BANCA MONTE DEI PASCHI DI SIENA

Consolidated interim report as at 31 March 2015

MONTE DEI PASCHI DI SIENA
BANK SINCE 1472

CONSOLIDATED INTERIM RESULTS ON OPERATIONS
AS AT 31 MARCH 2015

Banca Monte dei Paschi di Siena S.p.a.
Share capital: € 12,484,206,649.08 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

CONSOLIDATED INTERIM RESULTS ON OPERATIONS

Interim Consolidated Report on Operations

Basis of preparation

The Interim Report on Operations as at 31 March 2015 provides a snapshot of the activities and results which largely characterised the Montepaschi Group's operations in the first quarter, both as a whole and in the various business sectors into which consolidated operations are organised.

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

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

Group Profile and business model

Overview

The Montepaschi Group (hereinafter referred to as the "Group") is the banking hub led by Banca Monte dei Paschi di Siena, which does business primarily in Italy, mainly providing traditional retail & commercial banking services (around 70% of total revenues).

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

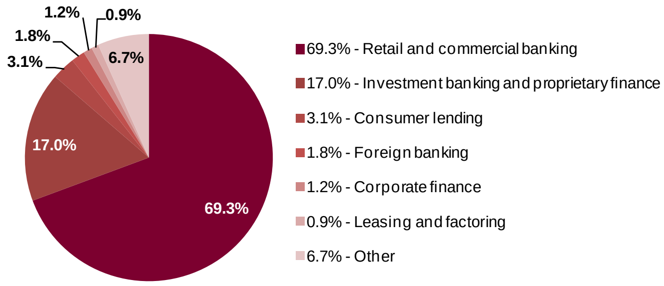
The insurance-pension sector is covered by a strategic partnership with AXA while asset management activities are based on the offer of investment products of independent third parties.

The Group combines traditional services offered through the network of branches and specialised centres with an innovative self-service and digital services system enhanced by the skills of the network of financial advisors.

Breakdown as at 31/03/2015

Employees	25,763
Branches (Italy)	2,185
Customers	5,310,056
Total assets (mln €)	187,525
Shareholders' equity (mln €)	6,471
Total Revenues (mln €)	1,267

Breakdown of Group revenues by key business area as at 31/03/2015



The chart does not include cancellation of intragroup entries.

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

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

Business model

The Bank has launched a radical transformation in the "way of banking", and therefore in its own business model. The model requires improvement in the capital and financial structure as well as the application of sound principles of value and corporate governance, which the Bank has reinforced in response to specific systemic problems of recent years.

The capabilities and skills to guide this change have been deployed, and focus has been placed on the customer, customer relations, quality, efficiency and all intangible and non-financial capital, the real drivers of business development, which the Bank intends to pursue by aiming for sustainable growth for the benefit of all stakeholders.

BUSINESS MODEL		
CAPITAL	**ACTIVITIES**	**EXPECTED RESULTS**
Financial capital	**Business** • Lending and traditional banking activities, with a focus on advisory services • Private banking • Brokerage of products of qualified business partners in the bancassurance (AXA), asset management (Anima) and consumer credit (Compass) segments • Digital banking, self-service and financial advisory services • Leasing and factoring	**Income statement and financial results** • Sustainable profitability • Adequate capital quality and quantity
Non-financial capital • Customer base • Human capital *(Skills, DNA and values, Diversity)* • Structural capital *(Distribution network, Remote banking channels, Operating apparatus and processes)* • Relationship capital *(System of relations with stakeholders)* • Reputational capital *(Brand, Reputation)*	**Processes** • Listening, knowing the customer and focus on services • Human resource development • Optimisation of operations • Corporate citizenship and solidarity	**Generation of shared value** • Customer satisfaction • Employee motivation, satisfaction and productivity • Moderation and limitation of waste • Value of the brand and public opinion • Economic/social value in local communities

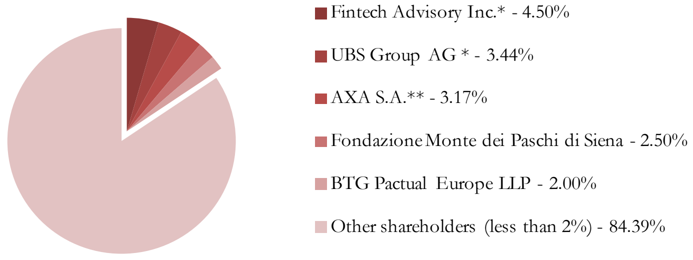
GOVERNANCE AND VALUES
Governance and control systems, Prudent approach to risk, Long-term vision, Orientation to change, Ethics and legality, Central focus on customers, Social responsibility

Shareholders

As at 31 March 2015, the Bank's share capital amounts to EUR 12,484,206,649, broken down into 5,116,513,875 ordinary shares.

