, irrevocable and revocable commitments to grant funds, etc.), to borrowers who fall within the "non-performing" category as defined by Commission Implementing Regulation (EU) no. 680/2014, as amended. Financial instruments in the "Financial assets held for trading" portfolio and derivative contracts are excluded.

With regard to the disclosure requested by Bank of Italy in its notice of 7 February 2014, as at 31 December 2015 the Bank had 643 positions (801 as at 31 December 2014) relating to creditors who had filed a "blank" request for a pre-insolvency creditor arrangement procedure ("Concordato in bianco") for a net exposure of EUR 442.7 mln (EUR 554.8 mln as at 31 December 2014) and 7 positions (14 as at 31 December 2014) relating to creditors who had filed a request for a pre-insolvency creditor arrangement with going concern ("Concordato in continuità") for a net exposure of approx. EUR 3.1 mln (EUR 8.4 mln as at 31 December 2014).

The amount of partial write-off on impaired financial assets during the period amounts to 196,9 mln euro (53,5 miln euro at 31 December 2014).

	Low quality assets		Other assets
	Cumulative losses	Net exposure	Net exposure
1 Financial assets held for trading	84,290	21,306	2,053,778
2 Hedging derivatives	-	-	772,263
Total 31 12 2015	**84,290**	**21,306**	**2,826,041**
Total 31 12 2014*	**98,131**	**59,014**	**3,866,687**

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

A.1.3 Balance sheet and off-balance sheet exposure to banks: gross and net amounts and past due ranges

31 12 2015

Portfolio/quality	Gross exposure					Specific write-downs	Portfolio adjustments	Net Exposure
	Non-performing Assets				Performing Assets			
	Past due up to 3 months	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year				
A. Balance-sheet exposure								
a) Doubtful loans	-	-	-	69,420	X	68,148	X	1,272
- of which forborne	-	-	-	-	X	-	X	-
b) Unlikely to pay	598	-	-	2,454	X	412	X	2,640
- of which forborne	-	-	-	2,454	X	339	X	2,115
c) Past due	-	-	-	-	X	-	X	-
- of which forborne	-	-	-	-	X	-	X	-
d) Past-due not impaired	X	X	X	X	159	X	18	141
- of which forborne	X	X	X	X	-	X	-	-
e) Other assets not impaired	X	X	X	X	34,418,814	X	7,529	34,411,285
- of which forborne	X	X	X	X	-	X	-	-
Total A	**598**	**-**	**-**	**71,874**	**34,418,973**	**68,560**	**7,547**	**34,415,338**
B. Off-balance-sheet exposure								
a) Impaired	215	-	-	-	X	98	X	117
b) Not Impaired	X	X	X	X	6,748,738	X	1,889	6,746,849
Total B	**215**	**-**	**-**	**-**	**6,748,738**	**98**	**1,889**	**6,746,966**
Total (A+B)	**813**	**-**	**-**	**71,874**	**41,167,711**	**68,658**	**9,436**	**41,162,304**

The table provides a breakdown of exposure with banks by credit quality, using the definition of impaired exposures set out by the Bank of Italy and adopted for the purposes of the financial statements.

Thus, all balance-sheet credit exposures are stated at book values, before and after any doubtful amounts. In particular, balance-sheet exposures encompass all financial assets related to banks arising from financial statement Item 20 "Financial assets held for trading," Item 30 "Financial assets designated at fair value," Item 40 "Financial assets available for sale" and Item 60 "Loans to banks" with the exception of derivative contracts that are considered as off-balance-sheet in this section.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

A.1.4 Balance-sheet exposure to banks: changes in gross non-performing loans

31 12 2015

Source/Categories	Doubtful loans	Unlikely to pay	Non-Performing Past due
A. Gross exposure, opening balance	**37,389**	**44,385**	**177**
- of which: transferred but not derecognised	**-**	**-**	**-**
B. Increases	**44,291**	**687**	**-**
B.1 transfers from performing loans	-	579	-
B.2 transfers from other impaired loans	42,020	-	-
B.3 other increases	2,271	108	-
C. Decreases	**12,260**	**42,020**	**177**
C.1 transfers to performing loans	-	-	-
C.2 write-offs	2,409	-	-
C.3 collections	1,307	-	177
C.4 amounts realised upon disposal of positions	8,500	-	-
C.5 losses from disposal	44	-	-
C.6 transfers to other categories of impaired exposure	-	42,020	-
C.7 other decreases	-	-	-
D. Gross exposure, closing balance	**69,420**	**3,052**	**-**
- of which: transferred but not derecognised	-	-	-

With regard to balance-sheet exposures to banks, the table shows changes in non-performing exposures in the course of the year.

Since the entire portfolio of financial asset exposures is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (e.g. securities). Balance-sheet exposures are expressed at book value.

A.1.5 Non-performing balance-sheet exposure to banks: changes in overall value adjustments

31 12 2015

Source / Categories	Doubtful loans	Unlikely to pay	Non-performing Past due
A. Opening balance of overall adjustments	**36,127**	**18,752**	**92**
- of which: transferred but not derecognised	-	-	-
B. Increases	**44,060**	**162**	**-**
B.1 value adjustments	25,170	162	-
B.2 loss from disposal	44	-	-
B.3 transfers from other categories of impaired exposures	18,500	-	-
B.4 other increases	346	-	-
C. Decreases	**12,039**	**18,502**	**92**
C.1 write-backs from valuation	745	-	92
C.2 write-backs from collection	8,840	-	-
C.3 profit from disposal	-	-	-
C.4 write-offs	2,409	-	-
C.5 transfers to other categories of impaired exposure	-	18,502	-
C.6 other decreases	45	-	-
D. Closing balance of overall adjustments	**68,148**	**412**	**-**
- of which: transferred but not derecognised	-	-	-

With regard to balance-sheet exposures to banks, the table shows changes in overall value adjustments on impaired exposure during the year.

Since the entire portfolio of financial assets to banks is subject to classification by credit quality, value adjustments shown refer not only to loans but also to other types of assets (e.g. securities). Balance-sheet value adjustments are expressed at book value.

A.1.6 Balance sheet and off-balance sheet exposure to customers: gross and net amounts and past due ranges

31 12 2015

Portfolio/quality	Gross exposure					Specific write-downs	Portfolio adjustments	Net Exposure
	Non-performing Assets				Performing Assets			
	Past due up to 3 months	Past due 3 to 6 months	Past due 6 months to 1 year	Over 1 year				
A. Balance-sheet exposure								
a) Doubtful loans	37,457	22,254	111,527	20,189,038	X	13,439,168	X	6,921,108
- of which forborne	649	4,467	48,731	505,558	X	290,674	X	268,731
b) Unlikely to pay	4,622,662	394,694	1,983,760	6,080,889	X	3,848,654	X	9,233,351
- of which forborne	2,749,539	147,100	968,004	1,168,426	X	1,164,923	X	3,868,146
c) Past due	273,275	212,170	737,936	1,272,960	X	660,983	X	1,835,358
- of which forborne	53,761	27,056	153,196	173,745	X	56,142	X	351,616
d) Past-due not impaired	X	X	X	X	2,604,139	X	79,255	2,524,884
- of which forborne	X	X	X	X	390,267	X	11,773	378,494
e) Other assets not impaired	X	X	X	X	91,892,016	X	483,371	91,408,645
- of which forborne	X	X	X	X	1,748,595	X	35,242	1,713,353
Total A	4,933,394	629,118	2,833,223	27,542,887	94,496,155	17,948,805	562,626	111,923,346
B. Off-balance-sheet exposure								
a) Impaired	930,813	-	-	-	X	146,382	X	784,431
b) Not Impaired	X	X	X	X	11,171,087	X	61,325	11,109,762
Total B	930,813	-	-	-	11,171,087	146,382	61,325	11,894,193
Total (A+B)	5,864,207	629,118	2,833,223	27,542,887	105,667,242	18,095,187	623,951	123,817,539

The table provides a breakdown of dealings with customers by credit quality, using the definition of impaired exposures set out by the Bank of Italy and adopted for the purposes of the financial statements.

Since the entire portfolio of financial assets is subject to classification by credit quality, with the exception of equity securities and units of UCITS, it should be noted that the item "Loans to customers" includes not only loans but also other types of assets (debt securities, etc.).

Thus, all balance-sheet exposures are stated at book values, before and after any doubtful amounts. In particular, "Balance-sheet exposure" summarises all financial assets related to customers arising from financial statement Item 20 "Financial assets held for trading ," Item 30 "Financial assets designated at fair value," Item 40 "Financial assets available for sale" and Item 70 "Loans to customers" with the exception of derivative contracts that are considered as off-balance-sheet in this section.

Please see the consolidated report on operations for quantification of and reporting on capital ratios for coverage of lending relationships.

Off-balance-sheet exposures include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives, including those used for hedging purposes) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

In particular, please note that off-balance sheet exposures that are not impaired include exposures generated by derivative contracts with low credit quality for a gross value of EUR 56.3 mln; cumulative impairment losses amount to EUR 34.9 mln and are conventionally specified under "Portfolio value adjustments". For additional details on the credit quality of derivative instruments and assets for trading, please refer to the disclosure provided in table A.1.2

Finally, please note that at the date of these financial statements, gross non-performing forborne exposures that in the cure period are not past due refer to 2,564.5 million euro to unlikely to pay exposures and 38.4 million euro to non-performing past due loans.

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A.1.7 Balance-sheet exposure to customers: changes in gross non-performing loans

31 12 2015

Source / Categories	Doubtful loans	Unlikely to pay	Non-performing Past due
A. Gross exposure, opening balance	**17,591,569**	**13,058,569**	**2,957,249**
- of which: sold but not derecognised	30,388	35,933	18,477
B. Increases	**5,805,693**	**4,942,086**	**1,790,293**
B.1 transfers from performing loans	776,340	2,652,640	1,280,764
B.2 transfers from other impaired loans	3,318,815	1,252,983	229,060
B.3 other increases	1,710,538	1,036,463	280,469
C. Decreases	**3,036,986**	**4,918,650**	**2,251,201**
C.1 transfers to performing loans	3,731	652,756	373,682
C.2 write-offs	2,285,817	218,680	3,430
C.3 collections	406,740	937,598	299,710
C.4 amounts realised upon disposal of positions	122,489	2,135	-
C.5 Losses from disposal	74,142	-	-
C.6 transfers to other categories of impaired exposure	133,199	3,096,308	1,571,350
C.7 other decreases	10,868	11,173	3,029
D. Gross exposure, closing balance	**20,360,276**	**13,082,005**	**2,496,341**
- of which: sold but not derecognised	41,229	61,905	232,082

With regard to balance-sheet exposures to customers, the table shows changes in non-performing exposures during the year. Since the entire portfolio of financial asset exposures to customers is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other types of assets (e.g. securities). Balance-sheet exposures are expressed at book value.

Line C.2 'write-offs' includes EUR 2,197.6 mln in write-offs of exposures through non-recourse transfers of mainly doubtful loan portfolios completed in June and December of this year. The loss of EUR 49.1 mln on those disposals is reported on lines C.5 and B.3.

Exposures sold but not derecognised, under captions "A" and "D", refer to non-performing assets in performing securitisations.

A.1.8 Non-performing balance-sheet exposure to customers: changes in overall value adjustments

31 12 2015

Source / Categories	Doubtful loans	Unlikely to pay	Non-performing Past due
A. Opening balance of overall adjustments	**11,929,467**	**4,311,253**	**556,475**
- of which: sold but not derecognised	8,074	5,369	991
B. Increases	**5,048,563**	**1,648,909**	**541,573**
B.1 value adjustments	2,352,675	1,562,670	326,118
B.2 loss from disposal	74,142	-	-
B.3 transfers from other categories of impaired exposures	1,178,295	25,427	161,696
B.4 other increases	1,443,451	60,812	53,759
C. Decreases	**3,538,862**	**2,111,508**	**437,065**
C.1 write-backs from valuation	613,571	550,957	391,126
C.2 write-backs from collection	422,397	89,726	688
C.3 profit from disposal	27,559	-	-
C.4 write-offs	2,285,817	218,680	3,430
C.5 transfers to other categories of impaired exposures	102,347	1,238,050	25,022
C.6 other decreases	87,171	14,095	16,799
D. Closing balance of overall adjustments	**13,439,168**	**3,848,654**	**660,983**
- of which: sold but not derecognised	12,860	17,288	87,781

With regard to balance-sheet exposures to customers, the table shows changes in overall value adjustments on impaired exposure during the year.

Since the entire portfolio of financial asset exposures to customers is subject to classification by credit quality, it should be noted that exposure includes not only loans but also other different types of assets (e.g. securities). Balance-sheet value adjustments are expressed at book value.

Exposures sold but not derecognised, under captions “A” and “D”, refer to non-performing assets in performing securitisations.

Exposure to sovereign debt risk

Below is a breakdown of the Bank's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 31 December 2015.

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

(in milions of Eur)

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets held for trading		Financial assets available for sale		L&R	L&R	Financial assets HFT
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentine	0.16	0.02	-	-	-	-	-
Hong Kong	-	-	29.40	29.63	-	-	-
Italy	-	-	14,401.28	16,166.98	513.22	2,837.53	- 260.00
Poland	-	-	10.00	10.76	-	-	-
Spain	-	-	40.00	46.76	-	-	-
Turkey	-	-	10.00	10.50	-	-	-
Total 31 12 2015	**0.16**	**0.02**	**14,490.68**	**16,264.63**	**513.22**	**2,837.53**	**(260.00)**
Total 31 12 2014*	**0.03**	**0.02**	**15,731.70**	**17,795.54**	**465.59**	**3,233.21**	**3,050.41**

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

Details on the Bank's exposure is presented taking into consideration that, according to instructions from the European Securities and Market Authority (ESMA), "sovereign debt" is defined as bonds issued by central and local Governments and by government Entities, as well as loans disbursed to said entities.

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

The overall exposure amounted to approx. EUR 19,615.4 mln, almost entirely in Italian debt, and is concentrated under the AFS accounting category.

Exposures to Italy are nearly exclusively level 1, with the exception of EUR 269.7 mln in government bonds.

Following are the details of Italian AFS reserves and credit derivatives.

AFS securities: Italy	31 12 2015	31 12 2014*
Book value	16,167.0	17,164.9
AFS reserve (after tax)	75.5	(497.8)
of which: hedging effect (after tax)	42.0	(582.7)

Credit derivatives - Italy	31 12 2015	31 12 2014*
Purchase of protection		
Nominal	260.0	-
Positive fair value	14.1	-
Negative fair value	-	-
Sale of protection		
Nominal	-	3,050.4
Positive fair value	-	634.3
Negative fair value	-	-

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

A.2 Classification of exposure by external and internal ratings

A.2.1 Breakdown of balance sheet and off-balance sheet exposures by external ratings

31 12 2015

Esposures	External rating classes						No Rating	Total
	class 1	class 2	class 3	class 4	class 5	class 6		
A. Balance-sheet exposure	344,934	2,148,846	18,390,844	315,985	145,621	78,979	125,034,941	146,460,150
B. Derivatives	30,920	201,753	115,900	58,988	238	-	970,953	1,378,752
B.1 Financial derivatives	30,920	181,753	115,900	38,988	238	-	581,032	948,831
B.2 Credit derivatives	-	20,000	-	20,000	-	-	389,921	429,921
C. Guarantees issued	4,192	230,525	90,430	134,748	503,423	122	5,835,783	6,799,223
D. Commitments to disburse funds	3	2,287	75,018	305,430	4,146	194	6,398,364	6,785,442
E. Others	-	1,206,933	1,694,110	-	-	-	776,700	3,677,743
Total	380,049	3,790,344	20,366,302	815,151	653,428	79,295	139,016,741	165,101,310

Class 1: AAA/AA- Class 2: A+/A- Class 3: BBB+/BBB- Class 4: BB+/BB- Class 5: B+/B- Class 6: Lower than B-

The external rating categories used to complete the table are from Standard & Poor's. The exposures shown (except for equity instruments) are those reported in Tables A.1.3 (exposures to banks) and A.1.6 (exposures to customers) above, in addition to units of UCITS. If multiple external ratings are assigned, the rating is selected based on Bank of Italy's criteria (when two ratings are available, the lower of the two is used, and when three or more ratings are assigned, the second highest rating is selected). To ensure relevance of information, internal cross-reference tables were used to convert classification by various rating agencies into classification by Standard & Poor's.

A.2.2 Breakdown of balance sheet and off-balance sheet exposures by internal ratings

31 12 2015

Exposures	Classi di rating interni							No rating	Total
	High quality	Average quality	Fair quality	Mediocry quality	Poor quality	Default	Group administrative default		
A. Balance-sheet exposure	11,232,312	13,363,595	25,393,702	11,731,013	1,489,158	17,993,728	80,336	65,054,840	146,338,684
B. Derivatives	12,963	82,600	134,461	72,529	4,660	21,306	262	1,049,971	1,378,752
B.1 Financial derivatives	12,963	82,600	134,461	72,529	4,660	21,306	262	620,050	948,831
B.2 Credit derivatives	-	-	-	-	-	-	-	429,921	429,921
C. Guarantees issued	627,537	1,289,376	2,625,354	615,082	92,103	590,182	-	959,589	6,799,223
D. Commitments to disburse funds	147,633	290,351	964,404	303,512	93,501	194,365	7,615	4,784,061	6,785,442
E. Others	-	-	-	-	-	-	-	3,677,743	3,677,743
Total	12,020,445	15,025,922	29,117,921	12,722,136	1,679,422	18,799,581	88,213	75,526,204	164,979,844

High Quality customers (Master Scale categories AAA and A1)   Good Quality Customers (Master Scale categories A2, A3 and B1)   Fair Quality customers (Master Scale categories B2, B3, C1 and C2)   Mediocre Quality customers (Master Scale categories C3, D1, D2 and D3)   Poor Quality customers (Master Scale categories E1, E2 and E3)

The table provides a breakdown of customers of the Bank by risk categories assigned on the basis of ratings arising from internal models. For this purpose, account is given only of exposures (borrowers) for which an internal rating is periodically recorded for models/legal entities/portfolios which have been subject to a validation process with the regulatory authorities without any cross-reference from official ratings to internal ratings, especially with regard to the following customer segments: "Banks," "Non-banking financial institutions," and "Governments and Public Administration". Thus, based on this provision, exposures related to the latter segments, even if covered by official ratings, were reported as "unrated" in the internal rating models.

A.3 Breakdown of secured exposures by type of collateral

A.3.1 Secured exposures to banks

31 12 2015

	Amount of Net Exposure	Real guarantees				Personal guarantees										Total real and personeal guarantees
						Credit derivatives						Unsecured signature loans				
							Other derivatives									
		Real estate mortgages	Real estate leasing	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	**7,754,139**	**1,394**	**-**	**7,708,673**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7,754,139**	**92**	**9**	**7,710,168**
1.1 totally secured	7,753,415	1,394	-	7,708,673	-	-	-	-	-	-	-	7,753,415	-	9	7,710,076
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 partially secured	724	-	-	-	-	-	-	-	-	-	-	724	92	-	92
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Secured off-balance sheet exposures:	2,189,033	-	-	1,951,477	230,551	-	-	-	-	-	-	2,189,033	100	-	2,182,128
2.1 totally secured	**1,987,220**	**-**	**-**	**1,951,477**	**35,581**	**-**	**-**	**-**	**-**	**-**	**-**	**1,987,220**	**26**	**-**	**1,987,084**
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 partially secured	**201,813**	**-**	**-**	**-**	**194,970**	**-**	**-**	**-**	**-**	**-**	**-**	**201,813**	**74**	**-**	**195,044**
- of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

In addition to balance-sheet exposures to banks, the table shows the amount of off-balance-sheet exposures (including derivative contracts with banks) which are fully or partially secured. As regards personal guarantees, the economic segments to which guarantors and sellers of protection belong (in the case of unsecured loans and credit derivatives, respectively) are identified making reference to the classification criteria provided for in the brochure "classification of customers by segments and groups of economic activity" published by the Bank of Italy.

Exposures are classified as either "fully secured" or "partially secured" by comparing the gross exposure with the amount of the guarantee established in the contract; for that purpose, any supplemental guarantees are also considered.

The fair value of collaterals estimated as at the balance sheet date is shown in the columns "Real guarantees" and "Personal guarantees"; if such information is not available, the contractual value is reported. Unlike in previous years, both values cannot be higher than the book value of secured exposures, in line with the 4th update of Bank of Italy circular 262.

A.3.2 Secured exposures to customers

31 12 2015

	Amount of Net Exposure	Real guarantees				Personal guarantees										Total real and personal guarantees
						Credit derivatives					Unsecured signature loans				
							Other derivatives								
		Real estate mortgages	Real estate leasing	Securities	Other collaterals	CLN	Governments and central banks	Other public entities	Banks	Other entities	Governments and central banks	Other public entities	Banks	Other entities	
1. Secured balance-sheet exposures:	**67,477,070**	**47,858,126**	**-**	**5,560,359**	**201,012**	**-**	**-**	**-**	**-**	**-**	**1,172**	**1,036,495**	**6,810**	**11,471,769**	**66,135,743**
1.1 totally secured	64,754,554	47,793,937	-	5,362,592	176,741	-	-	-	-	-	194	582,108	5,093	10,408,923	64,329,588
- of which non perfrorming	**12,348,656**	**9,389,397**	**-**	**55,886**	**25,116**	**-**	**-**	**-**	**-**	**-**	**22**	**50,134**	**2,041**	**2,807,570**	**12,330,166**
1.2 partially secured	2,722,516	64,189	-	197,767	24,271	-	-	-	-	-	978	454,387	1,717	1,062,846	1,806,155
- of which non perfrorming	**896,479**	**53,048**	**-**	**71,138**	**7,622**	**-**	**-**	**-**	**-**	**-**	**73**	**11,739**	**121**	**546,934**	**690,675**
2. Secured off-balance sheet exposures:	4,469,642	168,504	-	2,326,952	116,437	-	-	-	-	-	-	5,435	54,879	1,643,358	4,315,565
2.1 totally secured	**4,030,610**	**166,959**	**-**	**2,189,292**	**87,595**	**-**	**-**	**-**	**-**	**-**	**-**	**3,980**	**54,146**	**1,529,752**	**4,031,724**
- of which non perfrorming	229,621	22,800	-	1,810	7,910	-	-	-	-	-	-	-	52,777	144,230	229,527
2.2 partially secured	**439,032**	**1,545**	**-**	**137,660**	**28,842**	**-**	**-**	**-**	**-**	**-**	**-**	**1,455**	**733**	**113,606**	**283,841**
- of which non perfrorming	20,679	92	-	233	1,239	-	-	-	-	-	-	-	275	12,990	14,829

In addition to balance-sheet exposures, the table shows the amount of off-balance-sheet exposures to customers (including derivative contracts) which are fully or partially secured. As regards personal guarantees, the economic segments to which guarantors and sellers of protection belong (in the case of unsecured loans and credit derivatives, respectively) are identified making reference to the classification criteria provided for in the brochure "classification of customers by segments and groups of economic activity" published by the Bank of Italy.

Exposures are classified as either "fully secured" or "partially secured" by comparing the gross exposure with the amount of the guarantee established in the contract; for that purpose, any supplemental guarantees are also considered.

The fair value of collaterals estimated as at the balance sheet date is shown in the columns "Real guarantees" and "Personal guarantees"; if such information is not available, the contractual value is reported. Unlike in previous years, both values cannot be higher than the book value of secured exposures, in line with the 4th update of Bank of Italy circular 262.

B. BREAKDOWN AND CONCENTRATION OF CREDIT EXPOSURE

B.1 Breakdown of on- and off-balance sheet exposures to customers by business segment (book values)

Exposure/Customers	Governments			Other public entities			Financial companies			Insurance companies			Non financial companies			Other entities		
	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments	Net exposure	Specific write-downs	Portfolio adjustments
A. Balance-sheet exposure																		
A.1 Doubtful loans	-	-	X	467	669	X	58,169	247,355	X	-	-	X	5,666,956	11,643,002	X	1,195,515	1,548,142	X
- of which forborne	-	-	X	-	-	X	3,883	3,290	X	-	-	X	231,748	274,235	X	33,100	13,149	X
A.2 Unlikely to pay	-	-	X	1,450	856	X	319,649	158,788	X	-	-	X	7,915,235	3,290,394	X	997,017	398,616	X
- of which forborne	-	-	X	-	-	X	72,747	29,304	X	-	-	X	3,413,682	1,056,704	X	381,717	78,915	X
A.3 Past-due Impaired	230	189	X	-	-	X	44,445	19,171	X	1	-	X	908,711	299,524	X	881,970	342,099	X
- of which forborne	-	-	X	-	-	X	710	168	X	-	-	X	163,144	32,881	X	187,762	23,093	X
A.4 Other Performing exposures	17,113,695	X	1,109	2,385,830	X	3,499	8,233,797	X	6,724	479,764	X	1,351	36,330,532	X	485,457	29,389,911	X	64,486
- of which forborne	-	X	-	-	X	-	92,517	X	316	-	X	-	1,218,471	X	37,579	780,859	X	9,120
Total A	17,113,925	189	1,109	2,387,747	1,525	3,499	8,656,060	425,314	6,724	479,765	-	1,351	50,821,434	15,232,920	485,457	32,464,413	2,288,857	64,486
B. Off-balance-sheet exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.1 Doubtful loans	-	-	X	-	-	X	-	-	X	-	-	X	45,544	57,207	X	992	281	X
B.2 Unlikely to pay	-	-	X	-	-	X	1,479	1,456	X	-	-	X	707,894	83,446	X	1,833	470	X
B.3 Other non-performing exposures	-	-	X	-	-	X	-	-	X	-	-	X	24,778	3,424	X	1,911	98	X
B.4 Other performing exposures	430,924	X	-	104,737	X	621	2,589,925	X	853	17,290	X	7	7,321,032	X	58,210	399,861	X	1,634
Total B	430,924	-	-	104,737	-	621	2,591,404	1,456	853	17,290	-	7	8,099,248	144,077	58,210	404,597	849	1,634
Total (A+B) 31 12 2015	17,544,849	189	1,109	2,492,484	1,525	4,120	11,247,464	426,770	7,577	497,055	-	1,358	58,920,682	15,376,997	543,667	32,869,010	2,289,706	66,120
Total (A+B) 31 12 2014*	18,977,226	17	1,238	2,598,448	24,282	92,783	14,800,492	222,583	3,376	524,862	42	596	59,696,379	14,799,159	549,101	33,314,472	2,011,768	73,326

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

Balance sheet exposures reported in the table below are the same as those reported in the financial statements, net of any doubtful amounts and inclusive of specific/portfolio value adjustments, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy. The business segments to which borrowers and collateral providers belong are identified making reference to the classification criteria provided for in the brochure "Classification of customers by segments and groups of economic activity" published by the Bank of Italy.

B.2 Breakdown of on- and off-balance-sheet exposures to customers by geographic area (book values)

Exposure/Geographic Areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments	Net esposure	Overall value adjustments
A. Balance-sheet esposures										
A.1 Doubtful loans	6,906,746	13,388,672	10,333	35,990	1,748	2,485	1,883	10,760	397	1,261
A.2 Unlikely to pay	9,131,989	3,828,084	98,117	18,861	388	122	2,758	1,020	99	567
A.3 Past-due Impaired	1,831,014	660,140	3,800	726	178	39	83	13	282	65
A.4 Other performing exposu	92,210,027	556,318	804,354	2,006	540,326	2,091	360,064	2,060	18,758	151
Total A	110,079,776	18,433,214	916,604	57,583	542,640	4,737	364,788	13,853	19,536	2,044
B. Off-balance-sheet exposures										
B.1 Doubtful loans	45,815	57,294	700	-	21	194	-	-	-	-
B.2 Unlikely to pay	711,126	85,372	80	-	-	-	-	-	-	-
B.3 Other non performing □	26,639	3,522	50	-	-	-	-	-	-	-
B.4 Other performing exposu	10,319,166	60,520	405,485	555	116,019	79	22,342	167	757	4
Total B	11,102,746	206,708	406,315	555	116,040	273	22,342	167	757	4
Total (A+B) 31 12 2015	121,182,522	18,639,922	1,322,919	58,138	658,680	5,010	387,130	14,020	20,293	2,048
Total (A+B) 31 12 2014*	122,355,142	17,711,456	6,485,722	45,150	637,354	5,964	348,848	13,520	84,808	2,181

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

Balance-sheet exposures reported in the table below are the same as those reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of credit risk and valued using the measurement criteria set forth by the Bank of Italy.

Amounts are stated before and after any doubtful amounts.

Exposures are broken down geographically by the country of residence of the borrower.

B.3 Breakdown of on- and off-balance-sheet exposures to banks by geographic area (book values)

Esposizioni / Aree geografiche	ITALIY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments	Net exposure	Overall value adjustments
A. Balance-sheet exposure										
A.1 Doubtful loans	88	42,624	952	5,481	106	19,913	36	23	90	107
A.2 Unlikely to pay	2,115	339	525	73	-	-	-	-	-	-
A.3 Past-due Impaired	-	-	-	-	-	-	-	-	-	-
A.4 Other performing exposures	32,030,930	1,274	1,962,432	5,024	200,168	148	142,348	922	75,548	179
Total A	32,033,133	44,237	1,963,909	10,578	200,274	20,061	142,384	945	75,638	286
B. Off-balance-sheet exposures										
B.1 Doubtful loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	117	98	-	-	-	-	-	-
B.3 Other non-performing exposures	-	-	-	-	-	-	-	-	-	-
B.4 Other performing exposures	2,545,535	72	639,448	1,436	10,530	6	56,437	98	63,150	277
Totale B	2,545,535	72	639,565	1,534	10,530	6	56,437	98	63,150	277
Totale (A+B) 31 12 2015	34,578,668	44,309	2,603,474	12,112	210,804	20,067	198,821	1,043	138,788	563
Totale (A+B) 31 12 2014*	36,643,568	19,099	3,351,457	22,263	246,935	19,958	226,212	478	114,978	639

Balance-sheet exposures to banks reported in the table below are the same as those reported in the financial statements, while off-balance-sheet transactions include all financial transactions other than balance-sheet transactions (guarantees issued, commitments and derivatives) involving the assumption of risk and valued using the measurement of criteria set forth by the Bank of Italy. Amounts are stated before and after any doubtful amounts.
Exposures are broken down geographically by the country of residence of the borrower.

B.4 Large exposures

Item/Amount	31 12 2015	31 12 2014*
a) Book value	95,210,143	111,336,638
b) Weighted value	3,642,205	5,416,956
c) Number	12	9

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

Regulations provide for positions to be defined as "large exposures" by making reference to credit-risk unweighted exposures. An exposure is deemed as a "large exposure" when its amount is equal to or greater than 10% of Regulatory capital.

Pursuant to the afore-mentioned regulations, exposures in government securities were also included.

C. SECURITISATION TRANSACTIONS

C.1 Securitisation transactions

Structures, processes and goals

For qualitative information, please refer to Part E of the Notes to the consolidated financial statements.

Own securitisations with derecognition of the underlying assets

Casaforte Srl

This securitisation was carried out in 2010 and consisted in the transfer to Vehicle Casaforte Srl of a pool of receivables arising from a mortgage loan granted to the consortium company, Perimetro Gestione Proprietà Immobiliari. The underlying receivables were fully derecognised from the Bank's balance sheet, since the associated risks and rewards were -both formally and substantially- transferred to the vehicle. As at 31 December 2015 the residual debt amounts to EUR 1,365.8 mln. In December 2013 the Bank announced the completed buyback in full of the PGPI 2010 equity financial instruments and related Class Z Notes for a value of approximately EUR 70 mln. As a result of these purchases, the Bank acquired control of the Company, which was subsequently consolidated in the Financial Statements.

Patagonia SA

Patagonia Finance S.A. is a vehicle that issued asset-backed securities (ABS) which were subscribed by insurance companies and pledged as collateral of unit linked policies. The vehicle invests in subordinated securities issued by the Bank.

Gonzaga Finance Srl

The Gonzaga Finance Srl securitisation was closed on 16 February 2015; the transaction had been completed in 2000 by Banca Agricola Mantovana.

Own securitisations without derecognition of the underlying assets

Following is an outline of the Bank's performing securitisation transactions as at 31 December 2015.

Siena Mortgages 10-7 Srl

On 30 September 2010, a portfolio of 34,971 performing residential mortgages originated by the Bank was sold for approx. EUR 3.5 bn. As at 31 December 2015, the remaining debt balance amounted to EUR 2,304.6 mln (26,586 outstanding mortgages).

To fund the acquisition of the portfolio, the Vehicle issued residential mortgage-backed securities (RMBS); Class A1 and A2 notes - now fully repaid - were placed with market investors, whereas the remaining classes of notes issued were underwritten by the Bank and part of them were subsequently placed with market investors (class A3).

Market placement of these classes did not entail the derecognition of the underlying assets from the balance sheet of the Bank (transferor), which has substantially retained all risks and rewards associated with the ownership of the assets sold.

Siena Consumer Srl

This securitisation transaction was carried out in 2013 through the sale to the vehicle "Siena Consumer Srl" of a portfolio of approximately EUR 1.5 bn consisting of 200,542 personal loans, auto loans, and special-purpose loans originated by Consum.it S.p.A., now absorbed by Banca Monte dei Paschi di Siena S.p.A. As at 31 December 2015, the remaining debt balance amounted to EUR 552.1 mln (199,816 outstanding loans).

To fund the acquisition of the portfolio, the Vehicle issued unrated mortgage-backed securities. Those in Class A were placed with an institutional investor, while the remaining classes were subscribed by the Originator.

Market placement of class A did not entail the derecognition of the underlying assets from the balance sheet of the Bank (transferor), which has substantially retained all risks and rewards associated with the property of the assets sold. Consequently, an offsetting entry for the cash flows arising from the disposal was posted on the liabilities side of the balance sheet.

Siena Consumer 2015 Srl

On 27 February 2015, the former subsidiary Consum.it S.p.A. (now absorbed into the Bank), with the aim to optimise the Bank's liquidity, carried out a second securitisation transaction with the disposal of a portfolio of 198,371 personal, auto and special purpose loans, all disbursed by Consum.it. As at 31 December 2015, the remaining debt balance amounted to EUR 1,036.7 mln (198,270 outstanding mortgages).

To finance the purchase of this portfolio the Vehicle issued various classes of ABS securities, of which those in the Senior Class were placed with an institutional investor; the remaining mezzanine and junior classes were subscribed by the originator. This transaction also did not entail the derecognition of the underlying loans from the transferor's financial statements.

Siena PMI 2015 Srl

On 26 June 2015, in order to optimise the liquidity profile, the Bank transferred a portfolio of 24,683 performing, unsecured or mortgage loans disbursed to Italian SMEs totalling EUR 3,002.7 mln to the vehicle company "Siena PMI 2015 Srl". As at 31 December 2015, the remaining debt balance amounted to EUR 2,605.1 mln (23,777 outstanding mortgages).

To fund the acquisition of the portfolio, the Vehicle issued ABS securities on 6 August 2015. In the senior tranche, Senior classes A1A and A1B were placed with institutional investors, while classes A2A and A2B were placed with the European Investment Bank. The remaining classes of notes issued were repurchased by the Bank (transferor).

The Senior and Mezzanine classes were rated by Moody's and DBRS.

The placement did not entail the derecognition of the underlying assets from the balance sheet of the Bank, which has substantially retained all risks and rewards associated with the ownership of the assets sold.

Quantitative Information

C.1 Exposures arising from major own securitisation transactions broken down by type of securitised assets and type of exposure

Quality of underlying assets/Exposures	Balance-sheet esposure						Guarantee issued						Lines of credit					
	Senior		Mezzanine		Junior		Senior		Mezzanine		Junior		Senior		Mezzanine		Junior	
	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs	Book value	Write-downs/ Write-backs
A. Fully derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bond	-	-	-	-	3,910	(416)	-	-	-	-	-	-	-	-	-	-	-	-
Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgages Loans	-	-	-	-	2,821	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential mortages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonds and Credit derivatives	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B. Partially derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C. Not derecognised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Consumer credit	-	-	790,457	-	111,852	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-performing loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgages Loans	-	-	1,802,445	-	76,625	-	-	-	-	-	-	-	-	-	-	-	-	-
Residential mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Loans	-	-	1,346,482	-	29,332	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	3,939,384	-	224,540	(416)	-	-	-	-	-	-	-	-	-	-	-	-
of which non-performing	-	-	125,516	-	10,476	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	3,813,868	-	214,064	(416)	-	-	-	-	-	-	-	-	-	-	-	-

In relation to securitisation transactions with own and third-party underlying assets, the table indicates balance-sheet exposures, unsecured exposures, and other forms of 'credit enhancement'.

C.2 Exposures arising from major 'third-party' securitisation transactions broken down by type of securitised asset and type of exposure

This table was not completed as the Bank has no such liabilities to report for either the current or the previous year as at 31 December 2015.

C.3 Special purpose securitisation vehicles

31 12 2015

Securitisation/Vehicle company name	Registered office	Consolidation	Assets			Liabilities		
			Credit	Debt securities	Other	Senior	Mezzanine	Junior
Casaforte Srl	Rome - Via Eleonora Duse nr. 5	YES	1,404,806	-	25,191	1,240,023	-	189,974
Patagonia Finance SA	6, rue Eugène Ruppert L-2453 Luxembourg	YES	251,988	-	121	252,278	-	(169)
Siena Consumer S.r.l.	Conegliano - Via V. Alfieri nr.1	YES	84,234	-	34	86,602	-	(2,334)
Siena Consumer 2015 S.r.l.	Conegliano - Via V. Alfieri nr.1	YES	841,677	-	19	789,597	-	52,099
Siena Mortgages 10-7 S.r.l.	Conegliano - Via V. Alfieri nr.1	YES	644,034	-	185	644,960	-	(741)
Siena PMI 2015 S.r.l.	Milan - Via A. Pestalozza nr. 12/14	YES	1,176,883	-	330	1,178,301	-	(1,088)
Total			2,746,828	-	568	2,699,460	-	47,936

As regards the "Casaforte Srl" and "Patagonia Finance Srl" securitisations with the derecognition of underlying assets, please note that the assets acquired from the originator are included under "Loans". As regards the other securitisation transactions, all without the derecognition of the underlying assets, the item "Loans" does not include the receivables acquired from the originator, but rather includes primarily the liquidity held by the vehicles at the reporting date.

C.4 Non-consolidated special purpose securitisation vehicles

The information referred to in this table is not provided in that the Bank prepares the consolidated financial statements.

C.5 Servicer activities - Own securitisations: collections of securitised loans and redemptions of securities issued by the special purpose vehicle

31 12 2015

Special Purpose Vhicle	Securitised assets (year-end data)		Loans collected during the year		Percentage of securities redeemed (year-end data)					
					Senior		Mezzanine		Junior	
	Impaired	Performing	Impaired	Performing	Impaired assets	Performing loans	Impaired assets	Performing loans	Impaired assets	Performing loans
Casaforte S.r.l.	-	1,365,767	-	140,835	0.0%	24.3%	0.0%	0.0%	0.0%	0.0%
Total 31 12 2015	-	1,365,767	-	140,835						
Total 31 12 2014	-	1,414,350	-	47,714						

In accordance with Circular no. 262, the table illustrates solely the securitisations with derecognition of the underlying assets.

D. Information on structured entities not consolidated for accounting purposes (other than securitisation vehicles)

Qualitative Information

Quantitative Information

The information referred to in this section is not provided in that the Bank prepares the consolidated financial statements.

E. Transfers

A. Financial assets sold and not fully derecognised

Qualitative Information

For a description of the transactions contained in the tables reported in this section, please refer to the footnotes of the tables themselves.

Quantitative Information

E.1 Financial assets sold and not derecognised: book value and full value

31 12 2015

Type/portfolio	Financial assets held for trading			Financial assets designated at fair value			Financial assets available for sale			Financial asset held to maturity			Loans to banks			Loans to customers			Total	
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	31 12 2015	31 12 2014*
A. Balance-sheet assets	-	-	-	-	-	-	6,265,797	-	-	-	-	-	747,875	-	-	6,438,349	-	-	13,452,021	19,787,764
1. Debt securities	-	-	-	-	-	-	6,265,797	-	-	-	-	-	747,875	-	-	83,394	-	-	7,097,066	17,233,251
2. Equity instruments	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	-	-	-	X	X	X	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,354,955	-	-	6,354,955	2,554,513
B. Derivatives	-	-	-	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	-	-
Total 31 12 2015	-	-	-	-	-	-	6,265,797	-	-	-	-	-	747,875	-	-	6,438,349	-	-	13,452,021	X
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*217,289*	-	-	*217,289*	*X*
Total 31 12 2014*	-	-	-	-	-	-	15,951,056	-	-	-	-	-	820,082	-	-	3,016,627	-	-	X	19,787,765
of which non performing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	*70,363*	-	-	*X*	*70,363*

Legend:
A = Financial assets sold and fully recognised (book value)
B = Financial assets sold and partially recognised (book value)
C = Financial assets sold and partially recognised (full value)

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

The table reports the book value of financial assets sold but not derecognised, and still partially or fully reported in balance sheet assets. Line "1. Debt securities" exclusively includes securities sold in repurchase agreements; the amount in line "4. Loans" refers to the loans included in securitisation transaction without derecognition described in this section.

E.2 Financial liabilities associated with transferred financial assets that are not derecognised: book value

Liabilities/ Asset Portfolios	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Financial assets held to maturity	Loans to banks	Loans to customers	Total
1. Deposits from customers	**-**	**-**	**6,025,986**	**-**	**-**	**2,920,478**	**8,946,464**
a) relating to fully recognised assets	-	-	6,025,986	-	-	2,920,478	8,946,464
b) relating to partially recognised assets	-	-	-	-	-	-	-
2. Deposits from banks	**-**	**-**	**2,295,647**	**-**	**632,354**	**1,537,270**	**4,465,271**
a) relating to fully recognised assets	-	-	2,295,647	-	632,354	1,537,270	4,465,271
b) relating to partially recognised assets	-	-	-	-	-	-	-
3. Debt securities issued	**-**	**-**	**-**	**-**	**-**	**-**	**-**
a) relating to fully recognised assets	-	-	-	-	-	-	-
b) relating to partially recognised assets	-	-	-	-	-	-	-
Total 31 12 2015	**-**	**-**	**8,321,633**	**-**	**632,354**	**4,457,748**	**13,411,735**
Total 31 12 2014*	**-**	**-**	**15,771,600**	**-**	**548,870**	**1,381,553**	**17,702,023**

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

The table indicates the book value of financial liabilities posted as offsetting entries to financial assets sold and not derecognised partially or in their entirety from balance sheet assets.

E.3 Sales transactions relating to financial liabilities with repayment exclusively based on assets sold and not derecognised: fair value

31 12 2015

Type/ Portfolio	Financial assets held for trading		Financial assets designated at fair value		Financial assets available for sale		Financial assets held to maturity (fair value)		Loans to banks (fair value)		Loans to customers (fair value)		Total	
	A	B	A	B	A	B	A	B	A	B	A	B	31 12 2015	31 12 2014
A. Balance-sheet assets	-	-	-	-	-	-	-	-	-	-	6,731,774	-	6,731,774	2,609,542
1. Debt securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Equity instruments	-	-	-	-	-	-	X	X	X	X	X	X	-	-
3. UCITS	-	-	-	-	-	-	X	X	X	X	X	X	-	-
4. Loans	-	-	-	-	-	-	-	-	-	-	6,731,774	-	6,731,774	2,609,542
B. Derivatives	-	-	X	X	X	X	X	X	X	X	X	X	-	-
Total assets	-	-	-	-	-	-	-	-	-	-	6,731,774	-	6,731,774	2,609,542
C. Associated financial liabilities	-	-	-	-	-	-	-	-	-	-	2,197,760	-	X	X
1. Deposits from customer	-	-	-	-	-	-	-	-	-	-	2,197,760	-	X	X
2. Deposits from banks	-	-	-	-	-	-	-	-	-	-	-	-	X	X
3. Securities issued	-	-	-	-	-	-	-	-	-	-	-	-	X	X
Total liabilities	-	-	-	-	-	-	-	-	-	-	2,197,760	-	2,197,760	472,149
Net value 31 12 2015	-	-	-	-	-	-	-	-	-	-	4,534,014	-	4,534,014	X
Net value 31 12 2014	-	-	-	-	-	-	-	-	-	-	2,137,393	-	X	2,137,393

Legend:
A = Financial assets sold and fully recognised
B = Financial assets sold and partially recognised

The amount reported in the column "Loans to customers - fair value" exclusively refers to the fair value of receivables sold with own securitisations without derecognition which continue to be fully recognised in the Bank's balance sheet assets. The amount of EUR 2,197.8 mln reported under associated liabilities refers to the fair value of the portion of senior notes sold to market counterparties as part of the same securitisation. The Bank recognised a liability with the notes-issuing vehicles as an offsetting entry for the cash flows arising from this disposal. Against this liability, the creditor's entitlement to repayment is limited to cash flows arising from the assets underlying senior notes sold.

B. Financial assets sold and fully derecognised with assessment of "continuing involvement"

Qualitative Information

Quantitative Information

None to report as at 31 December 2015.

E.4 Covered bond transactions

Characteristics of the Covered Bond Issuance Programmes

The characteristics of the covered bond issuance programmes are shown in the corresponding section of the consolidated financial statements.

Accounting treatment

The accounting treatment is shown in the corresponding section of the consolidated financial statements.

Risks and Control Measures

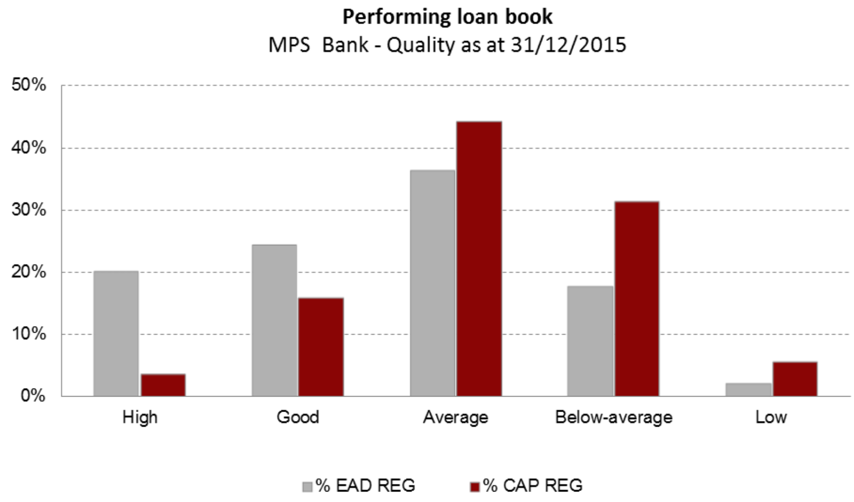
The risks and control measures are shown in the corresponding section of the consolidated financial statements.

Description of individual issuances

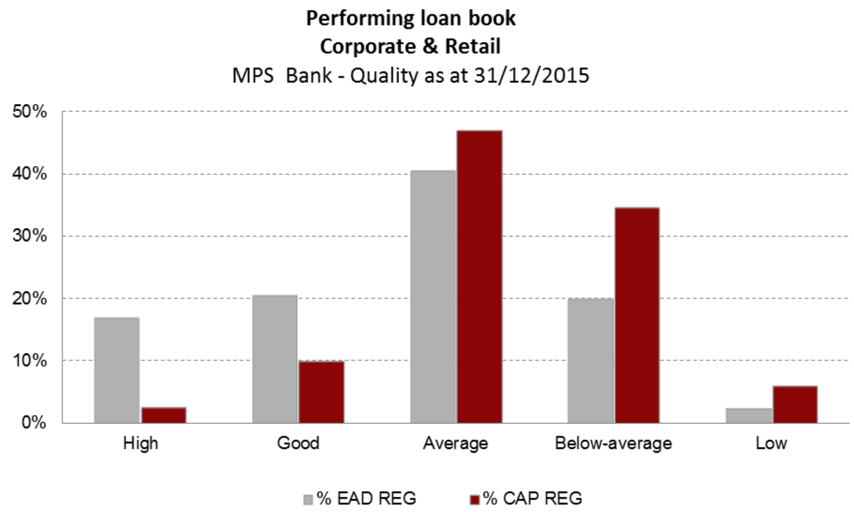
The description of individual issuances is provided in the corresponding section of the consolidated financial statements.

F. Credit risk measurement models

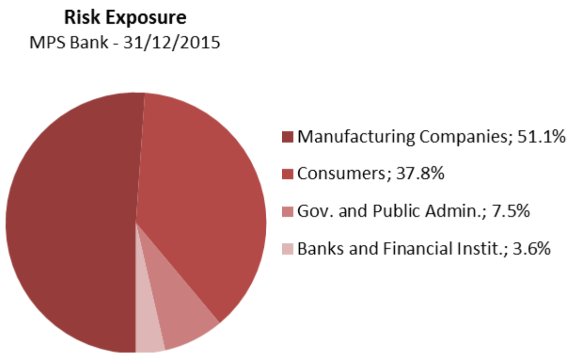
The chart below provides a credit quality breakdown of the Bank portfolio as at 31 December 2015 by Exposure to Risk (EAD REG) and Regulatory Capital (CAP REG). The following graph shows that about 44% of risk exposure is to high and good quality customers (positions in financial assets are excluded). It should be noted that the ranking below also includes exposure to banks, government agencies and non-regulated financial and banking institutions, which are not included in the AIRB approaches. As borrowers, these entities are nevertheless subject to a credit standing assessment using official ratings, if any, or appropriate benchmark values that have been determined internally.



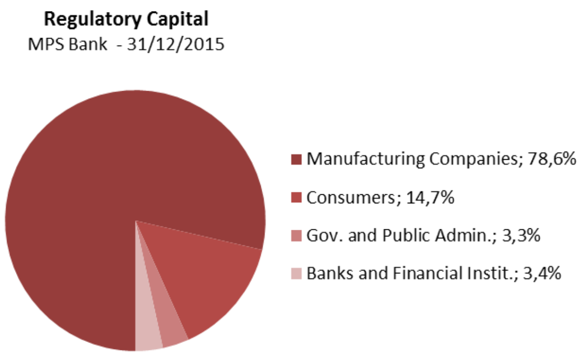
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 31 December 2015, high or good quality exposure accounted for approximately 37% of total exposure.



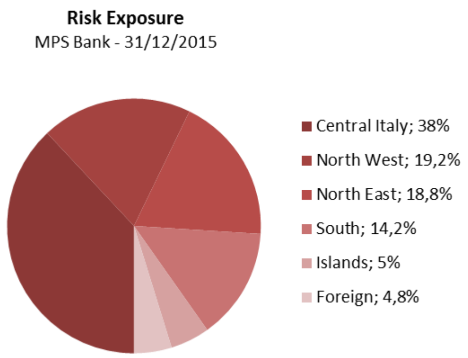
An analysis conducted at the end of 2015 shows that the Group's risk exposure is mainly toward "Manufacturing Companies" (51.1% of total loans disbursed) and "Households" (37.8%). The remaining portion is broken down between "Government and Public Administration" and "Banks and Financial Institutions", respectively at 7.5% and 3.6%.



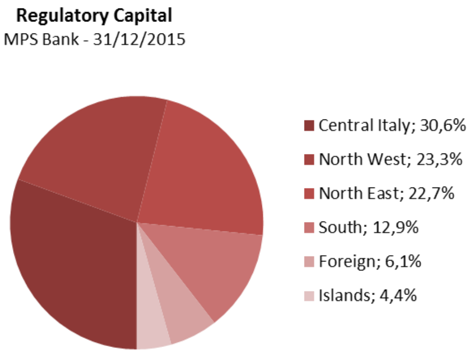
In terms of Regulatory Capital, the analysis reveals that the customer segment of Manufacturing Companies accounts for 78.6%, while the "Households" segment stands at 14.7%.



An analysis of the geographical breakdown of Banca MPS customers shows that exposure to risk is primarily concentrated in Italy's Central regions (38%), followed by the North East and North West (19.2% and 18.8% respectively), Southern Italy (14.2%), Italy's islands (5%) and foreign countries (4.8%).

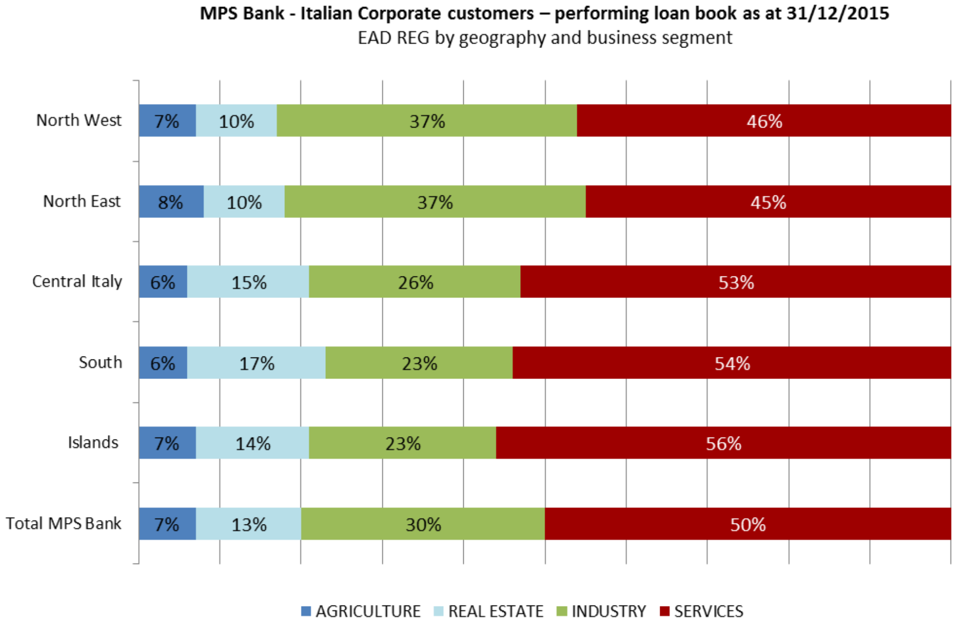


Regulatory Capital absorption is also higher in Central Italy (30.6%) in North East Italy (23.3%) and North West Italy (22.7%) due to the greater concentration of loans in those areas. These are followed by Southern Italy (12.9%), Foreign Countries (6.1%) and the Islands (4.4%):

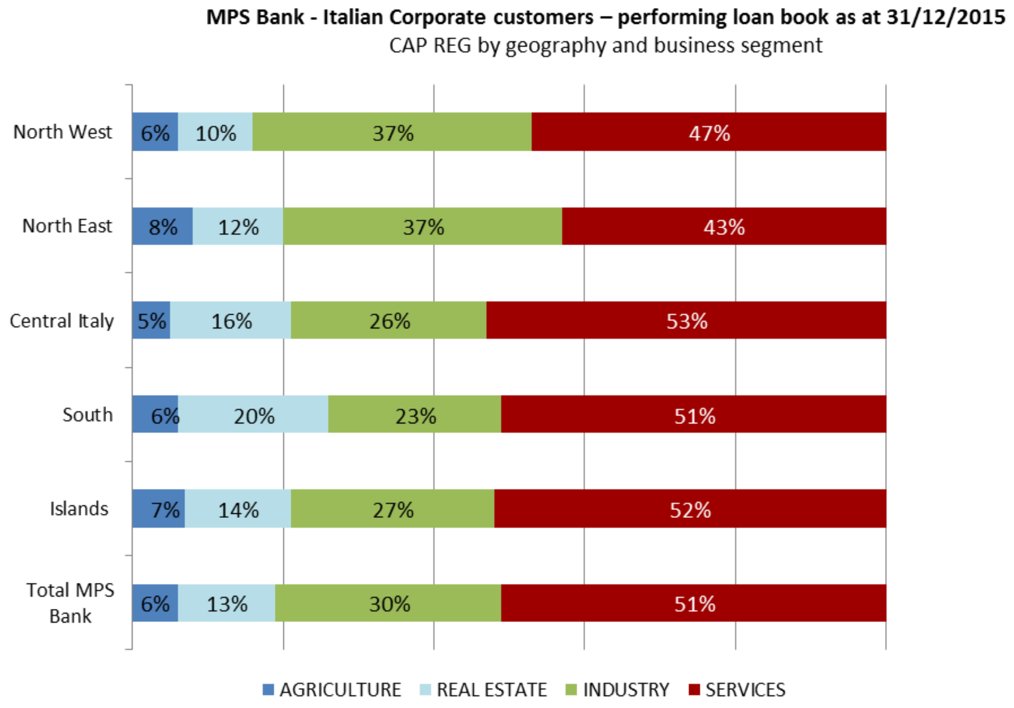


Lastly, the following graphs show, solely for Italian corporate customers, the percentage breakdown of Default Exposure by individual Geographic Area and Regulatory Capital absorption by Business Sector.

The largest share of Default Exposure for businesses in all Geographic Areas is accounted for by the "Services" sector. Out of the Bank's total exposure, the share of Services accounts for 50% and is followed by Industry (30%), Building (13%) and Agriculture (7%).



Also as regards Regulatory Capital (CAP), the greater concentration relates to the Services sector in all Geographic Areas.


MPS Bank - Italian Corporate customers – performing loan book as at 31/12/2015
CAP REG by geography and business segment
North West
6%
10%
37%
47%
North East
8%
12%
37%
43%
Central Italy
5%
16%
26%
53%
South
6%
20%
23%
51%
Islands
7%
14%
27%
52%
Total MPS Bank
6%
13%
30%
51%
AGRICULTURE
REAL ESTATE
INDUSTRY
SERVICES

Section 2 - Market risks

2.1. Interest rate and price risk - Regulatory trading book

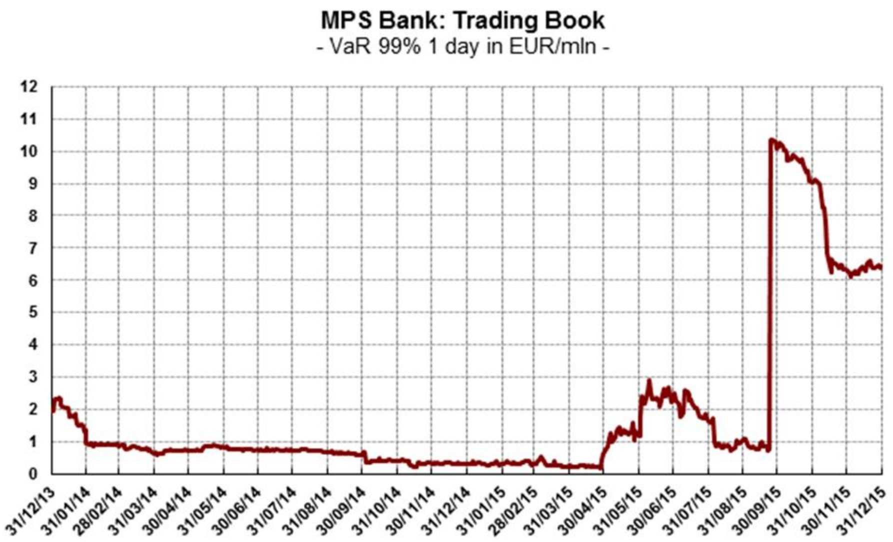
For general information on the management model of market risks concerning the Trading Book of the Bank, refer to Part E in the Notes to the consolidated financial statements.

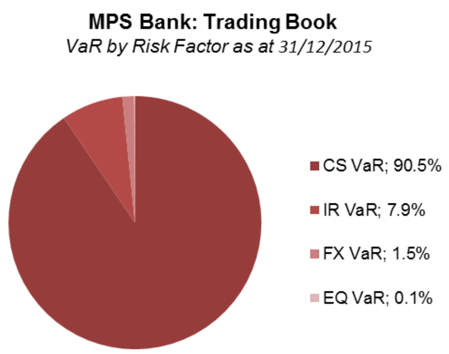
The VaR diversified by risk factors and portfolios of the Bank as at 31 December 2015 came to EUR 6.41 mln, up by approximately EUR 6.11 mln compared to the end of 2014.

The VaR increase at the end of September is due to transactions resulting from the early closure by the Bank of the "Alexandria" transaction, resulting in the acquisition, from the counterparty Nomura, of a portfolio composed primarily of BTPs via an asset swap with medium/long financial term, totalling around EUR 2.64 bn.

A part of the portfolio, held for sale starting from October, was classified as Held for Trading (HFT), consequently causing an increase in the Bank's VaR in the last quarter.

The changes in market parameters recorded during the year, particularly in the IR segment in the second and third quarter, contribute to VaR variability (this effect is intensified by methodological assumptions on the risk factors inherent in the internal historical simulation model).