The Bank's major shareholders (holding more than 2% of the share capital) hold a total of 15.61% of the share capital (12.27% as at 31 December 2014 and 18.48% as at 31 March 2014).

Breakdown of Bmps share capital as at 31th March 2015



* Shareholding through Companies belonging to its Group
** Shareholding on own behalf and through Subsidiaries

Compared to the share capital structure as at the end of 2014, note the increase of UBS Group AG with a shareholding of 3.44%.

Governance & Control systems

Corporate Governance

For the Group, the relevance of corporate governance goes beyond its traditional technical meaning, i.e. a set of coordinated rules and structures governing relations amongst shareholders and between them and the directors and top management. In line with the Bank's mission, it is seen as a tool for relations with all stakeholders.

The overall corporate governance system makes reference to the Corporate Governance Code of listed companies issued by the Italian Stock Exchange, thereby ensuring: a clear delineation of roles and responsibilities, the appropriate separation of powers, balanced composition of the corporate bodies, effective controls, monitoring of all business risks, adequacy of information flows and the company's social responsibility.

For a complete description of the structure and operations of the corporate governance system, please refer to the "Report on Corporate Governance and Ownership Structure", available on the Bank's website. (https://www.mps.it/Investor+Relations/Corporate+Governance/)

During the quarter there was a change in the Board of Directors of BMPS, with the entry of Christian Whamond to replace the resigning director David Manuel Martinez.

Risk Management

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

The Board of Directors defines risk governance policies and strategies, particularly by establishing the total risk appetite with reference to the new internal framework (RAF - Risk Appetite Framework). Strategies are implemented in line with the business model, Business Plan objectives and regulatory and legal requirements.

The objective of the RAF, approved by the Board of Directors of BMPS on 29 April 2015, is to ensure constant alignment between the Group's actual risk profile and the risk appetite defined by the Board of Directors, taking into account pre-established risk tolerance levels and in any event within the maximum admissible limits (risk capacity) deriving from regulatory requirements or other restrictions imposed by the Supervisory Authorities.

The overall RAF system is broken down in terms of operating limits for the various business areas and completed by the definition and formalisation of adequate governance policies and robust processes for management of the various corporate risks.

Planning continued during the quarter, which already in 2014 had led to the updating and/or issue of numerous internal policies and rules, with a view to establishing monitoring, models and a widespread risk culture at all levels of the organisation as the fundamental prerequisites for effective, sound and prudent business management. To further support the risk culture growth process, suitable risk and risk-adjusted performance indicators have been incorporated into staff remuneration and incentive policies.

Compliance System

Further strengthening continued on the compliance model adopted by the Bank in implementation of Bank of Italy regulations, through the implementation of an extensive network of specialist monitoring and the necessary operational support, controls and reporting.
In addition:

- various improvement actions have been carried out as regards investment services (new pricing policy on bonds issued by the Bank, investment adequacy assessment procedures and the setup of budgeting processes according to bottom-up logic);
- an "ICT Compliance" project has been launched to improve IT compliance risk monitoring.

For a description of some of the main legal and arbitration proceedings in progress, see Part E of the Notes to this Report.

Executive Remuneration Policy

The remuneration and incentives policies for "key personnel" are defined by the Board of Directors as part of the guidelines established annually by the Shareholders' Meeting for all employees, in accordance with regulatory measures and current contracts.

The policies prepared for 2015 include the new aspects introduced by the 7th Update to Circular no. 285 ("Supervisory Instructions") of 17 November 2013 on variable remuneration for "key personnel".

For further information, reference should be made to the 2015 Remuneration Report, available on the Bank's web site (https://www.mps.it/Investor+Relations/Corporate+Governance/)

Organisational structure

Through its Head Office, Banca Monte dei Paschi di Siena performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the Board of Directors and in the interest of the Group's stability.