In terms of a breakdown of VaR by risk factors, as at 31 December 2015 the portfolio of Banca MPS was mainly absorbed by Credit Spread risk factors (CS VaR, 90.5%). These are followed by the interest rate risk factor (IR VaR, 7.9%), the foreign exchange risk factor (FX VaR, 1.5%) and the equity risk factor (EQ VaR, 0.1%).

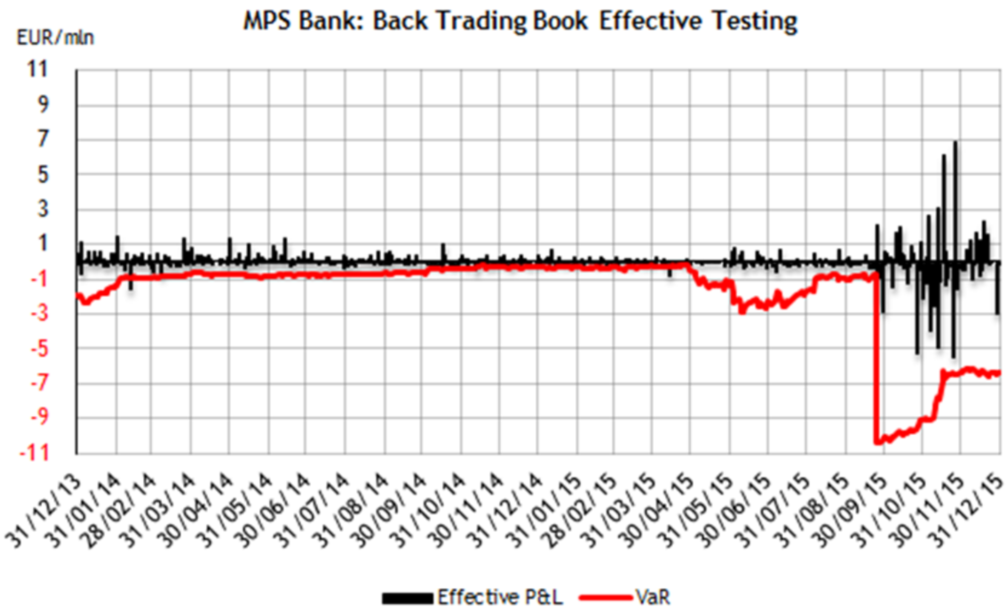
In 2015, the VaR of the Bank's Regulatory Trading Book ranged between a low of EUR 0.18 mln recorded on 28 April 2015 and a high of EUR 10.36 mln on 24 September 2015 with an average value of EUR 2.90 mln. The Regulatory Trading Book VaR as at 31 December 2015 amounted to EUR 6.41 mln.

MPS Bank: Trading Book

VaR PNV 99% 1 day in EUR/mln

	VaR	Date
End of Period	6.41	31/12/2015
Min	0.18	28/04/2015
Max	10.36	24/09/2015
Average	2.90	

The chart below shows the Actual Backtesting results of the internal Market Risks model in relation to the Bank's Regulatory Trading Book:



The backtesting shows two exceptions during 2015 on the Bank's trading book, details of which are as follows:

- 13 April 2015: early termination of a hedging derivative, exercised by the counterparty, resulting in a loss recorded in the Bank's trading book;
- 24 September 2015: termination of the previously described "Alexandria" transaction, with a negative effect caused by the intraday change of market parameters on the portfolio acquired by the counterparty.

Qualitative Information

A. General aspects

B. Interest rate and price risk: management processes and measurement methods

Qualitative information regarding the measurement of the interest rate and price risk of the Regulatory Trading Book are shown in Part E of the Notes to the consolidated financial statements.

Quantitative Information

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

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

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

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

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

Each business unit within the Bank operates independently on the basis of the objectives and powers it has been assigned. The positions are managed by special desks provided with specific operational limits. Each desk adopts an integrated risk management approach (covering more than rate risk, when allowed) in order to benefit from the natural hedge resulting from simultaneously holding positions on risk factors that are not perfectly correlated.

All positions related to the Trading Book are classified as HFT for accounting purposes, with changes in market value posted directly to profit and loss.

Simulations include the following interest rate risk scenarios:

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

Below is the overall effect of the scenario analyses.

MPS Bank: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+100bp all Interest Rate Curves	(3.63)
Interest Rate	-100bp all Interest Rate Curves	3.42
Interest Rate	+1% all Interest Rate Volatility	0.00

Below is the sensitivity analysis of the credit spread risk of the Trading Book of Banca MPS associated with the volatility of issuers' credit spreads. For the purposes of sensitivity analysis, the simulation scenario is as follows:

- +1 bp parallel shift for all credit spreads.

MPS Bank: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+1bp all Curves	0.49

The simulated price scenarios are as follows:

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

The sensitivity analysis of the price risk of the Bank's Regulatory Trading Book is not shown in that it is not material.

The contribution of the Commodity segment to the sensitivity analysis is zero.

2.2 Interest rate risk and price risk - banking book

Qualitative Information

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

B. Fair value hedging

C. Cash-flow hedging

Qualitative information regarding the measurement of the interest rate and price risk of the Banking Book are shown in Part E of the Notes to the consolidated financial statements.

D. Hedging of foreign investments

The information is not available as the Bank has not carried out any transactions to hedge foreign investments.

Quantitative Information

1. Banking book: breakdown of financial assets and liabilities by residual life (repricing date)

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

2. Banking book: internal models and other sensitivity analysis methods

2.1 Interest rate risk

The sensitivity of the Bank, at the end of 2015, was indicative of exposure to rate hike risk. The amount of economic value at risk in the event of a +100 bps parallel shift of the rate curve came to EUR -341.45 mln at the end of the year (vs. EUR 300.89 mln for a shift of -100 bps).

2.2 Price risk

The Bank's equity investment portfolio includes approximately 149 equity investments in companies outside the Group, i.e., companies that are not consolidated either line-by-line or with the equity method.

The VaR of the equity investment portfolio (99% and a holding period of 1 quarter) amounted at year-end to approximately 20% of the portfolio Fair Value, with risk concentrated in the 10 most significant investments.

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

MPS Bank: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+1% Equity Prices (prices, indices)	10.76
Equity	-1% Equity Prices (prices, indices)	(10.76)
Equity	+1% Equity Volatility	0.00

2.3 Foreign exchange risk

Qualitative Information

A. General aspects, management processes and measurement methods

B. Hedging of exchange rate risk

Qualitative information, including the hedging of exchange rate risk, is shown in Part E of the Notes to the consolidated financial statements.

Quantitative Information

1. Breakdown by currency of assets, liabilities and derivatives

31 12 2015

Items	Currencies					
	US dollar	Pound sterling	Yen	Canadian dollars	Swiss franc	Other currencies
A. Financial assets	**2,314,802**	**122,009**	**38,302**	**25,759**	**77,605**	**65,454**
A.1 Debt securities	357,077	-	-	-	29,625	1
A.2 Equity securities	1,327	409	5	-	355	1
A.3 Loans to banks	703,564	59,534	14,232	10,415	17,298	50,168
A.4 Loans to customers	1,252,834	62,066	24,065	15,344	30,327	15,284
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**24,327**	**5,400**	**2,814**	**438**	**506**	**1,717**
C. Financial liabilities	**1,014,029**	**149,851**	**42,353**	**9,399**	**9,447**	**83,861**
C.1 Deposits from banks	170,088	2,939	35,263	7,073	8,063	56,138
C.2 Customer accounts	680,578	63,632	7,090	2,326	1,384	27,723
C.3 Debt securities	163,363	83,280	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**19,184**	**1,861**	**146**	**1,636**	**431**	**639**
E. Financial derivatives						
- Options						
+ Long positions	457,455	4,147	740	109,546	-	103,526
+ Short positions	464,813	4,147	740	109,546	-	103,526
- Other						
+ Long positions	1,523,632	225,848	4,788	-	497	119,974
+ Short positions	2,992,232	175,661	3,921	6	76,239	102,512
Total assets	**4,320,216**	**357,404**	**46,644**	**135,743**	**78,608**	**290,671**
Total liabilities	**4,490,258**	**331,520**	**47,160**	**120,587**	**86,117**	**290,538**
Difference (+/-)	**(170,042)**	**25,884**	**(516)**	**15,156**	**(7,509)**	**133**

2. Internal models and other sensitivity analysis methods

For general information on the management model of foreign exchange risks, refer to Part E in the Notes to the consolidated financial statements.

The following scenarios were used for foreign exchange rate simulations:

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

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

MPS Bank

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking	Impact on shareholders' equity	**Global Effect**
Forex	+1% Exchange rate against EUR	(0.09)	0.00	**(0.09)**
Forex	-1% Exchange rate against EUR	0.09	0.00	**0.09**
Forex	+1% Forex Volatility	0.00	0.00	**0.00**

2.4 Derivatives

A. Financial derivatives

In the following tables, a distinction is drawn between derivatives classified in the regulatory Trading Book and derivatives included in the Banking Book, in accordance with Bank of Italy regulations for Prudential Supervision. This differs from an IAS-based classification for financial statement purposes, which distinguishes between trading derivatives and hedge accounting derivatives.

Regulatory classification is fundamental in order to more accurately discern between instruments intended for trading - and thus for generating absorption of capital for market risk - rather than those intended for other purposes which fall within the framework of credit risk absorption.

For the Bank, derivatives included in the Regulatory Trading Book correspond to those present in the regular balance-sheet trading book, with the exception of derivatives connected to instruments for which the fair value option was adopted, which are intended to hedge against market risks on fair-valued deposits and derivatives separated from or operationally connected to other financial instruments in the Banking Book.

A.1 Regulatory trading book: end of period notional amounts

Underlying asset/Type of derivative	Total 31 12 2015		Total 31 12 2014	
	Over the counter	Central counterparies	Over the counter	Central counterparties
1. Debt securities and interest rate	**27,949,690**	**-**	**31,099,557**	**-**
a) Options	11,573,139	-	12,589,164	-
b) Swaps	16,376,551	-	18,510,393	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**1,872,697**	**-**	**975,743**	**-**
a) Options	1,829,897	-	965,043	-
b) Swaps	42,800	-	10,700	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**6,785,776**	**-**	**4,491,740**	**-**
a) Options	2,692,498	-	1,844,917	-
b) Swaps	290,909	-	290,909	-
c) Forward	3,802,369	-	2,355,914	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**634,849**	**-**	**401,344**	**-**
5.Other underlying	**-**	**-**	**-**	**-**
Total	**37,243,012**	**-**	**36,968,384**	**-**

A.2 Banking book: end of period notional amounts

A.2.1 Hedging derivatives

Underlying asset/Type of derivative	Total 31 12 2015		Total 31 12 2014*	
	Over the counter	Central counterparies	Over the counter	Central counterparies
1. Debt securities and interest rate	**26,181,560**	**-**	**27,113,373**	**-**
a) Options	1,991,747	-	1,426,722	-
b) Swaps	24,189,813	-	25,686,651	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**-**	**-**	**-**	**-**
a) Options	-	-	-	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**618,397**	**-**	**559,733**	**-**
a) Options	-	-	-	-
b) Swaps	618,397	-	559,733	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**-**	**-**	**-**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**26,799,957**	**-**	**27,673,106**	**-**

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

A.2.2 Other derivatives

Underlying asset/Type of derivative	Totale 31 12 2015		Total 31 12 2014*	
	Over the counter	Central counterparies	Over the counter	Central counterparies
1. Debt securities and interest rate	**6,107,308**	**-**	**10,791,081**	**-**
a) Options	3,462,359	-	3,315,889	-
b) Swaps	2,644,949	-	7,475,192	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
2. Equity securities and stock indices	**941,123**	**-**	**769,873**	**-**
a) Options	940,845	-	769,687	-
b) Swaps	278	-	186	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
3. Exchange rates and gold	**167,500**	**-**	**167,500**	**-**
a) Options	167,500	-	167,500	-
b) Swaps	-	-	-	-
c) Forward	-	-	-	-
d) Futures	-	-	-	-
e) Other	-	-	-	-
4. Commodities	**502,500**	**-**	**502,500**	**-**
5. Other underlying	**-**	**-**	**-**	**-**
Total	**7,718,431**	**-**	**12,230,954**	**-**

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

A.3 Financial derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair value			
	Total 31 12 2015		Total 31 12 2014	
	Over the counter	Central counterparies	Over the counter	Central counterparies
A. Regulatory trading book	**1,585,140**	**-**	**1,773,700**	**-**
a) Options	248,123	-	157,185	-
b) Interest rate swaps	1,210,514	-	1,538,839	-
c) Cross currency swaps	42,988	-	19,597	-
d) Equity swaps	28	-	139	-
e) Forward	29,983	-	36,458	-
d) Futures	-	-	-	-
g) Other	53,504	-	21,482	-
B. Banking book - Hedging	**772,262**	**-**	**877,585**	**-**
a) Options	4,224	-	-	-
b) Interest rate swaps	751,424	-	865,855	-
c) Cross currency swaps	16,614	-	11,730	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**462,452**	**-**	**577,325**	**-**
a) Options	60,730	-	98,754	-
b) Interest rate swaps	401,722	-	478,571	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**2,819,854**	**-**	**3,228,610**	**-**

A.4 Financial derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative fair value			
	Total 31 12 2015		Total 31 12 2014*	
	Over the counter	Central counterparties	Over the counter	Central counterparties
A. Regulatory trading book	**1,659,467**	**-**	**1,850,809**	**-**
a) Options	251,066	-	158,097	-
b) Interest rate swaps	1,278,051	-	1,603,638	-
c) Cross currency swaps	34,290	-	16,672	-
d) Equity swaps	125	-	157	-
e) Forward	42,431	-	47,350	-
d) Futures	-	-	-	-
g) Other	53,504	-	24,895	-
B. Banking book - Hedging	**1,361,859**	**-**	**2,655,599**	**-**
a) Options	97,879	-	106,390	-
b) Interest rate swaps	1,214,541	-	2,515,515	-
c) Cross currency swaps	49,439	-	33,694	-
d) Equity swaps	-	-	-	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
C. Banking book - Other derivatives	**183,420**	**-**	**1,797,524**	**-**
a) Options	32,961	-	28,840	-
b) Interest rate swaps	150,457	-	1,768,501	-
c) Cross currency swaps	-	-	-	-
d) Equity swaps	2	-	183	-
e) Forward	-	-	-	-
d) Futures	-	-	-	-
g) Other	-	-	-	-
Total	**3,204,746**	**-**	**6,303,932**	**-**

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

A.5 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

31 12 2015

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial Companies	Insurance Companies	Imprese non finanziarie	Other entities
1. Debt securities and interest rates							
- notional value	-	258,663	102,393	233,372	-	5,606,464	306,382
- positive fair value	-	23,332	16,880	2,304	-	238,584	4,493
- negative fair value	-	144	3	10,379	-	9,198	106
- future exposure	-	1,533	768	1,752	-	23,147	242
2. Equity securities and stock indices							
- notional value	42	23	2,925	-	-	-	-
- positive fair value	17	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	4	2	176	-	-	-	-
3. Exchange rates and gold							
- notional value	314,695	-	1,955,909	164,510	-	2,709,022	13,960
- positive fair value	-	-	11,220	905	-	44,385	194
- negative fair value	8,270	-	3,499	34,290	-	55,028	172
- future exposure	3,226	-	18,010	1,643	-	34,376	138
4. Other underlying							
- notional value	-	-	-	-	-	317,425	-
- positive fair value	-	-	-	-	-	47,655	-
- negative fair value	-	-	-	-	-	8,527	-
- future exposure	-	-	-	-	-	30,908	-

A.6 OTC financial derivatives: regulatory trading book - notional amounts, gross positive and negative fair value by counterparties - contracts subject to netting agreements

31 12 2015

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rates							
- notional value	-	-	20,144,047	415,507	882,861	-	-
- positive fair value	-	-	986,488	10,339	19,745	-	-
- negative fair value	-	-	1,236,169	92,286	25,217	-	-
2. Equity securities and stock indices							
- notional value	-	-	1,346,120	-	523,588	-	-
- positive fair value	-	-	93,985	-	-	-	-
- negative fair value	-	-	70,982	-	23,100	-	-
3. Exchange rates and gold							
- notional value	-	-	1,627,680	-	-	-	-
- positive fair value	-	-	76,086	-	-	-	-
- negative fair value	-	-	34,441	-	-	-	-
4. Other underlying							
- notional value	-	-	317,425	-	-	-	-
- positive fair value	-	-	8,527	-	-	-	-
- negative fair value	-	-	47,655	-	-	-	-

A.7 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts not subject to netting agreements

31 12 2015

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1. Debt securities and interest rates							
- notional value	-	-	1,340,899	1,125,379	-	1,000,000	-
- positive fair value	-	-	-	215,475	-	-	-
- negative fair value	-	-	84,674	-	-	156,592	-
- future exposure	-	-	-	12,701	-	-	-
2. Equity securities and stock indices							
- notional value	-	-	-	-	69,016	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
3. Exchange rates and gold							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
4. Other underlying							
- notional value	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-

A.8 OTC financial derivatives: banking book - notional amounts, gross positive and negative fair value by counterparties - contracts subject to netting agreements

31 12 2015

Contracts subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Debt securities and interest rates							
- notional amount	-	-	25,897,691	2,924,899	-	-	-
- positive fair value	-	-	916,060	54,227	-	-	-
- negative fair value	-	-	1,145,246	76,733	-	-	-
2) Equity securities and stock indices							
- notional amount	-	-	872,107	-	-	-	-
- positive fair value	-	-	32,338	-	-	-	-
- negative fair value	-	-	32,594	-	-	-	-
3) Exchange rates and gold							
- notional amount	-	-	785,897	-	-	-	-
- positive fair value	-	-	16,614	-	-	-	-
- negative fair value	-	-	49,439	-	-	-	-
4) Other amounts							
- notional amount	-	-	502,500	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

A.9 OTC financial derivatives - residual life: notional amounts

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	**14,757,739**	**12,711,111**	**9,774,164**	**37,243,014**
A.1 Financial derivatives on debt securities and interest rates	7,586,302	11,306,157	9,057,230	27,949,689
A.2 Financial derivatives on equity securities and stock indices	861,109	296,976	714,613	1,872,698
A.3 Financial derivatives on exchange rates and gold	5,747,251	1,036,205	2,321	6,785,777
A.4 Financial derivatives on other underlying assets	563,077	71,773	-	634,850
B. Banking book	**7,470,329**	**16,863,077**	**10,184,982**	**34,518,388**
B.1 Financial derivatives on debt securities and interest rates	5,560,188	16,796,844	9,931,836	32,288,868
B.2 Financial derivatives on equity securities and stock indices	621,744	66,233	253,146	941,123
B.3 Financial derivatives on exchange rates and gold	785,897	-	-	785,897
B.4 Financial derivatives on other underlying assets	502,500	-	-	502,500
Total 31 12 2015	**22,228,068**	**29,574,188**	**19,959,146**	**71,761,402**
Total 31 12 2014	**18,132,003**	**34,476,196**	**24,264,246**	**76,872,445**

A.10 OTC financial derivatives: Counterparty risk/Financial risk - internal models

As at today, EPE models are not used for either internal operational or reporting purposes.

B. CREDIT DERIVATIVES

B1. Credit derivatives: end of period notional amounts

Transaction categories	Regulatory tranding book		Banking book	
	With one counterparty	with multiple counterparties (basket)	With one counterparty	with multiple counterparties (basket)
1. Purchases of protection	**-**	**-**	**-**	**-**
a) Credit default products	669,921	15,000	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
Total 31 12 2015	**669,921**	**15,000**	**-**	**-**
Total 31 12 2014	**205,322**	**15,000**	**-**	**-**
2. Sales of protection	**-**	**-**	**-**	**-**
a) Credit default products	429,921	-	-	-
b) Credit spread products	-	-	-	-
c) Total rate of return swap	-	-	-	-
d) Others	-	-	-	-
Total 31 12 2015	**429,921**	**-**	**-**	**-**
Total 31 12 2014*	**225,322**	**-**	**3,050,412**	**-**

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

B2. OTC credit derivatives: gross positive fair value - breakdown by products

Portfolios/Types of derivatives	Positive Fair Value	
	Total 31 12 2015	Total 31 12 2014*
A. Regulatory trading book	**14,646**	**640**
a) Credit default products	14,646	640
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
B. Banking book	**-**	**634,300**
a) Credit default products	-	634,300
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**14,646**	**634,940**

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

B3. OTC credit derivatives: gross negative fair value - breakdown by products

Portfolios/Types of derivatives	Negative Fair Value	
	Total 31 12 2015	Total 31 12 2014
A. Regulatory trading book	**1,530**	**2,071**
a) Credit default products	1,530	2,071
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
B. Banking book	**-**	**-**
a) Credit default products	-	-
b) Credit spread products	-	-
c) Total rate of return swap	-	-
d) Other	-	-
Total	**1,530**	**2,071**

B.4 OTC credit derivatives: gross (positive and negative) fair value / counterparty risk - contracts not subject to netting agreements

No transactions of this nature are recorded at the reporting date.

B.5 OTC credit derivatives: gross (positive and negative) fair value / counterparty risk- contracts subject to netting agreements

31 12 2015

Contracts not subject to netting agreements	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
Regulatory trading							
1) Purchases of protection							
- notional amount	-	-	392,774	292,148	-	-	-
- positive fair value	-	-	20	14,140	-	-	-
- negative fair value	-	-	1,277	75	-	-	-
2) Sales of protection							
- notional amount	-	-	167,779	55,926	206,216	-	-
- positive fair value	-	-	347	139	-	-	-
- negative fair value	-	-	160	-	18	-	-
Banking book							
1) Purchases of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
2) Sales of protection							
- notional amount	-	-	-	-	-	-	-
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-

B.6. Credit derivatives - residual life: notional amounts

Underlying asset/residual life	Up to 1 year	1 to 5 years	Over 5 years	Total
A. Regulatory trading book	**727,990**	**126,853**	**260,000**	**1,114,843**
A.1 Credit derivatives with qualified reference obligation	727,990	103,409	260,000	1,091,399
A.2 Credit derivatives with non-qualified reference obligation	-	23,444	-	23,444
B. Banking book	-	-	-	-
B.1 Credit derivatives with qualified reference obligation	-	-	-	-
B.2 Credit derivatives with non-qualified reference obligation	-	-	-	-
Total 31 12 2015	**727,990**	**126,853**	**260,000**	**1,114,843**
Total 31 12 2014*	**8,237**	**437,408**	**3,050,412**	**3,496,057**

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

B.7 Credit derivatives: counterparty risk/financial risk - internal models

As at today, EPE models are not used for either internal operational or reporting purposes.

C. FINANCIAL AND CREDIT DERIVATIVES

C.1 OTC financial and credit derivatives: net fair value and future exposure by counterparty

31 12 2015

	Governments and central banks	Other public entities	Banks	Financial companies	Insurance companies	Non-financial companies	Other entities
1) Financial derivatives, bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
2) Credit derivatives, bilateral agreements							
- positive fair value	-	-	-	-	-	-	-
- negative fair value	-	-	-	-	-	-	-
- future exposure	-	-	-	-	-	-	-
- net counterparty risk	-	-	-	-	-	-	-
3) "Cross product" agreements							
- positive fair value	-	-	325,604	17,781	-	-	-
- negative fair value	-	-	813,104	108,029	28,589	-	-
- future exposure	-	-	287,272	43,616	21,227	-	-
- net counterparty risk	-	-	379,498	44,187	21,227	-	-

Section 3 - Liquidity risk

Qualitative Information

A. Liquidity risk: general aspects, management processes and measurement methods

The qualitative information on the management and measurement of the liquidity risk is shown in Part E of the Notes to the consolidated financial statements.

Quantitative Information

1. Breakdown of financial assets and liabilities by residual contractual duration - Currency: Euro

31 12 2015

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	17,882,906	4,216,893	7,443,278	4,372,178	6,533,241	5,547,422	13,376,524	37,699,673	45,100,792	3,432,878
A.1 Government securities	18	-	-	-	140,044	25,042	156,050	8,342,072	6,096,797	-
A.2 Other debt securities	15,665	2,106	-	5,728	59,296	41,296	65,169	378,937	1,165,962	726,009
A.3 Units of UCITS	119,815	-	-	-	-	-	-	-	-	-
A.4 Loans	17,747,408	4,214,787	7,443,278	4,366,450	6,333,901	5,481,084	13,155,305	28,978,664	37,838,033	2,706,869
- Banks	2,073,143	1,550,962	5,107,319	1,958,587	1,723,268	637,068	5,565,106	6,161,653	4,953,538	2,706,869
- Customers	15,674,265	2,663,825	2,335,959	2,407,863	4,610,633	4,844,016	7,590,199	22,817,011	32,884,495	-
Balance-sheet liabilities	63,547,683	6,135,148	3,618,336	4,158,316	8,351,915	5,213,071	11,228,936	35,389,504	6,675,028	300,000
B.1 Deposits and current accounts	59,988,449	167,340	408,484	812,854	2,232,848	2,528,996	3,805,103	5,022,308	503,197	-
- Banks	8,160,812	30,000	-	97,595	430,000	205,564	638,678	978,469	420,413	-
- Customers	51,827,637	137,340	408,484	715,259	1,802,848	2,323,432	3,166,425	4,043,839	82,784	-
B.2 Debt securities	15,593	37,070	3,067	485,562	1,115,842	1,286,052	3,996,132	17,382,377	5,084,078	300,000
B.3 Other liabilities	3,543,641	5,930,738	3,206,785	2,859,900	5,003,225	1,398,023	3,427,701	12,984,819	1,087,753	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	27,761	94,122	630,228	1,358,450	649,382	471,375	307,111	206,807	312,506	-
- short positions	27,407	154,124	507,019	452,354	327,642	384,649	277,916	164,649	249,315	-
C.2 Financial derivatives without exchange of principal										
- long positions	1,183,892	52	-	140,922	93,903	56,311	237,276	-	-	-
- short positions	1,254,870	15	-	12,847	90,702	42,814	229,920	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	-	-	-	-	-	-	-	-	-	429
- short positions	-	-	-	-	-	-	-	-	-	429
C.4 Irrevocable commitments to disburse funds										
- long positions	-	3,227,121	811,358	33,667	166,137	156,232	461,013	120,103	815,784	193,430
- short positions	5,680,115	-	-	-	79,752	6	28,335	84,927	31,229	193,464
C.5 Financial guarantees given	26,890	32	308	398	3,970	69,037	205,121	31,034	5,723	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	618,648	-	60,000	-	-	50,000	520,000	-
- short positions	-	-	618,648	-	60,000	-	-	55,000	260,000	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

2. Breakdown of financial assets and liabilities by residual contractual duration - Currency: Other

31 12 2015

Account / Maturity	On demand	1 to 7 days	7 to 15 days	15 days to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 5 years	over 5 years	Unspecified maturity
Balance-sheet assets	476,993	55,559	57,051	151,783	464,996	374,818	161,475	381,983	499,358	-
A.1 Government securities	-	-	-	-	17,775	11,850	-	3	13,778	-
A.2 Other debt securities	-	-	-	916	292	787	1,079	2	364,655	-
A.3 Units of UCITS	1,652	-	-	-	-	-	-	-	-	-
A.4 Loans	475,341	55,559	57,051	150,867	446,929	362,181	160,396	381,978	120,925	-
- Banks	190,060	38,983	22,774	66,555	237,013	193,810	16,301	2,998	24,015	-
- Customers	285,281	16,576	34,277	84,312	209,916	168,371	144,095	378,980	96,910	-
Balance-sheet liabilities	677,375	56,258	7,882	115,997	197,022	17,671	93,901	102,471	46,656	-
B.1 Deposits and current accounts	677,324	50,536	7,882	115,799	187,908	17,225	5,212	-	362	-
- Banks	97,591	50,037	4,593	111,338	8,933	7,073	-	-	-	-
- Customers	579,733	499	3,289	4,461	178,975	10,152	5,212	-	362	-
B.2 Debt securities	-	5,722	-	198	9,114	446	88,689	102,471	46,294	-
B.3 Other liabilities	51	-	-	-	-	-	-	-	-	-
Off-balance-sheet transactions										
C.1 Financial derivatives with exchange of principal										
- long positions	2,045	134,212	146,230	445,853	345,013	471,331	258,775	71,281	-	-
- short positions	2,456	95,278	143,350	1,349,530	678,784	448,221	293,699	75,523	-	196,310
C.2 Financial derivatives without exchange of principal										
- long positions	209,102	-	-	-	-	-	-	-	-	-
- short positions	208,701	-	-	-	-	-	-	-	-	-
C.3 Deposits and borrowings to be received										
- long positions	-	-	-	-	-	-	-	-	-	3,847
- short positions	-	-	-	-	-	-	-	-	-	3,847
C.4 Irrevocable commitments to disburse funds	-	-	-	-	-	-	-	-	-	-
- long positions	-	-	-	2,144	113,417	28,212	143,386	61,204	-	2,338
- short positions	80,610	-	-	-	92,054	344	2,059	60,540	1	2,169
C.5 Financial guarantees given	18	-	-	-	5	1	21	-	-	-
C.6 Financial guarantees received	-	-	-	-	-	-	-	-	-	-
C.7 Credit derivatives with exchange of principal										
- long positions	-	-	-	-	-	-	425,558	141,853	-	-
- short positions	-	-	-	-	-	-	425,558	141,853	-	-
C.8 Credit derivatives without exchange of principal										
- long positions	-	-	-	-	-	-	-	-	-	-
- short positions	-	-	-	-	-	-	-	-	-	-

Self-securitisations

The securitisation transactions whereby the Bank underwrites securities issued by vehicle companies (self-securitisations) are not shown in the tables of Part E of the Notes to the Financial Statements, section C "Asset securitisation and disposal transactions", pursuant to the provisions of Circ. 262 of the Bank of Italy.

Self-securitisations of performing assets are transactions aimed at improving liquidity risk management by optimising the amount of assets readily available to cover liquidity requirements.

Although the Bank's direct and full underwriting of the notes issued by the vehicle does not make it possible to obtain direct liquidity from the market, it still provides the Group with securities that could be used for ECB refinancing and repo transactions on the market, thereby improving the Bank's safety margin against liquidity risk.

These sale transactions had no economic impact on the financial statements: loans continue to be reported under Item 70 "Loans to customers" on the assets side, while underwritten notes are not reported.

This category includes the four self-securitisations entered into in December 2007 (Siena Mortgages 07–5), in March 2008 (Siena Mortgages 07-5 2nd tranche); in February and June 2009 (Siena Mortgages 09-6 and Siena Mortgages 09-6 2nd tranche).

Siena Mortgages 07-5, 1st and 2nd series

On 21 December 2007, through the purchase of securities issued by the vehicle, the Bank finalised a securitisation of performing loans consisting of a portfolio of 57,968 residential mortgages for a total of EUR 5,162.0 mln, of which a balance of EUR 1,744.0 mln (29,367 mortgage loans) outstanding as at 31 December 2015.

In order to fund the acquisition, the Vehicle issued Residential mortgage-backed floating-rate securities (RMBS) in the following classes, rated by Moody's and Fitch as at 31 December 2015:

- Class A notes (A2 and AA+) for an amount of EUR 4,765.9 mln, of which EUR 3,402.7 mln redeemed;
- Class B notes (A1 and A), for an amount of EUR 157.4 mln;
- Class C notes (B3 and BBB-), for an amount of EUR 239.0 mln.

A cash reserve was also set up to support the transaction for an amount of EUR 123.9 mln, corresponding to the issuance of junior class notes, which was posted to the assets side under Item 70 "Loans to customers". The transaction reached the Protection Ratio (ratio between total Class B and C notes and total Class A, B and C notes) which allowed for the gradual reduction of the cash reserve up to EUR 42.2 mln.

The first series was followed by the sale, on 31 March 2008, of an additional pool of performing loans consisting in 41,888 residential mortgages for a total of EUR 3,461.0 mln and a residual life of about 20 years.

As at 31 December 2015, 17,546 loans were outstanding for a balance of EUR 1,251.0 mln.

In order to fund the acquisition of loans, the Vehicle (the existing Siena Mortgages 07-5 S.p.a., already used for the securitisation of performing residential mortgages which was completed in December 2007) issued RMBS (Siena Mortgage 2nd series) in the following classes, rated by Moody's and Fitch as at 31 December 2015:

- Class A notes (Aa2 and AA+) for an amount of EUR 3,129.4 mln, of which EUR 2,156.4 mln redeemed;
- Class B notes (A1 and A), for an amount of EUR 108.3 mln;
- Class C notes (NR and BBB-), for an amount of EUR 178.3 mln.

A cash reserve was set up to support the transaction for an amount of EUR 82.0 mln, corresponding to the issuance of class D notes, which was posted under asset item 70 "Loans to customers". The transaction reached the Protection Ratio (ratio between total Class B and C notes and total Class A, B and C notes) which allowed for the gradual reduction of the cash reserve up to EUR 30.23 mln.

Siena Mortgages 09-6, 1st and 2nd series

In order to increase available eligible assets, in 2009 the Bank carried out two securitisations through the vehicle named Siena Mortgages 9 - 6 Srl. The first series was finalised on 20 February 2009 through the sale by the Bank of a portfolio of performing mortgages in real estate and building for a total of EUR 4,436.0 mln. As at today, the remaining debt balance stands at EUR 2,154.0 mln, for a total of 29,570 loans.

In order to fund the acquisition of the portfolio sold, the Vehicle issued Residential mortgage-backed floating-rate securities (RMBS) in the following classes, rated by Moody's and Fitch as at 31 December 2015:

- Class A notes (Aa2 and AA+) for an amount of EUR 3,851.3 mln, of which EUR 2,270.8 mln redeemed;
- Class B notes (NR and A), for an amount of EUR 403.7 mln;
- Class C notes (NR and BBB-), for an amount of EUR 181.4 mln;
- Class D notes (not rated), for an amount of EUR 106.7 mln.

The first series was followed, on 26 June 2009, by an additional securitisation of EUR 4,101 mln. As at 31 December 2015, the residual debt amounts to EUR 1,544.0 mln for 21,957 mortgage loans.

The portfolio consisted of 44,148 performing mortgages originated by the Bank (including positions from the former branches of Banca Agricola Mantovana S.p.A., Banca Antonveneta S.p.A. and Banca Toscana S.p.A., which have now been merged), in the real estate and building areas.

In order to fund the acquisition of the portfolio sold, the Vehicle (Siena Mortgages 09 - 6 S.r.l.) issued Residential mortgage-backed floating-rate securities (RMBS) in the following classes, rated by Moody's and Fitch as at 31 December 2015:

- Class A notes (A2 and A+) for an amount of EUR 3,466 mln, of which EUR 2,510.8 mln redeemed;
- Class B notes (Ba3 and A-), for an amount of EUR 447.1 mln;
- Class C notes (Caa1 and NR), for an amount of EUR 188.65 mln;
- Class D notes (not rated), for an amount of EUR 103.50 mln.

A cash reserve was set up to support the transaction, which was posted under asset item 70 "Loans to customers". As at 31 December 2015, these reserves stand at 89.21% and 15.26% of the target level, respectively.

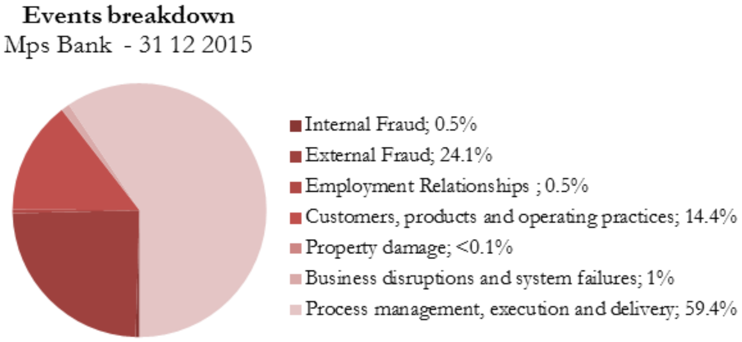
Section 4 - Operational risk
Qualitative Information

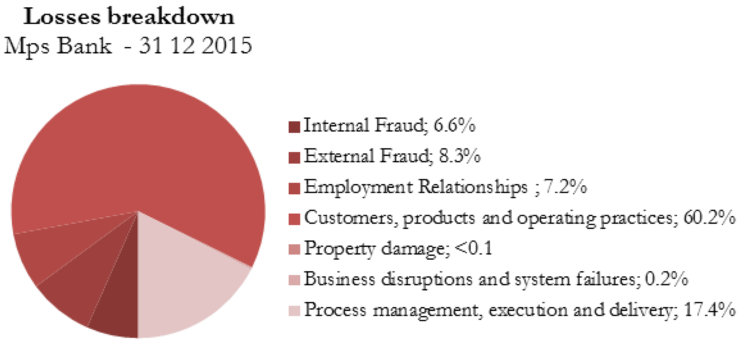
A. General aspects, management processes and measurement methods

The qualitative information on the management and measurement of operational risks is shown in Part E of the Notes to the consolidated financial statements.

Quantitative Information

The percentage breakdown of events and operational losses recognised in 2015 is reported below, divided into various risk classes.





As at 31 December 2015, operational losses and the number of operational risk events were significantly down compared to 2014.

The types of event with the greatest impact on the income statement remain attributable to non-fulfilment of professional obligations with customers (under “Customers, products and operating practices”: approximately 60% of the total) and operational and process management shortfalls (under “Process management, execution and delivery”: approximately 17% of the total).

With regard to “non-fulfilment of professional obligations with customers”, risk events are mainly associated with claims due to the application of compound interest.

Main types of legal action

The risks associated with or connected to legal disputes - i.e. disputes brought before judicial authorities and arbitrators - are kept under specific and careful review by the Bank.

In case of disputes for which the disbursement of financial resources to perform the underlying legal obligation is believed to be "*likely*" and the relevant amount can be reliably estimated, allocations are made to the Reserve for Risks and Charges using statistical or analytical criteria.

The key characteristics of significant cases, by macro-category or individually, are described below:

A) Significant cases by macro-category

The cases brought against the Bank belonging to sufficiently homogeneous types for which the risk has been estimated using analytical and/or statistical criteria can be grouped for the most part into sub-categories, characterised individually by a common denominator represented by alleged critical elements of products, operations, services or relationships for which or in which the companies played the role of disbursement or placement entities.

The main macro-categories are related to situations concerning:

1) compound interest and in general the application of interest and conditions;
2) bankruptcy rescindments;
3) the placement of bonds issued by Countries or Companies that subsequently defaulted, and financial plans.

The table below presents the data of the main macro-categories as at 31 December 2015:

Type of dispute	No. of cases	Petitum (EUR mln)	Funds (EUR mln)
Interest compounding	3,730	461.4	199.4
Claw-backs of payments received from defaulted entities	412	520.1	103.4
Defaulting obligations and financial plans	1,124	71.4	20.9

1) Disputes concerning compound interest, interest and conditions

Following the change in orientation by the Supreme Court of Cassation (Corte di Cassazione) on the legitimacy of the practice of capitalising on a quarterly basis the interest payable accrued on current accounts, as of 1999 there has been a progressive increase in claims for the return of interest expense resulting from quarterly compound interest. In these lawsuits, the plaintiffs also contest the legitimacy of the interest rate and the methods to determine the commissions applied to the accounts. In this regard, the interpretation introduced since 2010 by the Supreme Court on usury - according to which overlimit fees (Commissioni di Massimo Scoperto, CMS), even before Italian Law no. 2/2009 was enforced, should have been calculated on the basis of the effective global rate (Tasso Effettivo Globale - TEG), contrary to Bank of Italy guidelines - is frequently the pretext for the actions brought by customers. The plaintiffs most often claim irregularities in current account balances; however, claims concerning compound interest are also increasingly frequent: these cases are based on the alleged illegitimacy of the so-called "French-style amortisation" in mortgage loans, and violation of Italian Law no. 108/1996 on usury in term loans. Aware that the jurisprudential interpretation is often disadvantageous (although not univocal), at least with respect to certain issues, the Bank is committed to maximising the arguments in its defence - which do exist, particularly concerning the statute of limitations - identifiable in the regulatory and interpretative framework. Thinking in terms of macro-categories, the total provisions estimated for this type of disputes appear to be adequate relative to the risk.

2) Disputes concerning bankruptcy rescindments

The reform implemented from 2005 has reduced and limited the scope of bankruptcy rescindments, particularly those relating to current account remittances. For those that can still be filed, or already pending at the effective date of the reform, the Bank is giving maximum emphasis to all the arguments available in defence.

3) Disputes concerning bonds issued by Countries or Companies that subsequently defaulted, and financial plans

The considerable defensive efforts made in this type of lawsuit resulted over the years in the emergence of some favourable jurisprudential orientations, at least with respect to certain specific cases, which are allowing balanced risk control. In 2015 there were some negative decisions, particularly as regards financial plans, which as things currently stand have not had tangible negative impacts, but the developments of which will be closely monitored to ensure proper oversight over any greater risk factors.

B) Individually significant cases

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of SNIA S.p.A

The action, taken by the Extraordinary Administrators of SNIA S.p.A. against the former Directors, Statutory Auditors and (direct and indirect) Shareholders of the same company (including BMPS), seeks the assessment of the defendants' liabilities for damages, originally not quantified, allegedly caused to the company. The action is grounded on intricate and complex corporate matters which saw the involvement of the company from 1999 to 2009 and which, as far as the Bank and other appearing parties are concerned, pivot around the company's demerger in 2003. The relief sought against the Bank and other defendants, which originally could not be determined, was (partially) specified during the claim quantification stage and amounts to EUR 572.0 mln plus additional alleged damages, still undetermined.

No preliminary activities were carried out during the course of the dispute and the Judge, upon hearing the closing arguments of the parties, referred the decision to the Board, first of all, on the preliminary issues formulated by the parties and with regard to the claims submitted predominantly by the plaintiff.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators of Antonio Merloni S.p.A.

The extraordinary administration procedure of Antonio Merloni S.p.A. brought an action against the Directors and Statutory Auditors of the company, together with the pool of lenders and the companies that audited the financial statements, claiming that they are jointly responsible for causing the company's financial difficulties.

The Bank's defence aims to demonstrate the total groundlessness of the claim, the extraordinary administrators' lack the interest and legitimacy to bring the action, and that the cause of action is past the statute of limitations.

The proceeding was declared suspended at the hearing of 30 June 2015, due to the passing of one of the defendants, and subsequently taken up again. The next hearing is set for 6 June 2016.

The claim appears to be ungrounded and the risk of losing the case is merely possible, but cannot be estimated in practice.

In October 2011, the extraordinary administration procedure of the company Antonio Merloni S.p.A. also brought a legal action against BMPS before the Court of Ancona requesting the return, as part of a bankruptcy rescindment, of EUR 53.8 mln as to the primary claim and EUR 17.8 mln as a secondary claim, for remittances occurred on the company's current accounts during the suspected period.

The Judge rejected the petition of the opposite party's expert witness and revoked the order to admit the expert witness's appraisal, which had been previously issued by the Judge to whom the case was originally assigned.

The judge issued a first instance ruling, rejecting the plaintiff's claim and sentencing the latter to repay legal expenses. The plaintiff filed an appeal.

Banca Monte dei Paschi di Siena S.p.A. vs. Fatrotek

The action was brought by the company Fatrotek against Banca MPS (and other credit institutions); the plaintiff asks the Court to recognise the alleged unlawfulness by MPS and the other banks of reporting doubtful loans to the Central Credit Bureau, and claim monetary and non-monetary damages suffered by the company.

The plaintiff also asks that the defendant banks be found jointly liable, each proportionately to the seriousness of its behaviour. The Bank's defence was based on the fact that the company's extremely severe financial situation fully justified the Bank's initiatives.

The case has been adjourned pending the decision on the admission of preliminary evidence.

Banca Monte dei Paschi di Siena S.p.A. vs. Fallimento Medeghini S.p.A. in liquidazione

In 2012, Fallimento Medeghini S.p.A. in liquidazione served a complaint on BMPS charging it with an alleged unlawful behaviour, in contract and in tort, in relation to accounting movements between the company, which subsequently went bankrupt, and other companies (controlled by the Medeghini family), at the time of a capital increase by Medeghini S.p.A.

The Bank's defence was based on various considerations in fact and in law, and was aimed at demonstrating the absolute groundlessness of the claims brought by the bankruptcy procedure due to total lack of a causal link between management acts that led to the default and the Bank's conduct.

During the technical appraisal ordered by the Court, the opposite party's demands that a link of causality be recognised between the capital increase and the subsequent transactions that worsened the company's financial difficulties - in which the Bank acted as a mere executor - were repeatedly and effectively rebutted by the Bank's expert witness.

During the appraisal, the Court-appointed expert witness accepted almost entirely the arguments of the defendant BMPS, and in any case the plaintiff's claim, as formulated, appears to be groundless in terms of damages to be awarded, as no damage has been suffered.

The case was deferred to 2 February 2017 for the clarification of pleadings.

Former Banca Antoniana Popolare Veneta S.p.A. (BAV) vs Elipso Finance S.r.l.

The dispute was originated by 3 loan assignment transactions identifiable in bulk in accordance with Italian Law no. 130 of 30/4/1999, carried out or mediated by former BAV, following which since 2008 the assignee Elipso Finance s.r.l. has submitted complaints, invoking the guarantees given by the assignors, mainly concerning the lack of documentary evidence supporting the credit.

Specifically, the 3 assignments were carried out by former BAV, Antenore Finance S.p.A. and Theano Finance S.p.A. (both of which are 98% owned by former BAV, originator of the relevant loans, and subsequently merged into BMPS).

As a settlement could not be reached, in compliance with the arbitration clause contained in the contracts Elipso initiated the arbitration procedure at the Arbitration Chamber of Milan.

The Bank's defence aims to demonstrate that, in accordance with contractual provisions, even if the claim should be accepted, damages can only be awarded for positions for which Elipso can actually prove that damage has been suffered.

The Arbitration Board ordered an expert appraisal, currently underway, in order to verify respect by Elipso of the contractual provisions in terms of the activation methods and times with regard to the guarantee.

Banca Monte dei Paschi di Siena S.p.A. vs. CHI.DEM S.r.l. and the other companies of the De Masi Group

The action was brought by the company CHI. DEM srl and by the other companies of the De Masi Group.

Co-defendants with BMPS are two other credit institutions and Bank of Italy. The plaintiff seeks relief for alleged damage suffered by the Group as a result of the aforesaid banks having exceeded threshold rates (with the joint liability of Bank of Italy for failure to supervise) following decision no. 46669/2011 by the Criminal Division of the Court of Cassation, which has ascertained that in certain periods the threshold rate was actually exceeded.

BMPS's defence is essentially based on lack of evidence of the monetary and non-monetary damages claimed by the plaintiff, as well as lack of any link of causality.

Beyond the difficulty of demonstrating the existence of the damage, an element in favour of the Bank is the dismissal of a first request for a Court order, which the plaintiffs applied for as a precautionary measure under article 700 of the Italian Code of Civil Procedure (the dismissal was confirmed during the claim proceeding), as well as the dismissal, on 9 July 2014, of a second request for Court order which the plaintiffs again submitted.

Another element in favour of the Bank is the fact that some accounts that were the subject of a criminal proceeding ended with judgement no. 46669/2011 were also discussed in a civil proceeding before the Court of Palmi: the judgement issued on 13 May 2013 at the end of this proceeding dismissed the other party's claim, and for these accounts the Bank invoked the plea of res judicata.

The proceeding is under preliminary investigation and the next hearing is set for 23 February 2016.

Banca Monte dei Paschi di Siena S.p.A. vs. Codacons and the Italian Association of Users of Financial, Banking and Insurance Services

In January 2013, Codacons and the Italian Association of Users of Financial, Banking and Insurance Services brought an action - which was notified, among others, to the Ministry of Economy and Finance, the Bank of Italy, Consob, the President of the Court of Auditors, and two auditing firm - before the Administrative Court of Lazio (TAR) requesting the cancellation of the documents related to the procedure for the issue of the New Financial Instruments (Monti-bond), as well as damages in the same amount.

BMPS's defence was based on various considerations in fact and in law, and was aimed at demonstrating not only the total groundlessness, but also the inadmissibility of the claims brought by the plaintiffs.

At the hearings before a single judge and a Court, held in February and March 2013 before the TAR and the Council of State all of the plaintiffs' requests for precautionary measures, aimed at blocking the procedure for the issue of the New Financial Instruments, were rejected and, during the hearing of 3 April 2013, the TAR adjourned the discussion of the case to a date to be determined.

As the matter stands, therefore, the Codacons' initiative appears to have been essentially superseded, since the procedure for the issue of the New Financial Instruments was fully completed, including all of the administrative stages. The initiative was also concluded and finalised with full reimbursement of said instruments, through: a) EUR 3,000 mln on 1 July 2014 and b) EUR 1,071 mln on 15 June 2015, as the subject of the dispute has ceased to exist, without getting into the technical intricacies. Moreover, the dispute itself is entirely groundless in terms of damages/compensation, as there is no way of proving the existence of any damage suffered by consumers, whose interests the Association protects, nor by what right the latter is legitimated to act.

According to this reasoning, therefore, the Codacons' initiative before the Administrative Court is of no financial consequence.

The risk of losing the case appears unlikely, and the circumstance is mentioned in this report only because of the importance and extensive media coverage that it involves.

Banca Monte dei Paschi di Siena S.p.A. vs. receivership estate of Antonio Amato & C. Molini e Pastifici in Salerno S.p.A. in liquidazione

The receivership estate of 'Antonio Amato & C. Molini e Pastifici in Salerno S.p.A. in liquidazione' brought an action against the Bank, with the former Directors of the Company in bonis and other Creditor Banks as co-defendants, before the Court of Naples, requesting that the Court ascertain and recognise the joint liability of the defendants for their unlawful conduct. According to the plaintiff, they formed a pool that granted a loan to the company, thus worsening its state of financial distress and causing severe damage to its business and its equity and financial integrity; they therefore asked the Court to order the defendants to pay damages to the receivership estate in the amount of EUR 90 mln, i.e. the presumable difference between the estate's liabilities and assets, or a different amount that the Court should deem suitable to award upon completion of the investigative phase; as a secondary claim, the receivership estate asks that each of the defendants be found liable for the part attributable to them for the damage suffered by the company, amounting to EUR 90 mln, equal to the presumable difference between the estate's liabilities and assets.
The Bank rose preliminary objections and filed a motion to dismiss the case for lack of venue jurisdiction and of active legitimation; in the merits, the Bank asked the Court to dismiss the plaintiff's claims as inadmissible and/or groundless or, as a secondary request, to reduce the amount of compensation awarded in consideration of the different degree of guilt in causing the damage, in accordance with art. 2055, paragraph 2 of the Italian Civil Code.
The case is under preliminary investigation and the next hearing will be held on 3 March 2016.

Former Banca Antoniana Popolare Veneta S.p.A. (BAV) vs. extraordinary administration of Coopcostruttori s.c.a.r.l.

The Extraordinary Administration of Coopcostruttori s.c.a.r.l. brought a legal action against Banca Antoniana Popolare Veneta (hereinafter, BAV) before the Court of Ferrara requesting, in accordance with paragraph 2, article 67 of the Italian Bankruptcy Law (old version) the revocation, by declaration of their ineffectiveness with respect to the administration and subject to prior investigation of the Bank's scientia decoctionis in the suspected period, of the remittances made in the year preceding the declaration of insolvency on the current accounts held by Coopcostruttori in bonis at BAV's Padua branch (amounting to EUR 51.4 mln) and the Argenta (FE) branch (amounting to EUR 0.4 mln); the plaintiff asks the Court to order that the defendant reimburse a total of EUR 51.8 mln, plus interest, revaluation and legal expenses.

BAV argued against the existence of the objective cause of action (as the plaintiff erroneously identified remittances that were revocable in abstract, did not take into account loans granted, wrongly reconstructed the available balance and the nature of the revocable remittances, etc.) as well as the subjective cause of action (due to failure by the extraordinary administration to fulfil the burden of proof in connection with the "scientia decoctionis") and asking the Court, in the conclusions, to dismiss the plaintiff's claim as groundless in fact and in law, and as a secondary request - should the Court believe that a subjective cause of action does exist - to revoke only the remittances whose nature is actually that of payments.

The preliminary investigation phase of the proceeding has been completed, the Court ordered appraisal has been performed, and subsequent additions and requests for clarifications from the Court appointed expert have been filed. Upon completion of the preliminary phase and once the conclusions were filed, the case was submitted for judgement.
In the judgement entered 22 April - 28 May 2014, the Court of Ferrara, partly admitting the plaintiff's claim, ordered the Bank, as successor of BAV after the latter's merger, to reimburse the amount of the

remittances considered revocable, for a total amount of EUR 8.1 mln, plus interest at the legal rate from the date of filing of the claim to the date of payment, with partial compensation (2/3) of legal expenses and full compensation of expert witness fees.
The amount awarded was determined by the Court assuming that the Bank was aware of the insolvency for the entire one-year suspected period and taking into account the findings of the Court appointed expert, as subsequently clarified by the latter following the remarks submitted by our expert.

By means of a notice served on 29 January 2015, the plaintiff submitted an appeal, requesting the revocation of further remittances, with respect to those already subject to the first instance sentence, for a total of EUR 21.9 mln. The first hearing was held on 3 June 2015. The Bank duly appeared, filing an incidental appeal against the first degree ruling of partial sentence.

The case was deferred to the hearing of 21 February 2017 for the clarification of pleadings.

Out-of-court claims for the repayment of sums and/or compensation for damages by Shareholders and Investors of Banca Monte dei Paschi di Siena S.p.A in relation to the 2008 and/or 2011 share capital increases

In relation to the share capital increases of 2008 and/or 2011, the Bank received a total of 468 requests, for a total of EUR 117.9 mln demanded where quantified, targeted at obtaining the repayment of sums invested and/or compensation of damages, monetary and non-monetary, as a result of alleged losses suffered.
These claims - brought individually or collectively, through professionals or consumer associations - although heterogeneous, are mostly justified by generic references to the Bank's alleged violation of the industry legislation governing information provided at the time of the aforementioned share capital increases, and were rejected as they were considered generic, unfounded, not backed by the suitable documentary evidence and in certain cases past the statute of limitations.

Information is provided on this matter in the event that the claims in question, as things currently stand, all rejected, are brought before a Court of law through the filing of proceedings in which the Bank's risk of being the losing party can, at the moment, be assessed to be merely possible.

Banca Monte dei Paschi di Siena S.p.A. vs. Fruendo

Following the transfer of the back office business unit to Fruendo in January 2014, involving 1,069 resources, 634 workers (later reduced to 611 due to waivers and deaths) initiated legal proceedings before the Courts of Siena, Rome, Mantua and Lecce to demand the continuation of the employment relationship with the Bank, upon the declaration of ineffectiveness of the transfer agreement entered into with Fruendo.

At the reporting date, of the 611 plaintiffs, a first instance ruling has already been handed down for 398 (248 at the Court of Siena and 150 at the Court of Rome) after a hearing on the full merits, while for the remaining 213 (122 at the Court of Lecce, 90 at the Court of Mantua and 1 at the Court of Siena), the rulings are still pending.

As things currently stand, 291 workers are entitled to be rehired (i.e., the plaintiffs in the cases at the Court of Siena and the Court of Rome, limited, for the latter, to the cases decided in favour of the plaintiffs).

The decision of the Court of Siena has already been appealed before the Florence Court of Appeals, and the relative hearings for the initial discussion of the case have been scheduled in the period between June and September 2016. By May 2016, the Bank will lodge an appeal against the unfavourable rulings handed down by the Court of Rome. For their part, the workers who were unsuccessful in the case decided by the Court of Rome filed an appeal and relative hearing has been set for December 2016.

As a result, to date, and while the current situation remains unchanged, no economic impact on the Bank is forecast. Indeed, as the Fruendo employees retained the pay they had been receiving from the Bank when the business unit was transferred, they would not be due any back pay if the unfavourable rulings (for the Bank) were to be enforced.

Given the above, the Bank, jointly with Fruendo, is analysing the matters arising from the rulings of the Court of Siena and the Court of Rome in order to identify the best solutions.

Banca Monte dei Paschi di Siena S.p.A./civil claimant - criminal proceedings relating to the "Alexandria" case

Criminal proceedings 15171/2015 are linked to the "Alexandria transaction", involving, inter alia, former Bank representatives as well as former Nomura executives, who were all charged with the offences of false accounting and market manipulation. Both Banca Monte dei Paschi di Siena S.p.A. and Nomura have been summoned as legal entities bearing liability pursuant to Italian Legislative Decree 231/01 in relation to the liable offences committed by their former representatives.

For reasons associated with service formalities, Nomura has been excluded as a liable party pursuant to Legislative Decree 231/01 from these proceedings, while for BMPS, the damages claimed by the civil parties in relation to the entity's liability pursuant to Legislative Decree 231/01 were rejected by order of the Preliminary Hearing Judge, handed down at the hearing on 27 November 2015, thereby accepting the objection submitted by the Bank's defence, based on a well-established Court of Cassation teaching which excludes the possibility for compensable damages pursuant to art. 185 of the Criminal Code (damages from crimes) to arise as a result of any liability pursuant to Legislative Decree 231/01.

At the hearing on 17 November 2015, numerous civil parties (about 600) joined the proceedings seeking damages from the natural person defendants, while it should be noted that the Bank also claimed damages as a civil party for damages caused to the Bank itself for the crimes committed by its former representatives (it did not claim damages as a civil party from the former representatives of Nomura as the settlement entered into with the Japanese bank addressed this case and excluded the possibility for the Bank to act further before the court against Nomura or its former employees).

After these civil parties joined the proceedings, they requested and obtained authorisation (granted by the Preliminary Hearing Judge - only with respect to Nomura and not the Bank - by order handed down at the hearing on 18 January 2016) to summon the legal entities that employed the defendants (or at which the defendants were directors at the time of the events) as civilly liable parties. An examination of the records shows that the claims of the civil parties seeking damages are generic and, in the majority of cases, they do not contain the minimum, yet indispensable, information required to determine the type of damages caused to the civil parties. In any case, the claims of the civil parties appear to be abstractly justified and they are admissible provided, also abstractly, that there are grounds for compensation pursuant to law in accordance with article 2049 of the Civil Code, recognisable - only if the defendants are deemed liable at the end of the proceedings - in a claim for damages resulting from the deeds of the defendants. In light of these considerations, from the accounting perspective the risk of an outlay has been qualified as "possible". In any event, the Bank is closely monitoring the criminal proceedings.

Banca Monte dei Paschi di Siena S.p.A./legal proceedings relating to the Santorini, Fresh 2008 and Chianti Classico financial transactions

In January 2016, the Milan public prosecutor closed the preliminary investigations for the second part of the inquiry into certain financial transactions in which the Bank was involved in 2008, 2009 and 2010, i.e., Santorini, Fresh 2008 and Chianti Classico. In this context, some executives and former executives of the Bank were committed for trial as well as some officers from Deutsche Bank, in relation to which, in any case, for the transaction that took place with the German bank in December 2013, it is not possible to join the proceedings as a civil party claiming damages. In these proceedings, the Bank assumes the triple role of injured party, civilly liable party and liable party pursuant to and in accordance with Legislative Decree 231/01. Procedural formalities relating to the preliminary hearing will begin on 4 March 2016.

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Lastly, in relation to the notices received from Anima Holding and BPM regarding the activation of the compensation procedure (established at the time of the transfer of equity investments for the creation of the alliance in the asset management segment) due to a tax audit undertaken with regard to Anima Asset Management Ltd. and a correlated official tax audit report issued against the latter, the Bank carried out detailed analyses of the contractual guarantees given at the time of the transfer of equity investments and has decided not to recognise the grounds for the violations claimed in the notices themselves for the moment, also considering the generic nature of the arguments of Anima Holding. In any event, the Bank is monitoring, in agreement with Anima Holding, the tax audit under way against Anima Asset Management Ltd., via its own advisor engaged for this purpose.

Risks from tax disputes

Among the cases associated with tax disputes which regard the Bank, those in which the risk of losing is considered likely are limited in number and provisions for risks and charges are adequate

On 1 October 2015, the Siena Guardia di Finanza began a tax audit on the Bank in order to verify, for tax periods from 2010 to 2015, the proper fulfilment of tax application obligations (application of withholding tax on interest expense) with reference to Tier 1 capital strengthening structures put into place, starting in 2000, with the specific, formal authorisation of Bank of Italy. Although the audit is still under way, the Bank has received - with reference only to the 2010 tax period - an official tax audit report and, subsequently on 22 December 2015, an assessment notice and a penalty notification. The total amount claimed for 2010 is EUR 15.7 mln.