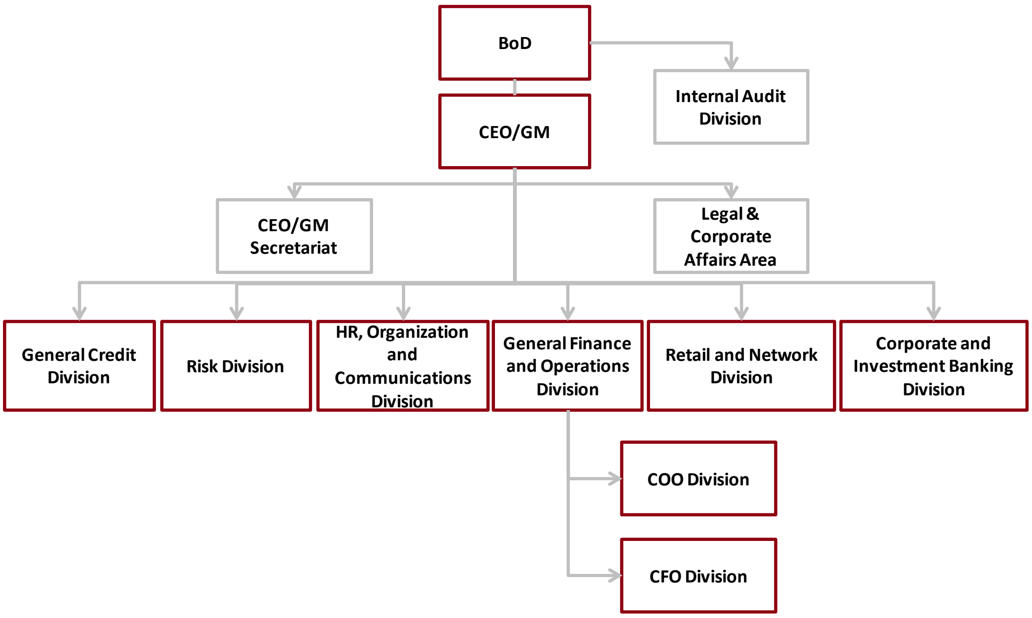
The main organisational initiatives of the first quarter of 2015 were carried out in compliance with the strategies to improve credit collection effectiveness, to make management action more incisive as regards sales to high-standing business customers and to generally improve structural effectiveness.

In the first of these areas, governance methods were developed for the lending chain with the introduction of line management hierarchies up to Deputy General Manager level for certain regional credit structures, with a view to improving the speed of classifying positions and problem loan management effectiveness, mitigating future costs. The Credit Recovery Department was also reorganised through a series of actions to focus the department on core positions and on maximising business recovery logic for positions of lower amounts. The department was also organisationally optimised by streamlining the distribution of regional offices.

As regards commercial effectiveness, the new Corporate Top customer segment was established, deriving from separating business customers from the SME segment that meet specific quality and quantity parameters (turnover range, rating class, corporate structure, complexity of financial needs and degree of internationalisation). The result was setup of the new commercial chain (with new dedicated departments in the Corporate and Investment Banking Division and new Network departments), in a logic of relations development and consolidation with a view to seeking greater overall profitability from the relationship.

The Internal Audit Department was also reviewed, upgraded to Division level for the purpose of optimum priority management as dictated by the strategic role envisaged under the new Supervisory organisation and by the complex and specialist areas planned in 2015.

Organisational chart of the Bank's Head Offices as at 31.03.2015



Main companies of the Group

COMPANY	ACTIVITIES
MONTE DEI PASCHI DI SIENA BANCA DAL 1472	Banca Monte dei Paschi di Siena and its subsidiaries operate in the different segments of the banking and financial industry, with activities ranging from traditional banking to special purpose loans, assets under management, bancassurance and investment banking. The Bank performs functions of direction, coordination and control over the Group's companies, as part of the more general guidelines set out by the Board of Directors in compliance with the instructions provided by the Bank of Italy in the interest of the Banking Group's stability.
MPS CONSUM.IT	Consum.it is the Group's consumer credit company. It issues special-purpose loans, personal loans including fifth-of-salary backed loans, and credit cards (option and revolving).
MPS FIDUCIARIA	Monte Paschi Fiduciaria aims to satisfy the needs of individuals and legal entities wishing to have their assets managed with the utmost confidentiality. Monte Paschi Fiduciaria may take on the custody of assets in its capacity as a trustee and act as a protector in trusts.
MPS CAPITAL SERVICES	MPS Capital Services Banca per le Imprese provides customers with solutions to financial and credit issues, focusing its business on medium-long term credit facilities, special-purpose loans, corporate finance, capital markets and structured finance.
MPS LEASING & FACTORING	MPS Leasing & Factoring is the Group bank specialised in developing an offer of integrated leasing and factoring packages for businesses, artisans and professionals.
widiba	WIDIBA (WIse-DIalog-Banking) is the Group's direct bank that integrates a self-service offer with the competencies of MPS's network of financial advisors.
MPS CONSORZIO OPERATIVO	Consorzio Operativo is the centre for the development and management of ICT and telecommunication systems.
MONTE PASCHI BANQUE BANCA MONTE PASCHI BELGIO	Monte Paschi Banque SA and Banca Monte Paschi Belgio SA are the Group's banks that support commercial trade and investments of Italian companies abroad.