The findings set forth are based, extremely briefly, on the re-classification of financial instruments that gave rise to the payment of such interest expense by the Bank (and which do not require the application of withholding taxes) as different financial instruments (which, instead, require the application of withholding tax).

The Bank, with support from well respected advisors, submitted a petition for a tax assessment settlement with respect to the assessment notice received, to present reasonable arguments to the Italian Revenue Agency to defend the appropriateness of its actions. Based on that action, the most suitable initiatives will be taken to protect the Bank's claims.

Note the investigation performed under court order by the Guardia di Finanza into a real estate transaction performed by MPS Immobiliare in 2011 and consisting of contributing a property complex located in Rome to a closed-end real estate fund and the subsequent disposal of units held in that same fund. In relation to that transaction, as mentioned in previous reports, on 16 September 2013 the Guardia di Finanza served an official tax audit report challenging the ability to use the tax regime applied to the contribution in question and subsequent failure to pay VAT of around EUR 27 mln and direct taxes of approximately EUR 4 mln. The Italian Revenue Agency has not yet served any assessment notice but has formally invited the company to provide clarifications, believing that the transactions put in place are on the whole elusive: as mentioned in prior reports, the company, assisted by its advisors, has prepared and filed its own observations. The risk of losing associated with these issues is considered unlikely.

Part F - Information on shareholders' equity

Section 1 - Shareholders' equity
A. Qualitative information

The Bank pursues strategic objectives focused on quantitative and qualitative strengthening of capital, structural rebalancing of liquidity and achievement of sustainable profitability levels. In this perspective, capital management, planning and allocation activities play a crucial role in ensuring compliance over time with the minimum capitalisation requirements set by the regulations and the supervisory authorities, as well as with the risk appetite level approved by the Group's strategic supervision body.

This is the purpose served by the Risk Appetite Framework (RAF) through which the target capitalisation levels are estimated on a yearly basis and capital is allocated to the business units according to expected development and estimated risk levels, making sure that the allocated capital is sufficient to ensure compliance with minimum requirements, under both normal and stress conditions. In the context of the RAF it is used to perform prospective capital adequacy assessments over a multiyear period, under both normal and stress conditions. The analyses are carried out both at Group level and by each individual legal entity subject to regulatory capital requirements.

The achievement of objectives and compliance with regulatory minimum requirements is constantly monitored throughout the year.

The formal corporate processes to which the RAF is applied at least on an annual basis are the budget, the risk appetite and the ICAAP.

The Bank defines its targets on the basis of a Risk Adjusted Performance Measurement (RAPM), which measures profitability net of the cost of capital to be held for regulatory purposes relative to the assumed risk level.

The definitions of equity applied are those used in Supervisory Regulations: Common Equity Tier 1, Tier 1 and Capital; moreover, the RAPM metrics also include Invested Capital, i.e. the amount of Shareholders' equity needed to achieve Common Equity Tier 1 values, whether determined ex ante as target levels or realised ex post.

The Capital at Risk concepts applied are those used in the regulatory requirements and correspond to the risk weighted assets (RWA), determined on the basis of the rules set out in the supervisory regulations, and the economic capital corresponding to the maximum losses estimated on measurable risks at a predetermined confidence interval and on the basis of the Group's internal models and rules. Both measurements are used as part of RAPM metrics.

B. Quantitative Information

B.1 Equity: breakdown

Item/ Amount	31 12 2015	31 12 2014*
1. Shareholders' equity	9,001,757	12,484,207
2. Share premium	6,325	2,291
3. Reserves	(736,320)	(1,973,117)
- retained earnings	(619,233)	(2,261,427)
a) legal reserve	-	-
b) statutory reserve	-	-
c) treasury shares	-	-
d) other	(619,233)	(2,261,427)
- other	(117,087)	288,310
4. Equity instruments	-	3,002
5. Treasury shares (-)	-	-
6. Valuation reserves	(173,401)	(405,178)
- Financial assets available for sale	98,005	(101,867)
- Tangible assets	-	-
- Intangible assets	-	-
- Hedges of foreign investments	-	-
- Cash flow hedges	(191,928)	(229,751)
- Exchange difference	6,800	1,151
- Non-current assets held for sale	19,641	1,764
- Actuarial gains (losses) on defined benefit plans	(105,919)	(122,235)
- Share of valuation reserves of equity investments valued at equity	-	-
- Special revaluation laws	-	45,760
7. Profit (loss) for the year	416,633	(5,491,853)
Total	**8,514,994**	**4,619,352**

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

B.2 Valuation reserves for financial assets available for sale: breakdown

Asset/Amount	Total 31 12 2015		Total 31 12 2014*	
	Positive reserve	Negative reserve	Positive reserve	Negative reserve
1. Debt securities	128,956	(38,154)	156,791	(265,832)
2. Equity instruments	16,448	(139)	9,133	(484)
3. Units of UCITS	1,328	(10,434)	2,058	(3,533)
4. Loans	-	-	-	-
Total	**146,732**	**(48,727)**	**167,982**	**(269,849)**

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

B.3 Valuation reserves for financial assets available for sale: annual changes

31 12 2015

	Debt securities	Equity securities	Units of UCITS	Loans
1. Opening balance*	**(109,041)**	**8,649**	**(1,475)**	**-**
2. Increases	**308,702**	**16,600**	**1,076**	**-**
2.1 Increases in fair value	258,746	8,345	663	-
2.2 Reversal to profit and loss of negative reserves	49,956	7,915	413	-
- due to impairment	685	7,915	400	-
- following disposal	49,271	-	13	-
2.3 Other changes	-	340	-	-
3. Decreases	**108,859**	**8,940**	**8,707**	**-**
3.1 Decreases in fair value	14,066	8,697	8,201	-
3.2 impairment provisions	-	-	-	-
3.3 Reversal to profit and loss of positive reserves: following disposal	94,379	159	506	-
3.4 Other changes	414	84	-	-
4. Closing balance	**90,802**	**16,309**	**(9,106)**	**-**

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

B.4 Valuation reserves for defined benefit plans: annual changes

	Internal pension plans	External pension plans	Provision for staff severance pay	31 12 2015
Opening balance	**(34,616)**	**1,235**	**(88,854)**	**(122,235)**
Remeasurement of net defined benefit liability (asset):	**1,630**	**500**	**14,341**	**16,471**
Return on plan assets excluding interest	(29)	(8,471)	-	(8,500)
Actuarial gains (losses) arising from changes in demographic assumptions	(774)	(1,067)	-	(1,841)
Actuarial gains (losses) arising from experience adjustments	2,813	4,404	-	7,217
Actuarial gains (losses) arising from changes in financial assumptions	3,475	8,450	14,341	26,266
Changes in effect of limiting net defined benefit asset to asset ceiling	(3,855)	(2,816)	-	(6,671)
Gains (losses) on settlements	-	-	-	-
Others	-	-	(155)	(155)
Closing balance	**(32,986)**	**1,735**	**(74,668)**	**(105,919)**

Section 2 - Regulatory banking capital and ratios

The prudential supervisory provisions for banks and banking groups became operational as of 1 January 2014 with the aim of aligning national regulations with the changes introduced to the international regulatory framework (Basel 3), particularly the European Union's new regulatory and institutional framework for banking supervision.

The regulatory framework in force aims to improve the ability of banks to absorb shocks arising from financial and economic stress, whatever the source, improve risk management and governance and strengthen the bank's transparency and disclosures, while taking into account developments from the financial crisis.

The approach based on three pillars aims to reinforce the quantity and quality of banks' capital base as well as establish counter-cyclical supervisory tools and new standards for liquidity risk management and financial deleveraging.

In particular, Pillar 1 governs capital requirements to reflect the potential risk of activities as well as capital endowment requirements.

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

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

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

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

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

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

2.1 Own Funds

A. Qualitative information

Own funds are made up of the following:

- Tier 1 (T1) capital, consisting of:
    - Common equity Tier 1 (CET1);
    - Additional Tier 1 (AT1);
- Tier 2 (T2).

As with other regulatory indicators, capital is subject to specific transition rules. Therefore, there are full application requirements and requirements for the transition period.

Common equity Tier 1 (CET1)

Full application requirements

Common equity Tier 1 (CET1) mainly consists of:

- ordinary shares;
- share premium reserve resulting from the calculated share capital;
- retained earnings;
- valuation reserves.

The requirements for including capital instruments in CET1 are very stringent. They include the following:

- capital instruments must be classified as equity for accounting purposes;
- the nominal amount cannot be reduced except in cases of liquidation or discretionary repurchases by the issuer, with the appropriate authorization by the Supervisory Authority;
- they must have perpetual duration;
- the issuer is not obliged to distribute dividends;
- the issuer can only distribute dividends from distributable profits;
- there can be no preferential treatment in distributions, unless as a reflection of different voting rights;
- there are no caps on distribution;
- the cancellation of distributions does not result in restrictions on the issuer;
- compared to the other issued capital instruments, CET1 instruments absorb losses first and to a proportionally greater extent at the time they occur;
- they represent the most subordinated instruments in the event of the Bank's bankruptcy or liquidation;
- the holders have the right to the issuer's residual assets in the event of the issuer's liquidation;
- they are not subject to guarantees or contractual provisions that increase their seniority.

Profit for the period can be included in CET1 before final approval of the annual report only with the authorization by the Supervisory Authority and only if the following conditions are met: the profit must be audited by the external auditors and any dividends the Parent Company is going to distribute must be deducted from the profit for the period.

The CET1 calculation excludes the valuation reserve generated by cash flow hedges and the gains/losses from changes in the Bank's credit standing (fair value option liabilities and derivative liabilities).

Furthermore, CET1 includes additional value adjustments (so-called "prudent valuation"). These adjustments are made to fair value exposures in the financial statements and must include the uncertainty of the parameters (model risk, unwinding costs, etc.) and potential future costs (operational risks, concentration risk, liquidity risk, etc.). The adjustments vary according to the financial instruments' classification as Level 1, 2 or 3.

In addition to these components, which represent the prudential filters, CET1 is subject to the following deductions:

- loss for the period;
- intangible assets, including the goodwill implicit in the equity investments under significant influence or joint control, valued according to the equity method;
- tax assets that are based on future profitability and do not derive from temporary differences (tax losses and ACE);
- deferred tax assets that depend on future profitability and derive from temporary differences (net of the corresponding deferred tax liabilities). On the other hand, deferred tax assets that do not depend on future profitability and can be transformed into tax credits as per Law no. 214/2011 are not deducted. Instead, these latter assets are included in RWA and weighted at 100%;
- deferred tax assets associated with multiple tax alignments of the same goodwill item for the portion that has not yet been transformed into current taxes;
- the surplus of expected losses on portfolio impairments validated for purposes of adopting the AIRB approach (so-called "expected loss delta");
- direct, indirect and synthetic investments in the Bank's own CET1 instruments;
- non significant (<10%) direct, indirect and synthetic investments in CET1 instruments of financial institutions;
- significant (>10%) direct, indirect and synthetic investments in CET1 instruments of financial institutions;
- any deductions in excess of the AT1 instruments.

Deductions for equity investments in financial institutions and deferred tax assets are applicable only for the portions that exceed established CET1 thresholds, known as exemptions, according to the specific mechanism described below:

- not significant investments in CET1 instruments of financial institutions are deducted, for the portion of the aggregate of not significant investments in CET1, AT1 and T2 instruments of financial institutions that exceeds 10% of the CET1, in proportion with the CET1 instruments themselves. The portions referring to AT1 and T2 instruments are instead dedicated from the AT1 and T2 aggregates, respectively. The CET1 on which to calculate the 10% is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to direct, indirect and synthetic investments in CET1 instruments of financial institutions, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- net deferred tax assets that depend on future profitability and derive from temporary differences are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- significant investments in CET1 capital instruments of financial institutions are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- amounts not deducted as a result of the 10% exemption of significant investments in CET1 capital instruments of financial institutions and net deferred tax assets that depend on future profitability and derive from temporary differences, added together, are deducted only for the portion that exceeds 17.65% of the CET1 that is obtained after applying the prudential filters and all

deductions, including investments in financial institutions and deferred tax assets, with the exception of any deductions in excess of the AT1 capital instruments.

Amounts not deducted as part of the exemptions are included in the RWA with 250% weighting.

With regard to events in 2015, in the month of June the Bank completed a share capital increase to be offered for a total of EUR 3 bn. Costs incurred for the share capital increase and posted directly to equity amount to EUR 89 mln, after tax. The sale of unsubscribed rights involved recognition in the share premium reserve of an amount of approx. EUR 6 mln.

Due to this capital increase and to the authorisations received by the Bank of Italy and the Ministry of Economy and Finance, the Bank redeemed a nominal value of EUR 1,071 mln of New Financial Instruments for EUR 1,116 mln, which includes the effects from the terms and conditions of the prospectus following the sale of shares by Fondazione Monte dei Paschi di Siena.

Moreover, on 1 July, 117,997,241 ordinary shares, equal to 4% of the share capital, were issued in favour of the Ministry of Economy and Finance (MEF) for interest accrued as at 31 December 2014, pursuant to the regulations on NFIs, with a simultaneous increase in share capital of EUR 243 mln.

In conclusion, as at 31 December 2015, CET1 takes into account the effects of the EUR 3 bn share capital increase, the net proceeds from the sale of unsubscribed rights and the direct costs of the transaction as well as the share capital increase in favour of MEF. At the same date, as a result of the last redemption, the NFIs are no longer included in the CET1 calculation.

In addition, the CET1 also benefitted from the winding-up of the Alexandria transaction on 23 September 2015.

As concerns special provisions against Banca Monte dei Paschi di Siena, the Supervisory Authority requested the exclusion of the share of Fresh notes falling under the indemnity issued by the Bank to Bank of New York S.A. The negative impact on Tier 1 due to this exclusion amounted to EUR 76 mln.

Transitional requirements

The following are the key aspects of the transition requirements:

- the losses for the period are calculated in CET1 with a progressive introduction of 20% per year (40% in 2015 and 100% from 2018); the portion temporarily not deducted from CET1 is calculated as a negative element of AT1;
- actuarial gains/losses arising from the measurement of liabilities connected with employee benefits (staff severance pay, defined-benefit pension funds, etc.) are recognised, net of tax effect, in valuation reserves and are included in CET1, with a gradual introduction of 20% since 2015 (20% in 2015 and 100% in 2019);
- unrealised gains on financial instruments classified in the AFS portfolio, other than those related to exposures with central governments of EU countries, are calculated in CET1 beginning in 2015 at 40% and then with a gradual introduction of 20% per year (40% in 2015 and 100% in 2018). Unrealised losses on financial instruments classified in the AFS portfolio, other than those related to exposures with central governments of EU countries, are calculated in CET1 with a gradual introduction of 20% per year (40% in 2015 and 100% in 2018);
- the option to exclude from CET1 the unrealised profits and losses on exposures with central governments of EU countries classified in the AFS portfolio, until approval by the European Commission of IFRS 9, as a result of the introduction of the national discretion set forth by the CRR as part of the transition requirements by Bank of Italy. In accordance with Circular no. 285 of 17 December 2013, in January 2014 the MPS Group exercised this right;
- deferred tax assets that depend on future profitability and do not derive from temporary differences are deducted at 40% for 2015 (100% from 2018). These are essentially deferred financial assets associated with tax losses and the ACE benefit;

- deferred tax assets that depend on future profitability and derive from temporary differences existing as at 1 January 2014 are deducted from CET1 with a gradual introduction of 10% per year beginning in 2015 (10% in 2015 and 100% in 2024);
- other deferred tax assets that depend on future profitability and derive from temporary differences, generated after 1 January 2014, are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018);
- non significant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically and exceeding the above-mentioned exemptions are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- significant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- the excess of expected losses on impairments (expected loss delta) is deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018). The portion not deducted from CET1 during the transition phase is deducted at 50% from AT1 and 50% from T2.

Additional impairments to assets and liabilities designated at fair value are calculated in proportion to the amount with which said assets and liabilities are calculated in CET1 during the transition period. For example, since unrealised gains and losses on exposures to central governments classified in the AFS portfolio are not at this time included in the CET1 calculation, any additional corresponding impairments are not recognised.

The following table reports the main characteristics of instruments included in Common Equity Tier 1.

31 12 2015

Features of subordinated instruments	Interst rate	Step up	Issue Date	Maturity Date	Early redemption as of	Currency	Grandfathering	Original amount in currency units	Contribution to capital (EUR/000)
Ordinaty Shares	N.A.	NO	N.A.	N.A.	N.A.	EUR	NO	9,001,756,821	8,803,949
Total Equity Instruments (Common Equity Tier 1 - CET1)									**8,803,949**

Additional Tier 1 (AT1)

Full application requirements

The main requirements for including capital instruments in AT1 are:

- the subscription and acquisition must not be financed by the Bank or its subsidiaries;
- they are subordinated to T2 instruments in the event of bankruptcy;
- they are not subject to guarantees that increase their seniority issued by the Bank, its subsidiaries or other companies with close ties to the Bank and its subsidiaries;
- they have indefinite duration and do not include incentives for repayment;
- call options may be exercised only at the issuer's discretion and, in any event, no earlier than 5 years, unless authorised by the Supervisory Authority related to specific circumstances;
- interest is paid as a function of distributable profits;
- the Bank has full discretion in paying interest and at any moment may decide to not pay for an unlimited period; the cancellation is not cumulative;
- cancellation of interest does not constitute issuer default;
- in the event of trigger events, the nominal value may be reduced permanently or temporarily or the instruments may be converted into CET1 instruments.

AT1 is subject to the following deductions:

- direct, indirect and synthetic investments in the Bank's AT1 instruments;
- direct, indirect and synthetic investments in AT1 instruments of financial institutions which it owns a significant stake;
- direct, indirect and synthetic investments in AT1 instruments of financial institutions, which it does not own a significant stake; for the portion that exceeds the exemption of 10%, proportionally attributable to AT1 instruments;
- any adjustments exceeding T2.

As a result of these provisions, some Tier 1 instruments issued by the Bank in previous years do not meet the requirements to be included in AT1.

Transitional requirements

The following are the key aspects of the transition requirements for 2015:

- non significant investments in AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from AT1 due to the transition period are deducted from AT1 at 50% and from T2 at 50%;
- significant investments in CET1 and AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from CET1 and AT1 due to the transition period, are deducted from AT1 at 50% and from T2 at 50%;
- the excess of expected losses on impairments (expected loss delta), temporarily not deductible from CET1 due to the transition period, is deducted from AT1 at 50% and from T2 at 50%

The following table reports the main contractual features of instruments included in the calculation of Additional Tier 1.

31 12 2015

Features of subordinated instruments	Interest rate	Step up	Issue Date	Maturity Date	Early redemption as of	Currency	Grandfathering	Original amount in currency units	Contribution to capital (EUR/000)
F.R.E.S.H. 2008 - (share capital not included in CET1)	N.A.	NO	N.A.	N.A.	N.A.	EUR	NO	189,158,000	181,984
F.R.E.S.H. (Floating Rate Equity-Linked Subordinated Hybrid)	Euribor 3m + 88 bps.	NO	30 12 2003	N.A.	(a)	EUR	NO	700,000,000	27,966
Capital Preferred Securities I^ tranche	Euribor 3m +6,3%	YES	21 12 2000	N.A.	(b)	EUR	YES	80,000,000	54,420
Capital Preferred Securities II^ tranche	Euribor 3m 6,3%	YES	27 06 2001	N.A.	(b)	EUR	YES	220,000,000	106,503
Total Additional Tier 1 capital instruments - AT1									**370,873**

a) F.R.E.S.H. 2008 refers to the EUR 950 mln capital increase reserved to JP Morgan. On 16 April 2008, pursuant to art. 2352 of the Civil Code, the Bank and J.P. Morgan entered into a usufruct agreement, according to which J.P. Morgan maintains bare ownership of the shares, while the Bank is entitled to usufruct, which may be terminated in advance in a series of cases. As long as the usufruct is in force, the voting right relating to the FRESH 2008 Shares is suspended and no right to dividends is associated with them, while the option rights are held by J.P. Morgan, which will be required to transfer them to The Bank of New York (Luxembourg) S.A. under the terms set forth in the documentation relating to FRESH 2008 for the purpose of transfer to FRESH 2008 holders pursuant to the terms of the instruments themselves. The consideration for the usufruct is equal to the 3M Euribor + 425 basis points, applied to a notional value of EUR 1 bn, under the conditions described below.

That amount should be paid to J.P. Morgan, based on the usufruct agreement, on specific payment dates (16 January, 16 April, 16 July and 16 October of each year), if and only if:

- the Bank has realised distributable profits based on the separate financial statements approved before that date; and
- also on the basis of those financial statements, dividends in cash have been paid out to shareholders.

When both of these conditions are met for one year, the amount due for the four payment dates subsequent to the shareholders' meeting approving the financial statements referring to the same year may be paid only to the extent of the difference between distributable profits as set forth in the financial statements and the total amount of cash dividends paid to shareholders.

Following a free share capital increase of EUR 750 mln approved in 2012 applicable to the share premium reserve, the portion of the 2008 reserved capital increase that has AT1 characteristics as at 31 December 2015 amounts to EUR 182 mln.

b) The innovative capital instruments F.R.E.S.H. (Floating Rate Equity-linked Subordinated Hybrid notes) issued by the vehicle "MPS Preferred Capital II LLC", for an original nominal value of EUR 700 mln, are perpetual instruments and as such contain no redemption or step-up clauses but are convertible into shares. In September of each year from 2004 through 2009 and however, at any time effective as of 1 September 2010, the instruments are convertible upon the investor's initiative. In addition, an automatic conversion clause is provided for in the event that, after the seventh year from date of issue, the reference price of the ordinary shares should exceed a set amount. For the portion still outstanding, it is noted that the return is non-cumulative, with an option for it not to be paid if, during the previous year, the Bank did not register any distributable profits and/or did not pay any dividends to its shareholders. Any unpaid consideration shall be considered as forfeited. The rights of the note holders are guaranteed on a subordinated basis. In the event of liquidation of the Bank, the rights of the investors will be subordinated to all of the Bank's creditors who are not equally subordinated, including holders of securities coming under Tier 2 capital and will override the rights of Bank's shareholders. Within the overall structure, a limited liability company and a business Trust were set up, which have respectively issued convertible preferred and convertible trust securities. The Bank underwrote an on-lending contract in the form of a subordinated deposit agreement. The conditions of the on-lending agreement are substantially the same as the conditions of the convertible preferred securities. For these securities, the issuer exercised the option not to proceed with payment of interest accrued on the coupon dates scheduled, starting from 30 September 2013.

c) Capital Preferred Securities, Antonveneta Capital Trust I and Antonveneta Capital Trust II are non-redeemable securities. For these securities, the issuer exercised the option not to proceed with payment of interest accrued on the coupon dates scheduled, starting from 21 September 2013 and 27 September 2013, respectively.

Tier 2 (T2)

Full application requirements

The main requirements for including capital instruments in T2 are:

- the subscription and acquisition must not be financed by the Bank or its subsidiaries;
- they are not subject to guarantees that increase their seniority issued by the Bank, its subsidiaries or other companies with close ties to the Bank and its subsidiaries;
- the original duration is not less than 5 years and there are no incentives for early repayment;
- call options may be exercised only at the issuer's discretion and, in any event, no earlier than 5 years, unless authorised by the Supervisory Authority related to specific circumstances;
- interest does not vary based on the Bank's credit standing;
- amortisation of these instruments for purposes of inclusion in the T2 calculation is pro-rata temporis in the last 5 years.

T2 is subject to the following deductions:

- direct, indirect and synthetic investments in the Bank's T2 instruments;
- direct, indirect and synthetic investments in T2 instruments of financial institutions, which it owns a significant stake;
- direct, indirect and synthetic investments in T2 instruments of financial institutions, which it does not own a significant stake; for the portion that exceeds the exemption of 10%, proportionally attributable to T2 instruments.

Transitional requirements

The following are the key aspects of the transition requirements for 2015:

- non significant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100% for the portion that exceeds the exemption; non significant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted, for the portion that exceeds the exemption, with a phase-in of 20% per year as of 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs;
- significant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100%; significant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted with a phase-in of 20% per year as of 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs;
- significant investments in CET1 and AT1 instruments of financial institutions held directly, indirectly or synthetically, temporarily not deductible from CET1 and AT1 due to the transition period, are deducted from AT1 at 50% and from T2 at 50%;
- the excess of expected losses on impairments (expected loss delta), temporarily not deductible from CET1 due to the transition period, is deducted from T2 at 50%.and from AT1 at 50%

The following table reports the main contractual features of instruments included in the calculation of Tier 2.

31 12 2015

Features of subordinated instruments	Interest rate	Step up	Issue Date	Maturity Date	Early redemption as of	Currency	Grandfathering	Original amount in currency units	Contribution to capital (EUR/000)
Subordinate bond loan	4,875% fixed	NO	31 05 2006	31 05 2016	N.A.	EUR	NO	750,000,000	49,129
Subordinate bond loan	5,750% fixed	NO	31 05 2006	30 09 2016	N.A.	GBP	NO	200,000,000	13,350
Subordinate bond loan	Euribor 6m+2,50%	NO	15 05 2008	15 05 2018	N.A.	EUR	NO	2,160,558,000	1,025,229
Subordinate bond loan	CMS Convexity Notes	NO	07 07 2000	07 07 2015	N.A.	EUR	NO	30,000,000	-
Subordinate bond loan	CMS Volatility Notes	NO	20 07 2000	20 07 2015	N.A.	EUR	NO	25,000,000	-
Subordinate bond loan	5,6% fixed	NO	09 09 2010	09 09 2020	N.A.	EUR	NO	500,000,000	355,425
Subordinate bond loan	Euribor 3m+0,40 % until 30 11 2012, then Euribor 3m+1%	NO	30 11 2005	30 11 2017	N.A.	EUR	NO	500,000,000	141,285
Subordinate bond loan	7% fixed	NO	04 03 2009	04 03 2019	N.A.	EUR	NO	500,000,000	317,534
Subordinate bond loan	5% fixed	NO	21 04 2010	21 04 2020	N.A.	EUR	NO	500,000,000	317,615
Subordinate bond loan	Euribor 3 mesi + 5,97%	YES	07 02 2001	07 02 2031	07 02 2011	EUR	NO	356,000,000	247,133
Subordinate bond loan	7,44% fixed	NO	30 06 2008	30 12 2016	N.A.	EUR	NO	250,000,000	49,973
Subordinate loan	Euribor 3m+2,8%	NO	10 10 2006	10 10 2016	10 10 2011	EUR	NO	400,000,000	62,212
Total Tier 2 capital instruments - T2									**2,578,886**

Transition requirements

A gradual exclusion from the relevant capital level is envisaged for capital instruments issued previously and calculated in regulatory capital through 31 December 2013 that do not meet the requirements of the new regulatory framework. Specifically, in 2015 70% of the nominal value may be included in the CET1, AT1 and T2 calculation, decreasing 10% per year until its full exclusion in 2022, for those instruments issued or calculated in the regulatory capital prior to 31 December 2011 that do not meet the new requirements.

B. Quantitative Information

	31 12 2015	31 12 2014*
A. Tier 1 before prudential filters	**8,309,797**	**5,426,994**
of which CET1 instruments subject to transitional provisions	-	1,071,000
B. Tier I prudential filters	29,439	90,567
C. Tier I capital gross of items to be deducted (A+B)	**8,339,235**	**5,517,561**
D. Items to be deducted from Tier I	645,205	693,376
E. Transitional regime - Impact on CET1 (+/-)	186,011	863,318
F. Totale Common Equity Tier 1 (CET1) (C - D +/- E)	**7,880,041**	**5,687,504**
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	370,872	345,828
of which AT1 instruments subject to transitional provisions	160,923	128,738
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	(12,702)	(345,828)
L. Total additional Tier 1 (AT1) - (G - H +/- I)	**358,170**	**-**
M. Tier2 (T2) gross of items to be deducted and transitional regime effects	2,738,025	3,671,222
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	60,422	62,375
O. Transitional regime - Impact on T2 (+/-)	15,643	15,780
P. Total Tier 2 (T2) (M - N +/- O)	**2,693,245**	**3,624,626**
Q. Total capital (F + L + P)	**10,931,457**	**9,312,130**

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

Unrealised gains relating to exposures to central administrations of the European Union classified as AFS and not included in the Capital calculation amount to EUR 45.2 mln.

The prudential filter to absorb gradually the effects of application of the new IAS 19 amounts to EUR 68.2 mln, and the values of net liabilities for defined benefits according to the rules of the old and new IAS 19 amount to EUR 20.1 mln and 105.9 mln respectively.

As at 31 December 2014, the official data, without taking into consideration the Alexandria restatement, showed CET1, AT1 and T2 of EUR 5,893.6 mln, zero and EUR 3,624.6 mln, respectively.

2.2 Capital adequacy

A. Qualitative information

Under the prudential regulation, the minimum equity requirements for 2015 are as follows:

- CET1 ratio of at least 4.5% of the total risk exposure;
- AT1 ratio of at least 6% of the total risk exposure;
- total capital ratio of at least 8% of the total risk exposure.

Additionally, the new regulations envisage that banks must have the following reserves:

- capital conservation buffer - aimed at conserving the minimum level of regulatory capital during difficult periods in the market, through the allocation of high quality capital in periods in which there are no market tensions. This reserve is mandatory and must be, at the individual level, at least 0.625% of the Bank's total risk exposure (2.5% at group level). The reserve consists of CET1 capital;
- countercyclical capital buffer - aimed at protecting the banking sector in phases of excessive growth in loans. The buffer provides for the accumulation of CET1 capital during phases of rapid growth in the credit cycle, which can then be used to absorb losses in the downward phase of the cycle. As opposed to the capital conservation buffer, the countercyclical buffer is imposed only during periods of loan growth and is calculated according to pre-established criteria; at the moment and until the first quarter of 2016, the countercyclical buffer coefficient is equal to zero;

- G-SII buffer for global systemically important banks and O-SII buffer for other systemically important entities - impose higher capital requirements on those entities based on their systemic relevance, at a global or national level, which pose greater risks for the financial system and for which a crisis could have impacts on contributors. The Group is not a global systemically important bank (G-SII), but it is included among 'Other systemically important entities' (O-SII), as defined by the Bank of Italy. For each bank or banking group, this identification took into consideration the contribution of the four characteristics (size, relevance for the Italian economy, complexity and interconnection with the financial system) specified in the EBA guidelines to establish the systematic relevance of each entity at the level of individual jurisdiction. The Bank of Italy's decision established an O-SII buffer of zero percent for 2016.

As concerns capital requirements, for credit risks the Bank uses the Advanced Internal Rating Based (AIRB) method with reference to the "Credit Exposures to Retail" and "Credit Exposures to Entities" regulatory portfolios. For the remaining portfolios, capital requirements relative to credit risks are calculated according to the standard method.
Conversely, capital requirements relative to market risk are calculated according to the standard method.
Capital requirements relative to the Operational Risk are calculated according to the AMA method.

In 2015, the ECB conducted further on-site audits after the 2014 Comprehensive Assessment. These audits brought to light, amongst other findings, supplementary adjustments to credit exposures, which were substantially incorporated in the course of the year, as well as recommendations aiming to improve, in particular, credit exposure management processes.

The ECB also informed the Bank that its target ratios on a consolidated basis for Total Capital and CET1 have been set at 10.9% and 10.2%, respectively. Starting from 31 December 2016, the CET1 target ratio will be raised to 10.75%.

The target ratios required by the ECB must be complied with at all times when the Authority's Decision is in force; similarly, at those times the Bank may not distribute dividends to shareholders or pay cash flows to holders of AT1 instruments.

B. Quantitative Information

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	31 12 2015	31 12 2014*	31 12 2015	31 12 2014*
A. RISK ASSETS				
A.1 Credit and couterparty risk	**190,672,613**	**208,351,098**	**47,843,232**	**45,330,453**
1. Standardized Approach	91,462,584	107,815,312	21,242,207	21,714,470
2. Internal rating-based (IRB) approach	99,194,126	100,481,698	26,523,236	23,452,318
2.1 Foundation	-	-	-	-
2.2 Advanced	99,194,126	100,481,698	26,523,236	23,452,318
3. Securitisations	15,902	54,088	77,789	163,665
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**3,827,459**	**3,626,436**
B.2 Credit valuation adjustment risk			**13,550**	**35,062**
B.3 Settlement risk			**-**	**-**
B.4 Market risk			**14,036**	**16,676**
1. Standardized Approach			14,036	16,676
2. Internal models			-	-
3. Concentration risk			-	-
B.5 Operational risk			**602,305**	**555,979**
1. Foundation			-	-
2. Standardized approach			-	-
3. Advanced			602,305	555,979
B.6 Other prudential requirements			**-**	**-**
B.7 Other calculation elements			**-**	**-**
B.8 Total prudential requirements			**4,457,350**	**4,234,153**
C. RISK ASSETS AND CAPITAL RATIOS			**-**	**-**
C.1 Risk-weighted assets			**55,716,875**	**52,926,916**
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			**14.14%**	**10.75%**
C.3 Tier 1 capital/Risk-weighted assets (Tier1 capital ratio)			**14.79%**	**10.75%**
C.4 Total capital/Risk-weighted assets (Total capital ratio)			**19.62%**	**17.59%**

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

The official ratios as at 31 December 2014, calculated without taking into account the Alexandria restatement, showed a CET1 ratio of 11.07% and a Total Capital ratio of 17.88%

Part G - Business combinations

Section 1 - Business combinations during the period

1.1 Business combinations

1.1.1 Transactions included in the scope of application of the international accounting standard IFRS 3 “Business combinations”

No business combinations, as defined by IFRS 3, were carried out in 2015.

1.1.2 Business combinations between entities under common control

Among business combinations under common control, the following should be noted: the merger of subsidiary Consum.it S.p.A. into the Parent Company.

Like other transactions of this type carried out in previous years, the merger was accounted for at the book value relating to the consolidated annual report.

Section 2 - Business combinations completed after the period

No business combinations were completed after the period.

Section 3 - Retrospective adjustments

No retrospective adjustments are reported.

Part H - Related-party transactions

1 Compensation of key management personnel

Items/Amounts	Total 31 12 2015	Total 31 12 2014
Short-term benefits	7,890	6,104
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	-	-
Total compensation paid to key management personnel	**7,890**	**6,104**

Considering instructions provided by accounting standard IAS 24 and in light of the current organisational structure, the Group has opted for the disclosure scope to include not only Directors, Statutory Auditors, the General Manager and Deputy General Managers, but also other Key Management Personnel.

For detailed information regarding remuneration policies, pursuant to art. 123 ter of the Consolidated Law on Finance, please refer to the document "Report on Corporate Governance and the Shareholding Structure - Remuneration Report" which contains the data specified below and reported in the past financial statements, including:

- a detailed breakdown of compensation paid to the Governing and Control bodies, General Management and, in aggregate form, to Key Management Personnel, as well as stock option plans reserved for members of the Governing and Control bodies, the General Management and Key Management Personnel;
- details and developments regarding stock option plans for Key Management Personnel;
- the shares of the Bank and its subsidiaries held by members of the Governing and Control bodies, General Management, Key Management Personnel and other related parties.

2 Related-party transactions

"Regulations containing provisions relating to transactions with related parties" was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

In its meeting of 10 November 2010, the Board of Directors of the Bank established the Committee of Independent Directors which, as of 18 July 2013, was renamed "Committee on Related-Party Transactions"; as at today, the Committee is composed solely of independent directors pursuant to the principles and criteria of the Corporate Governance Code of listed companies, which Banca MPS adhered to, and the Consolidated Law on Finance.

The Bank of Italy, in implementation of art. 53 of the Consolidated Law on Banking and in compliance with resolution no. 277 of the Interministerial Committee for Credit and Savings (ICRC) of 29 July 2008, updated Circular no. 263/2006 (9th update) as of 31 December 2012 to govern regulations concerning risk assets and conflicts of interest in relation to the Associated Parties of the Group.

Through a resolution dated 12 November 2014, the Bank's Board of Directors approved - in accordance with regulatory provisions and having obtained the prior favourable opinions of the Committee on Related-Party Transactions and of the Board of Statutory Auditors, the "Global Policy on transactions with related parties and associated parties, obligations of the Banking entities" (hereinafter the "Global Policy"), which includes in a single document the Group's provisions on conflicts of interest in transactions with related parties in accordance with the above referenced Consob Regulation no. 17221/2010 and with Associated Parties in accordance with Bank of Italy Circular no. 263/06, Title V- Section 5, as well as those on the obligations of banking representatives, in accordance with art. 136 of the Consolidated Law on Banking (TUB), and also contains rules for subsidiaries.

The Global Policy dictates the principles and rules to be adhered to in order to control the risk arising from situations of possible conflict of interest with certain entities close to the Bank's decision-making centres, and supersedes the "Procedure for Related-Party Transactions" - adopted on 25 November 2010 and updated on 24 June 2012 - and the "Deliberative Procedures governing transactions with Associated Parties" - adopted on 24 June 2012.

The Global Policy was published on the Bank's web site and is therefore available in full-text version at the following link:

https://www.mps.it/investors/corporate-governance/sistema-di-governance-e-policy/Sistema%20di%20governance%20e%20policy/Operazioni_con_parti_correlate_e_soggetti_%20collegati,_obbligazioni_degli_esponenti_bancari.pdf

Information is provided below regarding related-party transactions carried out by the Bank during 2015, which deserve specific mention and were conducted based on reciprocal assessments of economic advantages

January 2015

- On 12 January 2015, the Credit Committee authorised the issuing of a Comfort Letter to LE ROBINIE S.P.A., regarding the Bank's willingness to sign a debt restructuring agreement in accordance with art. 182-bis of Italian Royal Decree no. 267 of 16 March 1942 (Bankruptcy Law), to be drafted on the basis of a restructuring plan which is currently being prepared by the aforementioned company; this plan provides, among other things, for the Bank's willingness to disburse new financing also aimed at paying the receivable due to the Municipality of Mantua, the recipient of the Comfort Letter. The Company is exposed to BMPS for a total of approximately EUR 20.0 mln. This relates to a transaction of minor importance, concluded at arm's length or under standards applicable, at the present time, to similar transactions in terms of their nature, size or risk in respect of similar customer types, which falls within the field of application of Consob Regulation no. 17221/2010, given that the Company is subject to a significant influence by BMPS based on a 20% stake.

March 2015

- On 3 March 2015, the Credit Committee approved the classification in the non-performing category of the all receivables due from NEW COLLE S.R.L. amounting to EUR 22.6 mln, also as a result of the non-admission by the Court of Siena of the request for a pre-insolvency creditor arrangement pursuant to art. 161, paragraph 6, of Italian Royal Decree no. 267 of 16 March 1942 (Bankruptcy Law). The company NEW COLLE S.R.L. was then declared bankrupt on 17 July 2015. This relates to a transaction of minor importance, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, considering the significant influence of BMPS due to its direct stake of 49% in the share capital, as a result of the recognition of the shareholding previously held by MPS Capital Services S.p.A.

- On 5 March 2015, the Credit Committee of the Parent Company authorised, in favour of SIENA BIOTECH S.P.A. SOCIETA' IN LIQUIDAZIONE - for which the Court of Siena declared the bankruptcy proceedings open on 27 March 2015 - the granting of an extension: (i) until 31 July 2015 of a transitional credit line for the issuing of a surety of EUR 1.9 mln - in respect of a community grant for the project named Farmaci Innovativi contro le Malattie Neurodegenerative (Innovative Drugs for treating Neurodegenerative Diseases) - issued in 2011 in favour of Azienda Regionale Artea, in order to allow the latter to perform the administrative controls envisaged and (ii) until 31 December 2015 of a credit line relating to a surety already issued to the Revenue Agency for EUR 4.2 mln, in order to technically adjust the expiry of the surety to 31 December 2015 with the credit facility. These are transactions of minor relevance conducted under the proper conditions from a substantive perspective, which fall within the field of application of Consob Regulation no. 17221/2010, insofar as the Company is wholly owned by Fondazione Monte dei Paschi di Siena, which is a related party of the Bank as it owns 2.5% of Banca MPS.

- On 12 March 2015, the Area Grandi Gruppi (Major Groups Area) authorised, in favour of FABRICA IMMOBILIARE SGR S.P.A., the confirmation of a credit line of EUR 14.0 mln, which can be utilised until revoked, for the issuing of sureties related to the participation in calls for tender for the selection of the Asset Management Company and/or for other purposes also related to company operations. This is an ordinary transaction of minor relevance conducted at arm's length or standard conditions, subject to the provisions on related parties pursuant to Consob Regulation no. 17221/2010, given that the Company is subject to a significant influence by BMPS which holds a direct stake of 49.99% in the Company.

- On 12 March 2015, the Area Grandi Gruppi (Major Groups Area) authorised, in favour of A. MENARINI INDUSTRIE FARMACEUTICHE RIUNITE S.R.L., the extension, with a reduction from EUR 25.0 mln to EUR 15.0 mln of ordinary credit lines in place, as well as the cancellation of some other credit lines currently in place pertaining to related parties totalling roughly EUR 14.0 mln, as not necessary. This is an ordinary transaction of minor importance conducted at arm's length or standard conditions, which falls within the field of application of Consob Regulation no. 17221/2010, given that the company is, to date, indirectly related to Director Alberto Giovanni Aleotti, in office until the end of his term on 16 April 2015.

- On 27 March 2015, as a result of the definitive nature of the decree from the Court of Milan approving the restructuring agreement in accordance with art. 182-bis of Italian Royal Decree no. 267 of 16 March 1942 (Bankruptcy Law), the restructuring transaction was closed with the SORGENIA GROUP. The transaction involved, among other things: (i) the rescheduling of the debt and modification of the economic conditions for around EUR 56.0 mln in relation to SORGENIA S.P.A., roughly EUR 318.0 mln in relation to SORGENIA POWER S.P.A. and approximately EUR 36.0 mln in relation to SORGENIA PUGLIA S.P.A.; (ii) the transfer to NUOVA SORGENIA HOLDING S.P.A. of part of the credit exposures of the lending banks to SORGENIA S.P.A. in order to release a share capital increase of the aforementioned SORGENIA S.P.A. for offsetting (the transferred BMPS receivable totals around EUR 88.4 mln with the "ex nunc" commitment to convert said receivable to equity instruments (SFP) when certain conditions are met); (iii) the confirmation of cash and unsecured loans of SORGENIA S.P.A.; (iv) the granting of new financing to SORGENIA S.P.A. of around EUR 16.8 mln in cash, EUR 20.4 mln in unsecured loans and EUR 1 mln as a mixed facility; and (v) the subscription (through the conversion of part of the credit exposure to SORGENIA S.P.A.) of a bond loan with mandatory conversion to SORGENIA S.P.A. shares for a portion of around EUR 44.2 mln. BMPS's total exposure to the SORGENIA GROUP amounts to around EUR 665 mln, as at the date of resolution of the transaction on 25 October 2014. On closing of the transaction at the end of March 2015, the company Nuova Sorgenia Holding S.p.A. (and its subsidiaries) therefore became a related party of BMPS which, due to the execution of the restructuring agreement resolved by the Board of Directors on 25 October 2014, holds a stake of 16.67% in Nuova Sorgenia Holding S.p.A. as of 20 March 2015.

- On 27 March 2015, the Board of Directors authorised the granting of a credit line of EUR 54.0 mln for the disbursement of a loan granted to the vehicle company SIENA CONSUMER 2015 S.R.L., as part of a programme for the securitisation of loans originated by CONSUM.IT S.P.A.. This is a transaction subject to the provisions on related parties pursuant to Consob Regulation no. 17221/2010, given that SIENA CONSUMER 2015 S.R.L. is a related party of BMPS, which holds a stake of 10% in the latter and exercises de facto control over it.

April 2015

- On 8 April 2015, the Bank's Credit Committee authorised, in favour of INTEGRA S.P.A., annual renewal of the existing credit facilities, reducing the financial credit line to a total of EUR 8 mln. This was an ordinary transaction of minor relevance conducted at arm's length, falling within the scope of application of Consob Regulation no. 17221/2010, insofar as the company is subject to direct joint control by BMPS, which holds a 50% stake in it.

- On 22 April 2015, reduction of the credit lines in favour of SORGENIA S.P.A. was authorised, respectively from EUR 10.9 mln to EUR 8.1 mln and from EUR 44.9 mln to EUR 33.3 mln since, as envisaged by the Restructuring Agreement endorsed by the Court of Milan in March 2015, part of the proceeds from the sale of the Sorgenia Green asset were designated to prepayment of the pool transactions. This was a technical resolution falling within the scope of application of Consob Regulation no. 17221/2010, given the significant influence exercised by the Bank over NUOVA SORGENIA HOLDING S.P.A. (through a 16.67% stake in the share capital and appointment of two Directors, including the Chairman), which directly controls SORGENIA S.P.A. with a 99% stake.

May 2015

- On 25 May 2015, the Loan Disbursement Area authorised, with regard to FONDAZIONE MONTE DEI PASCHI DI SIENA, extension of a credit line for EUR 10.3 mln. This is an ordinary transaction of minor importance, conducted at arm's length, which falls within the field of application of Consob Regulation no. 17221/2010, given that as at the date of the transaction, Fondazione MPS was a significant shareholder of the Bank, given its 2.5% stake in the share capital, pursuant to the "Global Policy" adopted by BMPS.

June 2015

- On 17 June 2015, the Board of Directors approved, in favour of TRIXIA S.R.L., rescheduling of the terms and conditions of the mortgage-based credit facilities from the original EUR 88.4 mln to a total of EUR 80.7 mln. This transaction falls within the scope of application of Consob Regulation no. 17221/2010, in consideration of the Bank's significant influence due to its 15% stake in the share capital and its appointment of one member of the Board of Directors and Board of Statutory Auditors.

- On 22 June 2015, rescheduling of the EUR 1.0 mln credit line of SORGENIA S.P.A. was authorised, in addition to revocation of the counter-guarantee of EUR 13.5 mln, in line with the provisions in the aforementioned Restructuring Agreement. This was a technical resolution falling within the scope of application of Consob Resolution no. 17221/2010, given the significant influence exercised by the Bank over NUOVA SORGENIA HOLDING S.P.A., which directly controls SORGENIA S.P.A.. Moreover, on 17 June 2015, the Bank's Board of Directors resolved to approve the debt restructuring agreement pursuant to art. 182-bis of the Bankruptcy Law in favour of TIRRENO POWER S.P.A., which envisages, among other things - subject to the final approval of the relevant decree - the conversion of the loan into equity instruments, the rescheduling of loans and the granting of a new loan for a total of EUR 91.6 mln. From a formal standpoint, TIRRENO POWER S.P.A. is not a related party of BMPS; however, by virtue of the principle of priority of substance over form, often referred to by Consob, the transaction was not determined to be exempt from application of the authorisation requirements envisaged for transactions with related parties, considering the conversion of loans into equity instruments by BMPS and the capital increase envisaged by the plan, which will be implemented by SORGENIA S.P.A., related party of BMPS and shareholder of TIRRENO POWER S.P.A., through its 78% stake in Energia Italiana S.p.A., which in turn holds 50% of TIRRENO POWER S.P.A..

July 2015

- On 2 July 2015, the Large Groups Loan and Administration Service adopted a resolution with respect to SORGENIA S.P.A. relating to the use of a credit line in the amount of EUR 13.5 mln only - as set forth in the SORGENIA S.P.A. Restructuring Agreement of 14 November 2014 - after the issue of a new specific counter-guarantee in favour of BMPS, as a result of the revocation of the counter-guarantee provided by a third-party bank for an expired surety. This was a technical resolution falling within the scope of application of Consob Regulation no. 17221/2010, given the significant influence exercised by the Bank over NUOVA SORGENIA HOLDING S.P.A. (through a 16.67% stake in the share capital and appointment of two Directors, including the Chairman), which directly controls SORGENIA S.P.A. with a 99% stake.

- On 14 July 2015, the Credit Committee of BMPS adopted a Framework Resolution for lending transactions for a total maximum amount of EUR 98.0 mln with respect to Bank customers, backed by guarantees provided by FIDI TOSCANA S.P.A.. This relates to a transaction of minor importance and for an insignificant amount, carried out at arm's length or standard conditions, which is subject to Consob Regulation no. 17221/2010, as BMPS holds 25.8% of the shares with voting rights of FIDI TOSCANA S.P.A., which is therefore subject to the significant influence of the Bank.

August 2015

- On 3 August 2015, the Credit Committee of BMPS passed a resolution with respect to BMPS's adhesion to the Recovery Agreement pursuant to art. 67, paragraph 3, letter d) of the Bankruptcy Law, of the company TERME DI CHIANCIANO S.P.A., the overall risk of which is approximately EUR 6.0 mln.. The plan envisages, along with other measures, the re-scheduling of medium-term lending and the granting of new loans totalling EUR 2.4 mln. This relates to a transaction of minor importance, concluded at arm's length and subject to related parties procedures pursuant to Consob Regulation no. 17221/2010, considering the significant influence exercised over TERME DI CHIANCIANO S.P.A., based on the total shareholding of 47.77%, of which 19.7% held directly by BMPS and 28.07% through MPS Capital Services S.p.A., of which BMPS controls 99.92%.

- On 6 August 2015, the Board of Directors of the Parent Company passed a resolution with reference to LE ROBINIE S.P.A. concerning the adherence of BMPS to an Agreement pursuant to art. 182-bis of the Bankruptcy Law, regarding the rescheduling of long-term mortgage loans and the simultaneous granting of new loans totalling EUR 1.5 mln, for a total exposure of EUR 21.5 mln. This transaction, of minor relevance and executed at arm's length conditions, is subject to related parties procedures pursuant to Consob Reg. no. 17221/2010, as BMPS exercises significant influence over the Company in light of its 20% holding of shares with voting rights.

- On 6 August 2015, the Board of Directors of BMPS approved its adhesion to the Restructuring Agreement pursuant to art. 182-bis of the Bankruptcy Law regarding SANSEDONI SIENA S.P.A. which envisages, inter alia: (i) the transformation of the mortgage loan repayment schedule with the maintenance of the current guarantees; (ii) the rescheduling of unsecured exposures; (iii) the closing at the effective date of the Restructuring Agreement of transactions on derivatives with the consolidation of the relative mark to market; (iv) the conversion of credit claims into equity instruments issued by SANSEDONI SIENA S.P.A. with reference to a portion of debt of SVILUPPO ED INTERVENTI IMMOBILIARI S.R.L. IN LIQUIDAZIONE owed to BMPS. The plan is based on the Company's gross financial position as at 31 March 2015, amounting to EUR 159.8 mln, and authorises the Credit Committee of BMPS to decide on all aspects during the Agreement finalisation phase, including changes in amounts, in any event up to 10% of the exposure reported. This transaction, of minor relevance and executed under standard economic conditions, is subject to the related parties procedures pursuant to Consob Reg. no. 17221/2010, as the Company is subject to the significant influence of BMPS, which holds a 21.8% stake.

- Also on 6 August 2015, the Board of Directors of BMPS passed a resolution to adhere to the Restructuring Agreement pursuant to art. 182-bis of the Bankruptcy Law regarding SVILUPPO ED INTERVENTI IMMOBILIARI S.R.L. IN LIQUIDAZIONE, which establishes, inter alia, (i) consent to the discharging assumption of debt by SANSEDONI SIENA S.P.A., already guaranteed by the surety of the latter, which issued the equity instruments referred to previously; (ii) the waiver to interest accrued until the effective Agreement date; (iii) the rescheduling of the remaining exposure after the assumption of debt; (iv) the granting of new loans; (v) consent to proceed with mortgage restrictions. The plan is based on the Company's gross financial position at July 2015, amounting to EUR 54.5 mln, and authorises the Credit Committee to decide on all aspects during the Agreement finalisation phase, including any changes in amounts, up to the limit of 10% of the exposure reported. This relates to a transaction of minor importance carried out at standard conditions, which is subject to Consob Regulation no. 17221/2010, as the Company is a 100% subsidiary of SANSEDONI SIENA S.P.A., which is in turn subject to significant influence of BMPS, which holds 21.8% of its shares with voting rights.

September 2015

- On 10 September 2015, the Board of Directors of BMPS authorised in favour of INTERMONTE SIM S.P.A. the renewal and increase of existing facilities, resulting in a total exposure of EUR 418.1 mln. This relates to a transaction of minor importance carried out at arm's length conditions, which is subject to Consob Regulation no. 17221/2010, as the Bank exercises significant influence based on its 17.41% holding of shares with voting rights of

INTERMONTE SIM S.P.A., and also appointed a Board Member, a Statutory Auditor and an Alternate Auditor within the Company.

December 2015

- On 2 December 2015, the Credit Committee of BMPS authorised the granting of a mortgage loan in favour of FONDO ETRUSCO DISTRIBUZIONE, in addition to a transitional credit line, for a total of EUR 84 mln, in relation to Fund investment programmes that plan for the disposal and acquisition of real estate. This ordinary transaction, of minor relevance and executed under arm's length conditions, is subject to the related parties procedures pursuant to Consob Reg. no. 17221/2010, as FONDO ETRUSCO DISTRIBUZIONE and Fabrica Immobiliare SGR S.p.A., which manages it, are subject to the significant influence of BMPS based on its holding of 48% of the Fund units and its 49.99% equity investment held in Fabrica Immobiliare SGR S.p.A..

- On 4 December 2015, the Credit Committee of BMPS decided to authorise the discharging assumption of debt with respect to its portion totalling EUR 54.0 mln of two mortgage loans originally granted to FONDO ETRUSCO DISTRIBUZIONE, following the acquisition of Fund-owned real estate by a third, non-related party company; the buyer has therefore taken over the mortgages, with discharging effect for the previous borrower FONDO ETRUSCO DISTRIBUZIONE. This ordinary transaction, of minor relevance and executed under arm's length conditions, is subject to the related parties procedures pursuant to Consob Reg. no. 17221/2010, as FONDO ETRUSCO DISTRIBUZIONE and Fabrica Immobiliare SGR S.p.A., which manages it, are subject to the significant influence of BMPS based on its holding of 48% of the Fund units and its 49.99% equity investment held in Fabrica Immobiliare SGR S.p.A..

- On 17 December 2015, the Board of Directors of BMPS authorised the signing of the Agreement amending the original agreement amongst certain banks, including BMPS, with NUOVA SORGENIA HOLDING S.P.A. (the Banks-Holdco Agreement), connected with the Restructuring Agreement approved by the Court of Milan on 27 March 2015, which establishes, amongst other measures, the conversion to be completed by 31 December 2015 of BMPS receivables into equity instruments for up to a maximum amount of EUR 88.4 mln. This transaction, of minor relevance and executed at arm's length conditions, is subject to Consob Regulation no. 17221/2010 as NUOVA SORGENIA HOLDING S.P.A. has been classified as a related party due to the 16.67% stake acquired by BMPS in that company in execution of the provisions of the restructuring agreement.

Pursuant to art. 14, paragraph 2 of CONSOB Regulation no. 17221/2010 and to Chapter 6, Section II of the Global Policy adopted by the Bank, it should be noted that in 2015 the Board of Directors and the Credit Committee of Banca MPS approved the following transactions with subsidiaries:

- on 6 February 2015, it was authorised a recapitalisation initiative in favour of MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., 99.92% owned, and MPS LEASING & FACTORING S.P.A. and MONTEPASCHI LUXEMBOURG S.A., both wholly-owned by BMPS, for EUR 900.0 mln, EUR 500.0 mln and EUR 3.0 mln respectively;

- on 19 March 2015 the merger by absorption into BMPS of CONSUM.IT S.p.A. was resolved, as the former already wholly owned the latter; the deed of merger was completed on 11 May 2015.

- on 6 August 2015, the Board of Directors of BMPS authorised some capital strengthening initiatives regarding MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., 99.92% owned, and MPS LEASING & FACTORING S.P.A., wholly-owned by BMPS, for a total of EUR 1,700.0 mln, equal to EUR 500.0 mln for MPS LEASING & FACTORING S.P.A.

(confirming the resolution already passed) and EUR 1,200.0 mln for MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A. (for an additional EUR 300.0 mln compared to what was previously resolved in February);

- on 2 November 2015, the Credit Committee of BMPS authorised in favour of IMMOBILIARE CENTRO MILANO S.P.A. as well as its wholly-owned subsidiaries CARPATHIA R.E. S.R.L. and STARDUST R.E. SRL, the adhesion of MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A. to a restructuring plan pursuant to art. 67, paragraph 3 of the Bankruptcy Law, and the simultaneous attribution of a credit facility totalling EUR 98.0 mln. This is a transaction conducted under the proper conditions from a substantive perspective and at arm's length conditions, which falls within the field of application of Consob Regulation no. 17221/2010, insofar as MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., 99.92% held by BMPS, holds 33% of the share capital of IMMOBILIARE CENTRO MILANO S.P.A., which in turn holds 100% of CARPATHIA R.E. S.R.L. and STARDUST R.E. S.R.L.;

- on 15 December 2015, the Credit Committee of BMPS authorised MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., as lending bank, to grant a moratorium period in favour of BEATRICE S.R.L. IN LIQUIDAZIONE until 31 March 2016, which may possibly be extended to 30 June 2016, for a total exposure of EUR 48.4 mln. This moratorium will be used to evaluate any offers received to acquire assets and to prepare a restructuring plan pursuant to article 182-bis of the Bankruptcy Law, as well as to authorise the liquidator to make payments for current operations. This is a transaction of minor relevance conducted under the proper economic conditions from a substantive perspective, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that the Company BEATRICE S.R.L. is wholly-owned by SANSEDONI SIENA S.P.A. which in turn is subject to the significant influence of BMPS based on its 21.8% stake in the share capital;

- on 17 December 2015, the Board of Directors of BMPS passed a resolution with respect to MPS BANQUE S.A., a wholly-owned investee of BMPS, for a capital strengthening initiative totalling EUR 15.0 mln;

- on 23 December 2015, the Credit Committee of BMPS approved the proposal submitted by MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.P.A., with reference to VALORIZZAZIONI IMMOBILIARI S.P.A. IN LIQUIDAZIONE, to grant a moratorium period until 31 March 2016, with the discharging of the sums seized for a maximum amount of EUR 1.2 mln to allow for the Company's ordinary operations. This is a transaction conducted under the proper conditions from a substantive perspective, consistent with those applied for similar transactions, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that VALORIZZAZIONI IMMOBILIARI S.P.A. IN LIQUIDAZIONE is a related party of BMPS based on the full control exercised over the Company by SANSEDONI SIENA S.P.A., which is in turn subject to the significant influence of BMPS, which holds 21.8% of its share capital.

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The following tables summarise the Group's relationships with its Associates and other related parties as at 31 December 2015, as well as the profit and loss effects of operations during the year. In calculating the shares of total, note that:

- financial assets had the total of items 10 to 80 on the Assets side of the Balance Sheet (balance-sheet financial assets) as their denominator;
- in the case of financial liabilities, the denominator consisted in the total of items 10 to 60 on the Liabilities side of the Balance Sheet (balance-sheet financial liabilities),
- for other assets and liabilities, the denominator reflected the items “Other assets” and “Other Liabilities” in the Balance Sheet;
- for interest income and interest expense, the denominator reflected the Bank’s “Interest income and similar revenues” and “Interest expense and similar charges”;
- for fee and commission income/expense, the denominator reflected the “Fee and commission income” and “Fee and commission expense”, respectively;
- for “other revenues”, “revenues” “costs”, “other costs” and “operating costs”, the denominator is represented by the item “Profit (loss) before tax from continuing operations”.