For a more complete picture of the Group ownership structure, reference should be made to the Consolidated Financial Statements as at 31 December 2014.

Strategy

Scenario

During the first quarter of 2015 the global economy continued to consolidate in the United States, the United Kingdom and Japan, whilst it weakened in certain emerging markets. Factors of uncertainty persist that could have an impact on international financial market conditions, the low oil prices (though they have risen slightly since the minimum prices reached in mid-January) as well as the strong uncertainty regarding Greece's macroeconomic recovery programme (under negotiation with the Eurogroup) and the conflicts in Ukraine, Libya and the Middle East.

In the Eurozone the Eurosystem purchasing programme was extended to government securities, with purchases totalling EUR 60 bln per month at least until the end of September 2016, and in any event until a long-term adjustment is seen in the area's inflation to match the price stability objective (a lower inflation rate but close to 2% in the mid-term). The programme, aimed to combat the risks of a prolonged period of low inflation, has already had significant effects on the financial and currency markets: at the 10-year maturity the returns on government securities reached a new all-time low (60 bps) and the Euro has depreciated by 15% against the US Dollar value at the end of 2014.

In Italy, economic signs favourable to the expansion in household consumption and to the acceleration of exports have intensified, and a slight recovery in the accumulation of capital, particularly for machinery and transport vehicles, though the relaunch of the economic cycle still has to consolidate and the industrial performance seen in the first few months of the year is still uncertain.

The Eurosystem's announcement of the sovereign bond purchasing plan has further eased the financial markets, with listed prices that have recorded significant increases. Within the QE, Italian government securities that will be bought by the Bank of Italy will amount to approx. EUR 130 bln, while including the ECB transactions, total government security purchases will be in the region of EUR 150 bln. However, the risk that the Eurogroup's financial aid programme to Athens is not renewed by the agreed deadlines, with subsequent and immediate Greek liquidity crisis, leaves financial stability seriously exposed.

The return on the ten-year BTP, which in March touched an all-time low of just over 1%, recently rose to settle at around 1.4%, with the return spread vs. the 10-year Bund dropping below 90 bps then rising again, at the end of April, to 120 bps (-15 bps compared to 31/12/2014).

The signs of improved credit terms continue with the Italian banks which, after completing the inclusion in financial reports of the results of the Comprehensive Assessment, have made extensive recourse to the third and longer term targeted refinancing transaction that could aid the expansion of credit to the economy. According to the polls, the lending terms to businesses have improved further, though remaining at different levels according to the company size and business sector. The average rates have decreased, though remaining higher than the corresponding Eurozone values (for more information on the banking scenario, reference should be made to the Bank of Italy Economic Bulletin of April 2015).

Strategy

2013-2017 Business Plan

Following the European Commission's approval of the Restructuring Plan, significant changes occurred, including the change in the macroeconomic and regulatory scenario with the entry into force of the Single Supervisory Mechanism, communication of the results of the Comprehensive Assessment and the results of the Supervisory Review and Evaluation Process - SREP), together with implementation of the results of the Asset Quality Review that required updating of a number of the Original Scenario Assumptions forming the basis of the Restructuring Plan.

The Bank therefore updated the Group's multi-year projections, identifying new economic and financial targets related to the period 2015-2018. The new Business Plan 2015-2018 was declined based on the guidelines in line with those indicated in the Business Plan 2013-2017, supplemented by further improvement actions with regard to the recovery of productivity and efficiency, credit quality, liquidity and strengthen capital. These guidelines, in addition, are included in the context of actions already launched by the Group in the last months and started to generate significant results for both commercial productivity and operational efficiency.

Guidelines

The guidelines of the Plan incorporate managerial actions based on the following key drivers:

- **Increased productivity and efficiency**: with growth targets of total income of 4.6% approx. (2014-2018 CAGR) and a 1.5% decrease in operating expenses (2014-2018 CAGR). The new Plan focuses on (i) the structural review of the distribution and business models, (ii) the definition of a new service model to the customers, (iii) multi-channel integration and (iv) the consolidation of digital channels. To this end, a "Hub and Spoke" network model is expected to be implemented, in addition to the increased efficiency of the business processes oriented to freeing up valuable time for a more effective interaction with the customers, thus ensuring the Bank's operations through a streamlined branch network characterized by more flexible sales outlets which can better meet the customers' requirements. Greater emphasis is expected to be placed on the Corporate world through the implementation of a service model dedicated to high potential enterprises (Corporate Top enterprises).