2.1 Subsidiaries and joint ventures

31 12 2015

Items	Subsidiaries	Joint ventures	% on Consolidated
Total financial assets	31,394,460	99,309	20.90%
Total other assets	59,663	-	2.36%
Total financial liabilities	18,773,060	2,523	12.61%
Total other liabilities	163,957	101	4.43%
Total interest income	329,993	3,635	8.51%
Total interest expense	136,176	1	7.02%
Total fee and commission income	78,069	334	3.80%
Total fee and commission expense	-	-	
Total other revenues	18,200	2	4.28%
Total other costs	438,862	-	n.s
Guaranties issued	200,314	-	

2.2 Associated companies

31 12 2015

Items	Amounts	% on Consolidated
Total financial assets	776,453	0.52%
Total other assets	11	0.00%
Total financial liabilities	504,793	0.34%
Total other liabilities	70	0.00%
Guaranties issued	125,258	
Guaranties received	231,235	
Loan commitments	962,952	
Costs	5,653	1.33%
Revenues	357,021	83.95%

2.3 Transactions involving Key Management Personnel and other related parties

31 12 2015

items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	1,359	11,983	0.01%
Total financial liabilities	1,606	10,880	0.01%
Total functioning costs	7,890	-	1.86%
Guarantees issued	-	-	
Guarantees received	494	10,944	
Loan commitments	39	12,427	
Costs	5	129	0.03%
Revenues	37	1,044	0.25%

Part I – Share Based Payments

Qualitative Information

Description of share-based payment agreements

The remuneration and incentive policies adopted by the Group - as approved by the Bank's Shareholders meeting in April 2011 - provide that the variable component of compensation for all employees whose professional activity has or may have considerable impact on the company's risk profiles (a.k.a. "key employees") should meet the prescribed requirements in terms of maximum potential value as a percentage of fixed compensation (Gross Annual Salary), disbursement timing (at least 50% of the bonus should be paid after three years), disbursement methods (at least 50% of both the up-front and the deferred portions should be awarded in Parent Company shares). The remuneration policies also establish a bonus threshold of EUR 40,000, below which every payment is made entirely in cash/up front; this threshold is applied only where the amount of the bonus to be disbursed does not exceed 50% of the Gross Annual Salary received by the "identified staff member".

In March, the Bank approved the 2015 incentive system for all Bank resources with the exception of Top Management, first-level management reporting directly to the CEO and second-level management (Area Managers of the Parent Company and Regional Area Managers).

Please notice that as the above materiality threshold is not being exceeded, the settlement will be entirely in cash.

Part L - Segment reporting

In line with the provisions of IFRS 8, par. 4, the Bank prepares this segment reporting at Group level in the Notes to the Consolidated Financial Statements, to which reference is made.

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Certification of the Financial Statements Pursuant to Art. 81-ter of Consob Regulation no. 11971 of 14 May 1999, as Subsequently Amended and Supplemented

1. The undersigned, Massimo Tononi, as Chairman of the Board of Directors, and Arturo Betunio, as Financial Reporting Officer, of Banca Monte dei Paschi di Siena S.p.A., having regard to Article 154-bis, paragraphs 3 and 4 of Italian Legislative Decree no. 58 of 24 February 1998, do hereby certify the:

   - appropriateness with respect to the company's profile, and
   - effective application of the administrative and accounting procedures used in the preparation of the financial statements for fiscal year 2015.

2. The verification of the adequacy and actual application of administrative and accounting procedures for the preparation of the financial statements during 2015 was based on methods set out by the MPS Group in line with the COSO model, and for the IT component, COBIT, which constitute the reference framework for the internal control system generally accepted internationally.

3. It is also certified that:

   3.1 the financial statements:
   - were prepared in accordance with the international accounting standards recognised by the European Union pursuant to European Parliament and Council Regulation No. 1606/2002/EC of 19 July 2002;
   - are consistent with the underlying documentary evidence and accounting records;
   - are suitable to provide a true and fair representation of the capital, economic and financial situation of the issuer.

   3.2 The Report on Operations includes a reliable analysis of the trends and results of operations as well as of the position of the issuer, together with a description of the main risks and uncertainties they are exposed to.

Siena, 25 February 2016

On behalf of the Board of Directors	The Financial Reporting Officer
The Chairman	
Signed by	*Signed by*
Massimo Tononi	*Arturo Betunio*

INDEPENDENT AUDITORS' REPORT

Building a better
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INDEPENDENT AUDITOR'S REPORT IN ACCORDANCE WITH ART. 14 AND 16 OF LEGISLATIVE DECREE N. 39, DATED 27 JANUARY 2010
(Translation from the original Italian text)

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

Report on the financial statements

We have audited the financial statements of Banca Monte dei Paschi di Siena S.p.A., which comprise the balance sheet as at December 31, 2015, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, and the related explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Banca Monte dei Paschi di Siena S.p.A.as at December 31, 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree 38/05.

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Emphasis paragraph

We draw attention on the following matters:

- the company modified the accounting treatment of the "Alexandria" transaction entered into with Nomura International plc in 2009 and settled in 2015. The reasons for this modification and the related effects on the financial statements are disclosed in the Section "Restatement of prior period accounts in compliance with IAS8 (Accounting policies, changes in accounting estimates and errors)" of the explanatory notes;

- in the explanatory notes and in the Report on Operations the Directors inform about the conclusion of the Supervisory Review and Evaluation Process for the year 2015 (SREP Decision) by the European Central Bank (ECB), which sets the minimum capital requirement in terms of Common Equity Tier 1 Ratio. With the same SREP Decision the ECB requested, among others, that initiatives to address non-performing loans are continued along with restructuring initiatives, including business combinations. In light of the actions undertaken in respect of the ECB requirements and the update of the Montepaschi Group multi-year projections, which confirms compliance with the regulatory capital requirements, the Directors have prepared the financial statements on a going concern basis.

Our opinion is not qualified in respect of the above matters.

Report on other legal and regulatory requirements

Opinion on the consistency with the financial statements of the Report on Operations and of specific information of the Report on Corporate Governance and the Shareholding Structure

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Shareholding Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the financial statements, as required by the law. The Directors of Banca Monte dei Paschi di Siena S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Shareholding Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Shareholding Structure are consistent with the financial statements of Banca Monte dei Paschi di Siena S.p.A. as at December 31, 2015.

Milan, March 15, 2016
Reconta Ernst & Young S.p.A.
Signed by: Massimiliano Bonfiglio, Partner

This report has been translated into the English language solely for the convenience of international readers.

REPORT OF THE BOARD OF STATUTORY AUDITORS

REPORT BY THE BOARD OF STATUTORY AUDITORS TO THE GENERAL SHAREHOLDERS' MEETING CALLED TO APPROVE THE FINANCIAL STATEMENTS OF BANCA MONTE DEI PASCHI DI SIENA SPA, FOR THE YEAR ENDED ON 31.12.2015, DRAWN UP IN ACCORDANCE WITH ARTICLE 2429, THIRD PARAGRAPH OF THE CIVIL CODE AND ARTICLE 153, FIRST PARAGRAPH OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998

Contents

To the Shareholders,

The Bank operated in an improving macroeconomic situation in 2015. However, certain ongoing uncertainties will affect future developments, along with the quantity of non-performing loans which is still at high levels.

The Bank made a consolidated profit of €million 388.1 in the fiscal period, and €million 416.6 on an individual basis, taking account of the effects of accounting for the Alexandria transaction on a “closed balances” basis, as described below and in the notes to the financial statements. This accounting led to a net positive contribution of €million 500 for the fiscal year and had a negative effect on the net worth, which, along with other negative reserves, generated overall losses and charges to be paid off in accordance with the terms proposed by the Directors.

Given the above, the Board of Statutory Auditors hereby refers to the law, in compliance with the instructions set out in Consob communication no. 1025564 of 6 April 2001, as amended.

1. Activities of the Board of Statutory Auditors

Firstly, this Board of Statutory Auditors was appointed by the Shareholders’ Meeting of 16.4.2015. However this Report also refers to the supervisory activities carried out by the previous Body for the period 1 January - 16 April 2015.

The Board of Board of Statutory Auditors attended the 2 general shareholders’ meetings, 21 meetings of the Board of Directors, and 6 meetings of the Executive Committee (which was in office until 16.4.2015 and then disbanded) held during the fiscal year. During the board meetings, the Statutory Auditors acknowledge that they viewed the reports containing the obligatory quarterly information as provided by law and the Articles of Association.

After initiation of the single supervisory mechanism with attribution to the ECB of specific prudential supervision duties, which occurred at the end of 2014 as is known, this Board of Statutory Auditors began interacting with the new point of reference, and more specifically the Joint Supervisory Team (JST) with whom meetings were held and further meetings have been scheduled for the current fiscal year.

The complex process of complying with and coordinating the national banking laws continued at a systemic level also in 2015, in order to achieve a higher level of integration with the regulatory and institutional structure of European banking supervision.

To that end, the Directive relating to the recovery and resolution of credit institutions and investment companies was implemented into Italian law (no. 2014/59/EU), i.e. the Bank Recovery and Resolution Directive (BRRD), in order to establish a co-ordinated prevention and management procedure to deal with bank and financial company crises.

The regulatory provisions were implemented in the MPS Group through an internal document that established the overall governing process for the Recovery Plan, defining the applicable roles and responsibilities for each activity.

The supervisory role assigned to the Board of Statutory Auditors on an institutional basis was performed in accordance with a well-structured operating program that was redeveloped when the new Control Body was appointed, as noted above, following the decision by the General Meeting of 16.4.2015.

During the year, 67 meetings were held, properly called and established, with attention focused on the various items on the agenda, in which the Heads of the Control Departments and most significant facilities actively participating as the occasion arose, in addition to the Boards of statutory auditors of the main subsidiaries and the Auditing firm.

Opinions and specific observations and/or considerations were also issued regarding the areas required by the Supervisory Bodies and in accordance with prevailing law.

We also received and analysed the various information flows sent periodically by the control bodies and routinely took part in the internal board committee meetings that were held in accordance with applicable law.

There were 8 assessments carried out at central and peripheral facilities with the assistance of the Internal Audit Department. The Board of Statutory Auditors went directly to both the Italian and the foreign branch network for these assessments.

More specifically, in accordance with priority-based principles, the aforementioned assessments at the central facilities dealt with a number of different stages of the lending process in order to check the levels of efficiency and effectiveness.

With reference to the establishment of the lending policies, we found substantial monitoring of the codified guidelines and methods being used.

We then focused on the lending evaluation process, concentrating on an analytical estimate of the cash exposure of the loans to customers classified as non-performing, and found that there were various areas of improvement, taking account of the complex project and re-organisational activity, however, implemented in accordance with the corrective actions indicated by the ECB.

In any case, the Group coverage is in line with or in some cases better than the System, and the average seniority of the positions is in line with other banks.

Finally, it was decided to check the loan transferring process with respect to single positions that were considered to be potential operating risks basically due to the presence of a certain amount of discretion in the assessment of the transfer proposals, even though to a limited extent and in a situation of substantial adequacy. We therefore recommended adequately standardising and formalising the criteria used to manage and assess proposals to acquire individual loans by third parties.

With respect to the assessments carried out on the Italian network, certain irregularities in behaviour emerged with respect to the processes established, which were, however, pointed out to the applicable facilities as necessary. More specifically, it was emphasised that the “Loan monitoring” application needed to be used more; this instrument was prepared to guarantee the timely identification of positions showing signs of non-performance. To that end, it was found that obligations that require managed portfolios to be promptly updated were not properly followed. However, additional controls are provided by the Lending Division.

Further areas for improvement regard the preliminary assessment stage of the lending process, and the conclusion and management of unsecured or cooperative guarantees and contract filing.

However, Bank management has always been well aware of all the issues set out hereunder, and has promoted initiatives to resolve the issues.

With reference to the foreign area, an assessment was made at the New York branch which showed that the business was operating normally and was mainly in compliance with local regulations that govern that type of business, and internal rules were also being followed, as confirmed by the results of the inspections made in 2015 both by the Federal Reserve Bank of New York and the New York State Department of Financial Services.

Even though there was a delay in moving forward with the planned actions on the anti-money laundering service, improvements in the coverage rate of the customers were made through due diligence questionnaires.

However, certain remedial action still needs to be taken, and has already been identified; this will reinforce the internal control system regarding the completeness and accuracy of the information on the Central Computer Archive ("AUI") and the reporting of suspect transactions.

With respect to what has already been completed, the Bank equipped itself with an instrument to check the formal logical consistency of the data on the Central Computer Archive starting from the first half of 2015. The application in question (known as "Sherlock") allows the data that arrives in said archive to be checked, i.e. checks to see if said registrations were carried out correctly.

2. Observations on compliance of the principles of correct administration

2.1 - transactions and significant events

The Report on operations discloses the operations and more significant events that occurred during the year. We will note those we consider to be most important:

- February/March 2015: following the resignations of the Director, David Manuel Martinez, the Board of Directors replaced him, with Mr Christian Whamond;
- April 2015: the Bank reached an agreement to transfer its equity investment of 10.3% in Anima Holding to Poste Italiane;
- April 2015: the ordinary and extraordinary Shareholders' Meeting of the Bank decided to renew the corporate bodies for the 2015-2017 three-year period, authorised both the reduction in share capital due to losses and a share capital increase and approved changes to the Articles of Association regarding certain adjustments to the new supervisory regulations;
- June 2015: full subscription to the capital increase for €billion 3 and concurrent repayment of the nominal residual amount of €billion 1.071 of New Financial Instruments subscribed to by the Ministry of Economy and Finance;

- July 2015: issue of 117,997,241 ordinary shares, equal to 4% of the share capital, to the Ministry of Economy and Finance for interest accrued as at 31.12.2014 on the New Financial Instruments;
- July/September 2015: following the resignation of the Chairperson, Mr Alessandro Profumo, the ordinary Shareholders' Meeting decided to complete the Board of Directors with the appointment of Mr Massimo Tononi, who was also appointed as Chairperson of the Board of Directors;
- September/October 2015: as a result of the resignations of the Head of the General Finance and Operations Division, Mr Bernardo Mingrone, the Bank appointed Mr Arturo Arturo Betunio in replacement, who took over as Chief Financial Officer while still acting as Financial reporting manager;
- November 2015: conclusion of the SREP (Supervisory Review and Evaluation Process) by the European Central Bank for 2015, where the Bank was asked for a minimum capital requirement in accordance with the Common Equity Tier 1, on a consolidated basis, of 10.2% up to 31 December 2016 and 10.75% starting from 31 December 2016;
- December 2015: the Bank acknowledged that Consob, having made the decision, established the non-compliance of the consolidated and individual financial statements for FY 2014, and the half-year financial report at 30 June 2015, with specific and exclusive reference to the accounting of the accounting items relating to the "Alexandria" transaction. The aforesaid transaction (put in place in 2009 and regarding an investment in BTP (government bonds) in asset swap with maturity in 2034 for a value of €billion 3) was closed early, in agreement with the counterparty, Nomura International PCL, in September 2015, allowing the Bank to close the transaction at a discount, with respect to the pricing of the transaction agreed with the counterparty, of €million 440, net of the return of the benefit funding of €million 188 paid to the counterparty.

  The economic impact of the transaction recorded in the 2015 financial statements, after the above-mentioned change in the accounting regime requested by Consob (the "closed balance" regime or synthetic derivative), was positive to the amount of €million 252, after tax.

  The correction of the accounting entry of the Alexandria transaction led to the following impacts in brief:
  - net worth at 1 January 2014: -€mil. 152.3, which includes the positive effect of the reduction of the negative Available For Sale reserve by €mil. 411;
  - income statement 2014: -€mil. 55.8;
  - net worth at 31 January 2014: -€mil. 196.1, which includes the positive effect of the reduction of the negative Available For Sale reserve by €mil. 423.

2.2 - intra-group transactions, transactions with related parties, atypical parties or unusual parties and falling under the obligations of the bank representatives

The Report on operations, the Notes to the Financial Statements, the information provided during the work of the Board of Directors and the Executive Committee (for as long as it lasted), and the information received from the various heads of the control departments and the other applicable facilities and the boards of statutory auditors of the subsidiaries and the Auditing firm, did not show any evidence of atypical and/or unusual transactions, including infra-group transactions or with related parties that could give rise to doubts regarding their integrity.

During the fiscal period, no individual transactions were concluded that could significantly influence the financial position or results of the Group. However, intra-group transactions were carried out and transactions with related parties for which the financial statements give due account in accordance with prevailing law. These transactions were carried out on arm's length basis and on the basis of the assessment of mutual benefit.

In accordance with the provisions of the Global Policy approved in 2014 by the Board of Directors, the Bank established the so-called Single Related Parties Supervision in the Legal and Corporate Area in 2015 to provide centralised support to all the departments in charge of ensuring the due compliance with authorisation and decision-making procedures, and the accuracy of the information that must be provided to the applicable Bodies (firstly, to the Committee for transactions with related parties) in the event of transactions with related parties or associated parties.

Following the more detailed information requested by this Body, this facility indicated the necessity to make changes to the procedures that govern the matter by making certain operating and organisational adjustments, also in terms of information, in order to optimise management of these transactions.

The Committee for related-party transactions solely comprises independent directors pursuant to the principles and criteria of the Corporate Governance Code of listed companies, which the Bank subscribes to, in addition to the Consolidated Finance Act.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor will participate in the Committee's work. However, the other Statutory Auditors may also assist.

Finally, the Board of Statutory Auditors supervised compliance with the provisions regarding transactions entered into with parties who carry out administration, management and control functions in the Bank, or in Group companies, to ensure said transactions were always carried out in compliance with article 136 of the Consolidated Banking Act and the Supervisory Instructions, and in any case, were subject to decisions made with the unanimous vote of the Governing Body and the Board of Statutory Auditors, subject to the obligations set out under article 2391 of the Civil Code relating to directors' interests.

Even though said operational adjustments must be introduced, which are currently being concluded, this Board believes that both the above-mentioned transactions and the ordinary transactions were implemented as a whole in compliance with internal procedures and the principles of correct management, and with awareness of the risks and the effects of the decisions made.

Therefore, with regard to the above, we confirm that the principles of correct management were consistently applied.

3. Supervisory activities

3.1 - supervisory activities on the adequacy of the internal control system

During the year, this Board monitored the adequacy and actual function of the internal control system in order to check whether company procedures could ensure efficient monitoring of the risk factors, and the speedy emergence and correct management of critical matters.

It therefore constantly interacted with all the departments involved in the control system, both directly, through formal meetings with the respective department heads, and indirectly, i.e. receiving adequate periodic information flows or flows from these departments relating to specific situations or company performance.

The Audit Department has a specific role in the control departments, and is in charge of the third level controls, guaranteed by the Internal Audit Division, which is independent from the operating facilities. This was the main department that the Board of Statutory Auditors used to carry out its duties, and it was kept informed of anomalous trends, breaches of procedures and the rules, and the functioning of the entire internal control system through the head of the Department.

This Department therefore provided us with the necessary assistance to make the checks referred to above, and we received the inspection reports, selected on the basis of agreed significance principles, containing the results of the investigations that said Department made during the year. With respect to the findings which emerged, we worked to ensure that the applicable departments took the necessary remedial actions, while, with specific regard to the regulatory obligations relating to anti-money laundering, the applicable reports were made to the competent public authorities. This specific activity was also shared with the Supervisory Body, pursuant to Legislative Decree 231/01 which signed the reports in question.

During 2015, the Audit Department carried out 589 audits on the 567 audits that had been planned for the Parent Bank alone, with a completion percentage for the 2015 Audit Plan 2015 of 104%.

The various controls carried out directly by said Department at the central facilities included the analysis of small business customers, enabling it to assess the efficiency and effectiveness of the assessment and loan granting process, and the process used to properly identify the underlying risk and consistency with the credit policies adopted by the Bank.

To that end, certain areas of inadequacy were found at the preliminary assessment stage, the risk analysis stage and the monitoring stage, also due to irregularities mainly of a behavioural nature.

Similarly, on a peripheral level, the main findings that emerged were due to credit risk and incomplete monitoring of the operational risks linked to the marketing processes.

More generally, it emerged that the first level control facilities that were shown to have limited efficiency in the operating chain of lending and the operating risks needed to be strengthened.

To that end, the Audit Department also continued the mitigation actions aimed at reinforcing the overall control system in the support processes and the relative applicable monitoring actions.

With respect to the second level controls, the following was found.

Risk control is carried out by the Risk Division, which reports directly to the Managing Director, and is involved in the definition of the Risk Appetite Framework (RAF) which continuously checks the adequacy and various stages comprising the management process and establishes the operating limits when taking on the various types of risk.

The audit carried out by the Audit Department on the RAF enabled it to assess the choices made and the overall establishment of the methodological framework.

In addition to assisting - as noted above - in the definition of the RAF, this Department was asked to provide prior opinions on issues related to the so-called Significant Transactions in addition to carrying out specific controls on the credit exposure relating to the assessment of the consistency of the classifications, the reasonableness of the provisions and the adequacy of the credit recovery process.

The Audit Department expressed a positive opinion on the identification and management process of these types of transactions, especially for the execution stage (analysis of the risk and formalisation of the opinion).

On the other hand, with respect to the Compliance Department, which has now begun to report directly to the Managing Director, it governs the risk of non-compliance with regard to all the company activity, including by joining this activity with the internal organisational controls, centred around control of compliance with specialist regulations. This was in order to pursue the principles of efficiency and operational effectiveness on a comprehensive basis in line with the new regulatory requirements.

The compliance model adopted by the Group is a “broad” compliance model, that provides for the gradual involvement of the Department in relation to the relevance of the regulations, established on the basis of objective principles related to the sanctions provided for and related reputational risks.

At the beginning of the current year, it was necessary to make a further organisational change to said facility with respect to the transfer of responsibilities in complaint management, transferred from the Compliance Area to the Monitoring and Innovation Channel Area of the Retail Division.

The aim of the initiative - agreed to by this Board of Statutory Auditors and therefore falling within the scope of specific indications provided by the ECB - was for the Compliance Department to focus more closely on core matters, optimising cooperation with the commercial supply chain.

Starting from that action, the Board of Statutory Auditors undertook to monitor the efficiency and effectiveness findings, even though in certain cases it could already establish involvement in various operating processes of said Department that were not yet formalised.

Finally, with respect to legal risks, the Board of Statutory Auditors refers to the ample disclosure given in the Notes to the accounts.

Upon conclusion of the activities carried out in 2015, as presented to the Board of Statutory Auditors during a specific meeting (11 March 2016), the Audit Division confirmed the overall adequacy of risk monitoring in its “Audit Department annual report for 2015”, expressing its “partial approval”.

With respect to these conditions, and with specific reference to the operating contexts analysed and the consequent corrective actions planned and implemented, we believe that the internal control system can guarantee for protection against risks, as a whole, and the correct management of risk as provided by law.

3.2 - supervisory activities on the adequacy of the organisational structure

The Board of Directors decided to change the organisational structure of the Parent Bank in 2015 in a number of stages, by manoeuvres aimed at supporting the company strategies through different areas of intervention that mainly involved the strengthening and development of governance methods of the credit supply chain, the strengthening of organisational adequacy in accordance with the regulations and improvement of commercial efficiency and operational effectiveness.

In relation to the aforementioned initiatives carried out by the Bank, the Board of Statutory Auditors paid particular attention to analysing the sustainability and adequacy of the organizational structure, noting that it could only be made optimal by strengthening the information systems.

The most significant actions taken by the Company included those already noted in the paragraphs above and - with respect to the methods used to govern the credit supply chain - the establishment of a new Non-performing credit and asset Division, a facility set up to monitor and manage non-core portfolios and reporting to the Credit Division.

In order to achieve greater commercial efficiency, the Bank identified a customer segment called “Corporate Top” which incorporates a specific segment of the small and medium sized enterprises. Other facilities were also created at both the corporate and investment banking Division and at the Network Division (corporate top centres).

The subsidiary Consum.it (Consumer credit) was merged into the company from 1 June 2015, and therefore new facilities were established in the retail Division and Parent Bank network.

The review of the distribution model of the retail network was also significant, initiated by the reorganisation of the branches in a “Hub & Spoke” logic, currently operational in four of the eight territorial Areas.

The former General Finance & Operations Division was also transformed into a CFO Division following the aforementioned resignation of its Head, while the Finance, Treasury and Capital management Area and the Corporate service Area (both previously under the aforementioned previous Finance & Operations Division) were reassigned and now report directly to the Managing Director.

By decision of the Board of Directors of 16 January 2015, the strengthening of the hierarchical level of the Audit facility was approved - upgraded from an Area into a Division - for the purpose of optimum priority management as dictated by the strategic role envisaged under the new Supervisory organisation (ECB) and the complex and specialist activities of the facility itself.

A specific internal breach reporting system was set up in this Department (whistleblowing systems) to strengthen the control of legality and transparency monitoring, and to check and prevent company risks, in accordance with recent updates in Circular no. 285 of the Bank of Italy.

Within the scope of the aforementioned process to strengthen the organisational adequacy, and due to the start up of the Single European Supervisory mechanism, the establishment of a new department was particularly significant; it will coordinate the initiatives of the supervisory Bodies (staff regulatory relationship) to monitor, at Group level and on a centralised basis, as the single regulatory point of reference, relations with the European Supervisory Authorities (ECB) and local authorities (especially the Bank of Italy) in addition with the Joint Supervisory Team of the ECB (JST-ECB).

Finally, in accordance with instructions from the Bank of Italy, and implementing the strategic choice to outsource certain important operational departments, the Bank adopted a specific organisational model to monitor outsourced activities. The relative operational mechanisms and responsibility were defined in specific regulatory documents, approved by the Board of Directors and implemented by all Group companies.

The Audit Department specifically controlled the efficiency of that organisational model which proved to be positive as a whole. However, the improvements required include the need to generally strengthen the controls carried out by the applicable Group facilities.

3.3 - supervisory activities on the accounting administration system

The adequacy of the supervision of the accounting administration system of the Company was assessed on the basis of the findings made directly by this Board, including through the periodic exchange of information with the Auditing firm. No reports were received in 2015 from said Company on issues that could be subject to censure. We also agreed on the procedures adopted in preparing the Financial statements (individual and consolidated) for 2015, and can therefore acknowledge the general compliance with applicable law and regulations with respect to its formation.

The Board of Statutory Auditors had regular meetings with the office of the Financial reporting manager where the applicable controls are concentrated, and interacted with him on the main points of interest. It therefore found that the efficiency levels were high enough to ensure the correct representation of the economic, capital and financial position of the Bank as they appear on the individual and consolidated financial statements for the fiscal year ended on 31 December 2015.

The entire activity carried out therefore permitted the Board of Directors and the Financial reporting manager to issue the statements provided under article 81-ter of Consob Regulation no. 11971 of 14.5.1999, as amended, and article 154-bis of Legislative Decree 58/98 with reference to the individual and consolidated financial statements for 2015.

We therefore acknowledge that the individual and consolidated financial statements, in application of Legislative Decree no. 38/2005, were prepared in accordance with the International Accounting Standards issued by the International Accounting Standards Board (IASB) including interpretations by the IFRS Interpretations Committee, as endorsed by the European Commission, pursuant to European Regulation no. 1606 of 19 July 2002 which came into effect as at 31 December 2015. The provisions contained in Circular no. 262 issued by the Bank of Italy were also applied, amended by the fourth addendum of 15 December 2015.

The privacy statement to the public, according to the provisions set out under the prudential supervision regulations (known as “Pillar 3”), was made through the Bank’s Internet website within the timeframe indicated for publishing the financial statements.

Additionally, the Directors did not exercise the right set out under article 5, paragraph 1 of Legislative Decree no. 38/2005.

With regard to document no. 2 of 6 February 2009 and no. 4 of 3 March 2010, and subsequent amendments, issued jointly by the Bank of Italy, Consob and the Italian Insurance Supervisory Institute (IVASS), this Board acknowledges that the Group drew up the financial statements with a view towards it continuing on a going concern basis, with the reasonable expectation to continue operations into the foreseeable future. The uncertainties regarding the current economic and financial climate will not put the Company's ability to continue operating as a going concern into doubt.

3.4 - supervisory activities on the financial disclosure process

We reviewed the reports prepared by the Auditing firm issued in accordance with articles 14 and 16 of the Consolidated statutory auditing act (TURL) and to this end, its is acknowledged that they:

- were drawn up in compliance with the International Auditing Standards (ISA Italy) and drafted in accordance with article 11, paragraph 3 of Legislative Decree 39/10;
- expressed a finding that the financial statements complied with the International Financial Reporting Standards of the European Union and the measures issued in implementation of article 9 of Legislative Decree no. 38/2005;
- also expressed a finding on the consistency of the reports on operations and the information pursuant to article 123-bis paragraph 4 of Legislative Decree no. 58/1998, submitted in the report on corporate governance and ownership structures, with the individual and consolidated financial statements for the period;
- the following aspects were highlighted as disclosure references:

  - the Company changed the accounting methods used for the "Alexandria" transaction, entered into with Nomura International plc in 2009 and closed in 2015. The reasons for that change, and the relative effects on the financial and asset position are illustrated in the Section "Restatement of prior period accounts in compliance with IAS 8 - Accounting policies, changes in accounting estimates and errors" in the Notes to the Financial Statements.
  - in the Notes to the Financial Statements and the Report on Operations, the Directors provide information on the conclusion of the Supervisory Review and Evaluation Process for 2015 (SREP Decision) by the European Central Bank which sets the minimum capital requirements in terms of Common Equity Tier 1 Ratio. The ECB requested, *inter alia*, continuance of the initiatives aimed at dealing with the impaired loans along with restructuring initiatives including business combination transactions in the same SREP Decision. In view of the actions undertaken to deal with the ECB requests and the update of the long-term forecasts of the Montepaschi Group which confirm that the capital requirements requested were maintained, the Directors drew up the financial statements on the basis of the Bank continuing on a going concern basis.

The Auditing firm's finding did not contain anything regarding those aspects.

As of the date of filing this report, the Board of Statutory Auditors did not find any critical issues with respect to the independence of the Auditing firm or reasons for incompatibility, and received confirmation in that regard from the Auditing firm.

With reference to the aforementioned Consob Communication no. 1025564 of 6 April 2001 as amended, the Bank engaged the Auditing firm to perform other jobs for certification services in addition to auditing of the accounts in 2015, for total fees of € thousand 1,619 as reported in the Notes to the Financial Statements.

The Auditing firm notified the Board, in accordance with the provisions of article 17, paragraph 9, letter a) of the Consolidated Act on statutory auditing, that it carried out the following work through its network, in addition to the auditing and other closely related activities on behalf of the Bank in 2015:

Company	Activity carried out	Fees (EUR thousand)
Ernst & Young Financial Business Advisors Spa	Technical/methodological assistance in relation to the internal documentation analysis activities of governing the operational processes of certain new Supervisory Reports.	68
Ernst & Young Financial Business Advisors Spa	Technical/methodological assistance in relation to the requirements set out under “Bankit Circular 263"	868
Ernst & Young Financial Business Advisors Spa	Technical/methodological assistance in relation to the requirements set out under “Bankit Circular 285"	86
Ernst & Young Financial Business Advisors Spa	Technical/methodological assistance regarding the project relating to the development “Regulatory Reporting 2.0”	169
Legal and Tax Associates	Foreign Account Tax Compliance Act assistance	41

During the year, the Auditing firm issued an opinion in accordance with article 2437-ter of the Civil Code in relation to the “Right of Withdrawal” relating to the liquidation value of the shares of the subsidiary MPS Capital Services Spa, as the Auditor of this company.

On the other hand, the Board of Statutory Auditors was asked to express the following opinions:

- on the reports submitted to the Board of Directors on 16.1.2015 relating to the reorganisation and new size of the Audit Department and the proposed 2015 Audit plan;
- on the appointment of the Head of the Audit Department;
- on the remuneration package for the Heads of the Control Departments of the Parent Bank;
- on continuing compliance with the requirements provided for continued use of the advanced credit risk management systems (AIRB) and the operating risk systems (AMA);
- on the remuneration package for the Head of the Anti-money laundering Department of the Parent Bank;
- on the withdrawal of the Head of the Compliance Department and the appointment of the new Head, and regarding the remuneration package proposed for the new Department Head;
- on the proposal for "Operating limits on related parties" for 2015;
- on the allocation of the position allowance paid to the Director and General Manager of the Bank in his capacity as Managing Director;
- on the remuneration to pay the Deputy Chairman;
- on the amount to pay the Director on the Supervisory Body 231/2001;
- on the remuneration to pay the members of the various internal committees of the Board of Directors;
- on confirmation of the appointment of the Financial reporting manager and the remuneration package.

The Board of Statutory Auditors carried out the internal control committee functions and the auditing provided for by the Consolidated Act on statutory auditing in public interest organisations, monitoring the financial disclosure process, ensuring that the work plan prepared by the auditing firm was followed properly and ensuring adequate compliance in accordance with the size and organisational and business complexity of the Company.
Finally, the Board acknowledges receipt of the report from the Auditing firm, in accordance with article 19 of the Consolidated Act on statutory auditing, on the fundamental issues which emerged during the auditing, and more specifically on the significant shortcomings found in the internal control system in relation to the financial disclosure process. To that end we have nothing of significance to report.

4. Remuneration policies

With respect to the remuneration policies for 2015, the Board of Statutory Auditors ensured that they were correctly applied, with the Chairperson and at least one Statutory Auditor taking part in the meetings of the Remuneration Committee.

The Audit Department gave its approval to the consistency of these policies decided on by the General Meeting and adopted by the Group for 2015, finding that it had even made the improvements that had previously been identified as necessary.

With respect to the remuneration policies for the current year proposed by the applicable Committee for approval by the General Meeting, in its report issued with an approval, the Audit Division acknowledged that they were subject to analysis and assessment by the Compliance and Risk management departments for the respective areas, however pointing out that more monitoring was necessary in said process, and with higher coordination of the various phases, in addition to adequate traceability of the opinions expressed by the aforementioned control departments in that area.

Finally, we would like to note that regarding the annual bonus system (MBO) as proposed in the Remuneration Report, its performance during the year will depend on the results of the inspection carried out by the ECB relating to assessment of Governance and Risk management, referred to in point 5.2 below and which is not yet available.

The report in question will be submitted for the definitive approval of the Shareholders' Meeting.

5. Other information

5.1 - relations with the Subsidiaries

The Board of Statutory Auditors ensured that the Bank had given instructions to the subsidiaries regarding the information that they must send to the Parent Bank to allow it to carry out its communication obligations as provided under article 114, paragraph 2 of the Consolidated Finance Act.

In general, the information flows between the Parent Bank and the subsidiaries continue to guarantee sufficient exchange of information between the corporate Bodies of BMPS and those of the Subsidiaries regarding the administration and control systems and the general performance of the business.

There was a standard exchange of information with the control bodies of the main group companies during the year, with meetings with the respective colleagues as the occasion arose, with whom we dealt with regarding the administration and control systems and the general performance of the corporate activities.

5.2 - supervisory authorities controls

Within the scope of the prudential supervision program adopted by the ECB in January 2015, between 29 January and 6 May 2015, the Group was subject to an in-house assessment to analyse the credit risk on a consolidated basis, and more specifically, to specifically check the policies, processes and procedures on both Asset Quality Review (AQR) portfolios and non-AQR portfolios and to review the creditworthiness (credit quality review) of certain non-AQR portfolios with a focus on the adequacy of the provisioning.

To that end, even though the supervisory authorities found that there had been progress in managing credit risk, it still needed to improve on the definition and implementation of policies, procedures and processes in order to ensure that they would be continually updated and consistently applied by all Group companies.

The Bank promptly identified the relative remedial actions to perform and that the Board of Statutory Auditors is monitoring activities in agreement with the supervisory authorities in relation to the planned timing.

The Bank of Italy carried out an in-house inspection of the Group on 17 and 18 of June 2015 as part of the Internal Ratings Based system performance monitoring program, used to assess the quality of the credit appropriated to guarantee the refinancing transactions with the Eurosystem for 2014. The inspection was successfully concluded.

There was an ECB inspection on 7 September 2015 regarding the internal models on Operational risks (AMA methods). The final results were not yet available at the date of filing this Report.

On 28 September 2015, an ECB inspection was carried out regarding the assessment of Governance and Risk management within the new European regulatory environment, and in the more general SREP (Supervisory Review and Evaluation Process) annual review framework, whereby the internal governance and control systems represent one of the four fundamental pillars of assessment.

The assessment concluded in the first few days of the current year and the Bank is still waiting to receive the inspection report.

On 21 October 2015, the ECB began an inspection on the internal models on credit risk. This assessment was to evaluate the services and performance, check implementation of the results of the Asset Quality Review, incorporation and the effects of the incomplete workout in the LGD model and the interaction between the development departments and validation of the models (risk management and internal validation). The assessment concluded in December 2015 and the Bank is still waiting to receive the final results.

Further assessments are scheduled to be carried out by the ECB through a thematic review carried out through the examination of documents or submission of questionnaires.

Finally, in August 2015, the IVASS and the Bank of Italy provided instructions designed to remove critical issues regarding the loan-related policies. In relation to this, the Bank adopted initiatives aimed at bringing the products and the contract offer and performance procedures into line with the instructions provided by said Supervisory Bodies.

5.3 - complaints and statements

At the date of filing this Report, the Board of Statutory Auditors received a registered letter dated 22.2.2016 from a shareholder association, signed also by the individual shareholders, addressed, *inter alia*, to the Chairperson and the Board of Statutory Auditors.

This document refers to both article 2408 and article 2409 of the Civil Code, but in general refers to prevailing Italian and European law, and, as noted, was addressed to both the Board of Statutory Auditors and other parties and is therefore to be understood as a broader action compared to a pure and simple complaint in accordance with article 2408 of the Civil Code.

In this specific case, it does not refer to precise events, but to general considerations that have already been dealt with in this Report and the documents in the Financial statements.

On the other hand, with respect to the alleged interrelation between the current amount of impaired loans and the poor management criteria used to grant loans - even though the claims do not refer to specific, detailed facts, but are rather broader and generic - no aspects emerged that could correspond to what was claimed following the various assessments carried out by the ECB in 2014 and 2015 (Asset Quality Review, SREP and follow-up on-site inspection).

During the year, certain statements were also addressed to this Board, but did not regard matters or situations that have to be mentioned herein since they do not fall within the specific duties of the control Body. However, the Board checked to see whether the observations made had any basis, and encouraged, if necessary, removal of the reasons that gave rise to them.

5.4 corporate governance and Code of conduct

The Board of Statutory Auditors examined the contents of the annual corporate governance report and the owned structures for the year, checking compliance with article 123-bis of the Consolidated Finance Act, with the standards issued by *Borsa Italiana*, and checked the adequacy and completeness of the information contained therein.

With reference to the Supervisory provisions regarding corporate governance, there has to be periodic self-assessment by this Body and the Board of Directors of the qualitative and quantitative composition, size, degree of diversity and professional competence, the guaranteed balance of the non-executive and independent members, adequacy of the appointment processes and selection criteria, professional development, and with reference to the internal committees within the Board.

To that end, the characteristics required under the aforementioned regulation were found to be present.

In accordance with the prevailing version of the Code of Conduct promoted by *Borsa Italiana* that the Bank adheres to, the Appointments Committee, Remuneration Committee, Risk Committee and Committee for Transactions with Related Parties operate within the Board of Directors, in order to provide support and assistance to the Board.

These Committees - in whose meetings the Chairperson of the Board of Statutory Auditors and at least one Statutory Auditor always took part - established Rules, duly approved by the Board of Directors.

During the year, the Board decided to confirm attribution of monitoring duties for the matters described under Legislative Decree 231/2001 to the previously established Supervisory Body pursuant to Legislative Decree 231/2001, comprising three members, two of whom are external professionals and one a non-executive director.

Conclusions

On the basis of what was illustrated above, we can confirm that nothing emerged that could be subject to reproach and no irregularities were found worthy of specific mention to the shareholders and there were no significant omissions in the performance of the company business for the 2015 fiscal year.

Accordingly, the Board of Statutory Auditors, having examined the contents of the reports drawn up by the Auditing firm, acknowledging the statements issued jointly by the Board of Directors and the Financial reporting manager, not having proposals to make in accordance with article 153, paragraph 2 of the Consolidated Finance Act, hereby agrees with approval of the financial statements and the partial coverage of the remaining losses in the terms proposed by the Directors.

THE BOARD OF STATUTORY AUDITORS

Signed by Elena Cenderelli
Chairperson

Signed by Anna Girello
Statutory Auditor

Signed by Paolo Salvadori
Statutory Auditor

Siena, 15 March 2016

Annexes

Pro-forma statements for the representation of the "Alexandria" transaction as a long-term repo, in continuity with previous reports

Foreword

As described extensively in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of these consolidated notes, which should be referred to for more information, the Bank, in implementation of what was laid out by Consob in resolution no. 19459 of 11 December 2015, adjusted the accounting representation of the "Alexandria" transaction in the 2015 financial statements by bringing it into line with that of a CDS and retrospectively restating the previous financial statements (referred to as the "2015 restatement") according to the rules laid out in IAS 8.

With a view to guaranteeing adequate public disclosure with respect to accounting criteria, dedicated pro-forma statements are provided below in order to highlight, similar to what it has done in previous reports, the income and financial position impacts of the Alexandria transaction if it is accounted for as a long-term repo.

Therefore, below are the pro-forma balance sheet, income statement and statement of comprehensive income (the "Pro-forma statements") as at 31 December 2015 and 31 December 2014, which report the estimated pro-forma accounting effects had the Bank continued to classify the "Alexandria" transaction as a long-term repo.

Reported in the pro-forma statements below are:

- in the first column ("31 12 2015" and "31 12 2014*"): balance sheet income statement and statement of comprehensive income as at 31 December 2015 and 31 December 2014, after the 2015 restatement;
- in the second column ("pro-forma adjustments for classification as long-term repo"): pro-forma adjustments estimated to be made to the accounts, had the Bank continued to classify the "Alexandria" transaction as a long-term repo;
- in the third and final column ("31 12 2015 pro-forma" and "31 12 2014* pro-forma"): estimated pro-forma balance sheet, pro-forma income statement and statement of comprehensive income as at 31 December 2015 and 31 December 2014.

In more detail, accounting representation as a long-term repo entails the following pro-forma adjustments and reclassifications (please note that the "Alexandria" transaction was closed via a settlement agreement this year and therefore it has no balance sheet balances as at 31 December 2015):

- balance sheet:
  - elimination of the fair value of the CDS from "Financial assets held for trading";
  - recognition of the security (BTP) under "Financial assets available for sale" in conjunction with the corresponding valuation reserves, gross of the hedge accounting component;
  - recognition of the liability representing the long-term repo under "Deposits from customers";
  - reclassification of interest rate swaps from "Financial liabilities held for trading" to "Hedging derivatives" ;
  - ensuing tax effects.
- income statement:
  - recognition in "Interest income and similar revenues" and "Interest expense and similar charges" respectively of: interest income from government bonds classified as "Assets available for sale" and interest expense on the long term repo classified as "Deposits from customers", both posted by using the effective interest rate method;
  - recognition in "Interest income and similar revenues" or "Interest expense and similar charges" of amounts accrued on interest rate hedging swaps;

- recognition in "Net profit (loss) from hedging" of: fair value changes attributable to the interest rate risk of hedged government bonds, accounted for against the valuation reserve of assets available for sale; and fair value changes in the interest rate swaps, net of any accrued income;
- elimination from "Net profit (loss) from trading" of: the result deriving from the closure of the transaction in 2015, in addition to cash flows (coupons and floating spreads) paid on government bonds and long term repos and fair value changes in IRSs and CDSs;
- recognition under item 100 "Gains (losses) on disposals or repurchases" of the profit and loss deriving from the winding up of the transaction in 2015,
- ensuing tax effects;

- statement of comprehensive income:
  - recognition of changes in "Financial assets available for sale" following adjustment to valuation reserves.

Pro-forma balance sheet

	Assets	31 12 2015*	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015* pro-forma	31 12 2014*	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2014* pro-forma
10	Cash and cash equivalents	1,047,129	-	1,047,129	974,295	-	974,295
20	Financial assets held for trading	2,075,384	-	2,075,384	3,050,585	(634,300)	2,416,285
40	Financial assets available for sale	17,010,791	-	17,010,791	18,607,790	4,071,544	22,679,334
60	Loans to banks	34,374,738	-	34,374,738	38,710,046	-	38,710,046
70	Loans to customers	95,384,392	-	95,384,392	102,157,158	-	102,157,158
80	Hedging devIratives	772,263	-	772,263	877,585	-	877,585
90	Change in value of macro-hedged financial assets (+/-)	135,988	-	135,988	112,290	-	112,290
100	Equity investments	3,074,019	-	3,074,019	1,673,000	-	1,673,000
110	Property, plant and equipment	1,069,993	-	1,069,993	1,101,974	-	1,101,974
120	Intangible assets	92,199	-	92,199	119,869	-	119,869
	of wich: goodwill	-	-	-	-	-	-
130	Tax assets	4,776,901	76,162	4,853,063	6,241,394	89,051	6,330,445
140	Non-current assets and groups of assets held for sale and discontinued operations	27,158	-	27,158	16,805	-	16,805
150	Other assets	2,528,504	-	2,528,504	2,404,419	-	2,404,419
	Total assets	162,369,459	76,162	162,445,621	176,047,210	3,526,295	179,573,505

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

	Liabilities and Shareholders' Equity	31 12 2015	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma	31 12 2014*	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2014* pro-forma
10	Deposits from banks	29,521,052	-	29,521,052	39,294,158	-	39,294,158
20	Deposits from customers	86,418,506	-	86,418,506	87,928,296	3,353,601	91,281,897
30	Debt securities issued	27,499,901	-	27,499,901	29,688,403	-	29,688,403
40	Financial liabilities held for trading	1,844,416	-	1,844,416	3,650,404	(1,604,999)	2,045,405
50	Financial liabilities designated at fair value	2,245,471	-	2,245,471	3,010,169	-	3,010,169
60	Hedging derivatives	1,361,860	-	1,361,860	2,655,599	1,604,999	4,260,598
80	Tax liabilities	28,532	(43,079)	(14,547)	112,176	(23,416)	88,760
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-
100	Other liabilities	3,701,098	-	3,701,098	3,810,270	-	3,810,270
110	Provision for employee severance pay	238,513	-	238,513	263,033	-	263,033
120	Provisions for risks and charges	995,116	-	995,116	1,015,350	-	1,015,350
130	Valuation reserves	(173,401)	-	(173,401)	(405,178)	(423,123)	(828,301)
150	Equity instruments carried at equity	-	-	-	3,002	-	3,002
160	Reserves	(736,320)	619,234	(117,086)	(1,973,117)	563,454	(1,409,663)
170	Share premium	6,325	-	6,325	2,291	-	2,291
180	Share capital	9,001,757	-	9,001,757	12,484,207	-	12,484,207
190	Treasury shares (-)	-	-	-	-	-	-
200	Profit (loss) (+/-)	416,633	(499,993)	(83,360)	(5,491,853)	55,779	(5,436,074)
	Total liabilities and Shareholders' Equity	162,369,459	76,162	162,445,621	176,047,210	3,526,295	179,573,505

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

Pro-forma income statement

	Items	31 12 2015	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma	31 12 2014*	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2014* pro-forma
10	Interest income and similar revenues	3,918,421	113,685	4,032,106	4,683,493	150,097	4,833,590
20	Interest expense and similar charges	(1,940,829)	(90,983)	(2,031,812)	(3,009,234)	(128,664)	(3,137,898)
30	Net interest income	1,977,592	22,702	2,000,294	1,674,259	21,433	1,695,692
40	Fee and commission income	2,062,805	-	2,062,805	2,009,266	-	2,009,266
50	Fee and commission expense	(279,529)	-	(279,529)	(366,885)	-	(366,885)
60	Net fee and commission income	1,783,276	-	1,783,276	1,642,381	-	1,642,381
70	Dividends and similar income	141,847	-	141,847	132,645	-	132,645
80	Net profit (loss) from trading	612,396	(608,602)	3,794	(74,681)	62,447	(12,234)
90	Net profit (loss) from hedging	(18,518)	4,116	(14,402)	(22,710)	(2,560)	(25,270)
100	Gains/losses on disposal/repurchase	219,847	(131,977)	87,870	169,183	-	169,183
110	Net profit (loss) from financial assets and liabilities designated at fair value	61,254	-	61,254	(21,860)	-	(21,860)
120	Net interest and other banking income	4,777,694	(713,761)	4,063,933	3,499,217	81,320	3,580,537
130	Net impairment losses (reversals)	(1,682,492)	-	(1,682,492)	(6,289,295)	-	(6,289,295)
140	Net income from banking activities	3,095,202	(713,761)	2,381,441	(2,790,078)	81,320	(2,708,758)
150	Administrative expenses	(2,934,695)	-	(2,934,695)	(3,240,546)	-	(3,240,546)
160	Net provisions for risks and charges	(77,322)	-	(77,322)	(180,290)	-	(180,290)
170	Net adjustments to (recoveries on) property, plant and equipment	(62,410)	-	(62,410)	(90,945)	-	(90,945)
180	Net adjustments to (recoveries on) intangible assets	(27,968)	-	(27,968)	(27,975)	-	(27,975)
190	Other operating expense/income	328,350	-	328,350	299,179	-	299,179
200	Operating expenses	(2,774,045)	-	(2,774,045)	(3,240,577)	-	(3,240,577)
210	Gains/losses on investments	102,720	-	102,720	(678,232)	-	(678,232)
230	Impariment on goodwill	-	-	-	(661,792)	-	(661,792)
240	Gains (losses) on disposal of investments	1,422	-	1,422	27,562	-	27,562
250	Profit (loss) before tax from continuing operations	425,299	(713,761)	(288,462)	(7,343,117)	81,320	(7,261,797)
260	Tax expense (recovery) on income from continuing operations	(8,666)	213,768	205,102	1,851,264	(25,541)	1,825,723
270	Profit (loss) after tax from continuing operations	416,633	(499,993)	(83,360)	(5,491,853)	55,779	(5,436,074)
280	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-
290	Profit (loss)	**416,633**	**(499,993)**	**(83,360)**	**(5,491,853)**	**55,779**	**(5,436,074)**

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

Pro-forma statement of comprehensive income

	Items	31 12 2015	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2015 pro-forma	31 12 2014*	Pro-forma adjustments for classification "Alexandria transaction" as LTR	31 12 2014* pro-forma
10	Profi (loss)	416,633	(499,993)	(83,360)	(5,491,853)	55,779	(5,436,074)
	Other comprehensive income after tax not recycled to profit and loss	16,315	-	16,315	(29,752)	-	(29,752)
40	Actuarial gains (losses) on defined benefit plans	16,315	-	16,315	(29,752)	-	(29,752)
	Other comprehensive income after tax not recycled to profit and loss	261,221	423,123	684,344	347,101	(12,006)	335,095
80	Exchange differences	5,649	-	5,649	5,552	-	5,552
90	Cash flow hedges	37,823	-	37,823	2,348	-	2,348
100	Financial assets available for sale	199,872	423,123	622,995	366,222	(12,006)	354,216
110	Non-assets held for sale	17,877	-	17,877	(27,021)	-	(27,021)
130	Total comprehensive income after tax	277,536	423,123	700,659	317,349	(12,006)	305,343
140	Total comprehensive income (item 10+130)	694,169	(76,870)	617,299	(5,174,504)	43,773	(5,130,731)

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)", which is referenced to for further details. The pro-forma adjustments made to the data thus recalculated are related to data published in 2014.*

Disclosure of audit firm fees

With the aim of making reporting on the Bank's relations with its own independent Auditors more transparent, Consob, with its resolutions No. 15915 of 3 May 2007 and No. 15960 of 30 May 2007, implemented the delegation of authority contained in art. 160 of the Consolidated Law on Finance (Incompatibility), introducing Part III, Section VI, of the Issuers' Regulation, Part I-bis (Incompatibility) which contains articles from 149-bis to 149-duodecies.

With this amendment, Consob chose to include this disclosure in the documents accompanying the financial statements with a mandatory requirement to disclose payments received for auditing and other services supplied by the Auditors or by entities forming part of their network.

The table below shows all payments made to the Auditors and to others forming part of its network, broken down by type of service.

Disclosure of fees for the independent Audit firm and other entities of its network (pursuant to art. 149 duodecies of CONSOB resolution no. 15915 of 3 May 2007)

Type of services	Service provider	Total
Auditing (1)	Reconta Ernst & Young S.p.a.	1,456
Other attest servisces	Reconta Ernst & Young S.p.a.	1,619
Other services	Tax and Legal firm	41
Other services	Ernst & Young Financial Business Advisors S.p.a.	1,191
Total		**4,307**

Amounts are exclusive of V.A.T. and ancillary expenses.

PENSION FUNDS - Defined-benefit pension funds without plan assets
Supplementary Pension Fund for personnel of former Tax Collection Agencies

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**26,213,215**
Increases	202,327
- provisions for the year	202,327
- Other	-
Decreases	2,625,053
- Benefit paid	1,860,755
- Other	764,298
Closing balance as at 31 12 2015	**23,790,489**

Supplementary Pension Fund for personnel of former Banca Operaia di Bologna

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**7,803,908**
Increases	70,753
- provisions for the year	70,753
- Other	-
Decreases	1,325,670
- Benefit paid	419,951
- Other	905,719
Closing balance as at 31 12 2015	**6,548,991**

Supplementary Pension Fund for personnel of former Banca di Credito Popolare e Cooperativo di Reggio Emilia

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**828,110**
Increases	9,905
- provisions for the year	9,905
- Other	-
Decreases	113,478
- Benefit paid	40,687
- Other	72,791
Closing balance as at 31 12 2015	**724,537**

Supplementary Pension Fund for personnel of former Banca Popolare Veneta

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**1,343,264**
Increases	77,483
-provisions for the year	5,293
- Other	72,190
Decreases	196,281
- Benefit paid	196,281
Other	-
Closing balance as at 31 12 2015	**1,224,466**

Supplementary Pension Fund for personnel of former General Managers

Accounting statement as at 31 12 2015	(in units of Eur)
Opening balance as at 01 01 2015	**4,510,755**
Increases	33,602
- provisions for the year	33,602
- Other	-
Decreases	853,183
- Benefit paid	305,790
- Other	547,393
Closing balance as at 31 12 2015	**3,691,174**

PENSION FUNDS - defined benefit and defined contribution pension funds with plan assets

Supplementary Pension Fund for personnel of former BNA - Defined benefit section

BALANCE SHEET

(in units of Eur)

	Assets	31 12 2015	31 12 2014	Changes
10	**Direct investments**	**26,941,214**	**28,003,805**	**(1,062,591)**
	a) Deposits	404,547	431,763	(27,216)
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international institutions	-	-	-
	d) Listed debt securities	26,315,820	27,344,713	(1,028,893)
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	-	-	-
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	220,847	227,329	(6,482)
	m) Profit guarantees released to pension fund	-	-	-
	n) Other assets from financial activities	-	-	-
	o) Accrued income not yet received	-	-	-
20	**Managed investments**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Assets from administrative activities**	-	-	-
50	**Tax receivables**	-	-	-
	TOTAL ASSETS	**26,941,214**	**28,003,805**	**(1,062,591)**
	Liabilities	**31 12 2015**	**31 12 2014**	**Changes**
10	**Liabilities from social security**	-	-	-
20	**Liabilities from financial activities**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Liabilities from administrative activities**	-	-	-
50	**Tax payables**	**55,961**	-	**55,961**
	b) tax payables for current period	(17,309)	-	(17,309)
	a) tax credit for prior period	73,270	-	73,270
	TOTAL LIABILITIES	**55,961**	-	**55,961**
100	**Net assets available for payment of benefits**	**26,885,253**	**28,003,805**	**(1,118,552)**
	Net assets availabe for payment of benefits in previous year	27,805,769	27,602,507	203,262
	Changes in net assets available payment of benefits	**(920,516)**	**401,298**	**(1,321,814)**

INCOME STATEMENT

(in units of Eur)

		31 12 2015	31 12 2014	Changes
10	**Balance of social security management**	**(1,294,854)**	**(1,320,748)**	**25,894**
	a) Contributions for benefits	-	-	-
	b) Advances	-	-	-
	c) Transfers and redemptions	-	-	-
	d) Transfers to annuities	-	-	-
	e) Payments in capital	-	-	-
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	(1,294,854)	(1,320,748)	25,894
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**447,608**	**1,722,045**	**(1,274,437)**
	a) Interest and profit on bondsand government securities	1,156,273	1,181,463	(25,190)
	b) Interest on cash equivalents	(708,665)	1,176	(709,841)
	c) Profit and losses from financial transactions	-	539,406	(539,406)
	d) Interest (expense) from repo transactions	-	-	-
	e) Pension fund profit guarantee difference	-	-	-
	f) Contingent assets	-	-	-
	g) Forfeitures charged to the participants	-	-	-
	h) Kickbacks from UCITS	-	-	-
	i) Commission expense	-	-	-
30	**Profit (loss) from indirect financial activities**	-	-	-
40	**Operating expenses**	**-**	**-**	**-**
	a) Management companies	-	-	-
	b) Custodian bank	-	-	-
	c) Insurance policy	-	-	-
	d) "State supervision" contribution	-	-	-
50	**Financial and insurance income (loss) (20+30+40)**	**447,608**	**1,722,045**	**(1,274,437)**
60	**Balance from administrative activities**			
	a) General and administrative expenses	-	-	
70	**Changesin net assets available for payment of benefits before substitute tax (10+50+60)**	**(847,246)**	**401,297**	**(1,248,543)**
80	**Substitute tax**	**(73,270)**	**(198,035)**	**124,765**
	Changes in net assets available for payment of benefits (70+80)	**(920,516)**	**203,262**	

Supplementary Pension Fund for personnel of former Banca Toscana - Defined benefit section

BALANCE SHEET

(in units of Eur)

	Assets	31 12 2015	31 12 2014	Changes
10	**Direct investments**	**114,787,736**	**110,590,505**	**4,197,231**
	a) Deposits	100,088,571	95,010,289	5,078,282
	b) Receivables from repo transactions	-	-	-
	c) Securities issued by Governments and other international institutions	-	-	-
	d) Listed debt securities	14,425,574	15,305,876	(880,302)
	e) Listed equity securities	-	-	-
	f) Unlisted debt securities	-	-	-
	g) Unlisted equity securities	-	-	-
	h) Units of UCITS	-	-	-
	i) Options purchased	-	-	-
	l) Accrued income and prepayments	273,591	274,340	(749)
	m) Profit guarantees released to pension fund	-	-	-
	n) Other assets from financial activities	-	-	-
	o) Accrued income not yet received	-	-	-
20	**Managed investments**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Assets from administrative activities**	-	-	-
50	**Tax receivables**	-	-	-
	TOTAL ASSETS	**114,787,736**	**110,590,505**	**4,197,231**
	Liabilities	**31 12 2015**	**31 12 2014**	**Changes**
10	**Liabilities from social security**	-	-	-
20	**Liabilities from financial activities**	-	-	-
30	**Profit guarantees on individual accounts**	-	-	-
40	**Liabilities from administrative activities**	-	-	-
50	**Tax payables**	-	-	-
	TOTAL LIABILITIES	-	-	-
100	**Net assets available for payment of benefits**	**114,787,736**	**110,590,505**	**4,197,231**
	Net assets availabe for payment of benefits in previous year	110,590,505	115,602,886	(5,012,381)
	Changes in net assets available payment of benefits	**4,197,231**	**(5,012,381)**	**9,209,612**

INCOME STATEMENT

(in units of Eur)

		31 12 2015	31 12 2014	Changes
10	**Balance of social security management**	**3,561,987**	**(10,024,549)**	**13,586,536**
	a) Contributions for benefits	13,108,983	-	13,108,983
	b) Advances	-	-	-
	c) Transfers and redemptions	-	-	-
	d) Transfers to annuities	-	-	-
	e) Payments in capital	-	-	-
	f) Premiums for additional benefits	-	-	-
	g) Payments in annuities	(9,546,996)	(10,024,549)	477,553
	h) Other payments	-	-	-
20	**Profit (loss) from direct financial activities**	**641,798**	**5,023,904**	**(4,382,106)**
	a) Interest and profit on bondsand government securities	1,522,099	2,776,410	(1,254,311)
	b) Interest on cash equivalents	(880,301)	2,247,494	(3,127,795)
	c) Profits and losses from financial transactions	-	-	-
	d) Interest (expense) from repo transactions	-	-	-
	e) Pension fund profit guarantee difference	-	-	-
	f) Contingent assets	-	-	-
	g) Forfeitures charged to the participants	-	-	-
	h) Kickbacks from UCITS	-	-	-
	i) Commission expense	-	-	-
30	**Profit (loss) from indirect financial activities**	-	-	-
40	**Operating expenses**	**(6,554)**	**(11,736)**	**5,182**
	a) Management companies	-	-	-
	b) Custodian bank	-	-	-
	c) Insurance policy	-	-	-
	d) "State supervision" contribution	(6,554)	(11,736)	5,182
50	**Financial and insurance income (loss) (20+30+40)**	**635,244**	**5,012,168**	**(4,376,924)**
60	**Balance from administrative activities**	**-**	**-**	**-**
	a) General and administrative expenses	-	-	-
70	**Changesin net assets available for payment of benefits before substitute tax (10+50+60)**	**4,197,231**	**(5,012,381)**	**9,209,612**
80	**Substitute tax**	-	-	-
	Changes in net assets available for payment of benefits (70+80)	**4,197,231**	**(5,012,381)**	**9,209,612**