  The new Plan aims at seeking organization efficiency in all of the Bank's units with benefits in terms of human resources and time dedicated to sales, not only in relation to the above-mentioned processes of review of the network operational and distribution model, but also extended to the Head Office and Geographical Coordination Units through the redesign of the organization model. Such review will encourage cost synergies and contribute to manage the headcount reduction, which is confirmed during the plan period.

  The Bank shall also conduct initiatives oriented to ensuring efficiency in the operational processes with the extension of the digitalization of the network business processes, further centralization of administrative services, the review of the processes of management of expenses, demand and property management, the optimization of the credit and control chains.

- **Credit quality improvement**: for the purpose of decreasing the cost of credit to 106 bps in 2018 from 654 bps in 2014 through an in-depth review of the credit management processes targeted towards the homogeneous management of the whole chain, thus ensuring more direct controls and the effective introduction of a string of initiatives which could considerably cut the cost of credit over the period from 2015 to 2018.

  These initiatives are expected to optimize the risk/return profile of the loan portfolio, by implementing rigorous credit policies and selection principles in relation to new loan disbursements. In addition, after the comprehensive assessment, the Bank identified the major actions to be carried out in order to cope with the specific areas of concern pointed out by the Regulatory Authorities.

  On the front of impaired loans, a plan of review of the organization models and management processes is expected to be introduced for the purpose of increasing the rates of loan collection and cure, by outsourcing the management of the small ticket positions and optimizing external legal support. A structured multiannual programme of portfolio disposals has been arranged, with an intensive use of real estate owned companies (Reoco).

- **Structural rebalance of liquidity**: the Bank is committed to the process of structural rebalance of the liquidity position. In particular, the ECB loans are expected to be reduced within the limits set for all the banks within the TLTRO operations (once completed the LTRO repayment).
- **Capital strengthening**: for the purpose of supporting the structural adjustment to the prudentially required regulatory requirements shall be pursued through:
  - ✓ a capital increase with rights issue in a maximum amount of EUR 3 billion to be completed in 2015, following the capital increase of 2014, which gives the opportunity of fully repaying the New Financial Instruments earlier than the final deadline of 2017 as provided for by the Restructurning Plan;
  - ✓ *capital management* and optimization initiatives of the Risk Weighted Assets (RWA) at a parity of assets, partly through the selective reduction of the loan portfolio aiming at increasing quality without decreasing the Bank's support to the local economy.

Events, actions and performance

Significant events of 2015

G/C = Governance/Corporate

S = Strategy

R = Rating

January	
(G/C)	The ECB asked Banca MPS to cover the capital deficit deriving from the Comprehensive Assessment by implementing the Capital Plan submitted in November which - among the various measures - envisages a share capital increase of EUR 2.5 bln
February	
(G/C)	The results as at 31 December 2014 were approved on 11 February, the SREP was completed with a target CET1 ratio of 10.2% and the share capital increase by up to a maximum EUR 3 bln was approved
(G/C)	David Manuel Martinez resigned from the Board of Directors of Banca Monte dei Paschi di Siena
March	
(G/C)	On 4 March, the Board of Directors resolved: • to call the Shareholders' Meeting to approve the 2014 Financial Statements, appoint the new Board of Directors and Board of Statutory Auditors, and increase the share capital by up to a maximum EUR 3 bln; • to co-opt Cristian Whamond to the Board of Directors to replace David Martinez; • on the number of shares to be allocated to the Ministry of the Economy and Finance as the interest payment on the "Monti Bonds".
(G/C)	On 21 March the lists were filed for appointment of the Board of Directors and the Board of Statutory Auditors of Banca Monte dei Paschi di Siena

Significant events after the first quarter of 2015

April	
(G/C)	On 2 April the Banca MPS Board of Directors meeting minutes were filed: decision on the merger by absorption of Consum.it into Banca Monte dei Paschi di Siena S.p.A.
(G/C)	On 14 April the ordinary and extraordinary Shareholders' Meeting of Banca MPS was called: the quorum for the meeting to be held on first call was not reached
(S)	On 15 April, after reaching an agreement on the sale to Poste Italiane of Banca Monte dei Paschi di Siena's 10.3% equity investment in Anima Holding
(G/C)	On 16 April the Shareholders' Meeting of Banca Monte dei Paschi di Siena: appointed the new Board of Directors, resolved to cover the 2014 loss for the year and losses carried forward from previous years, in part from available reserves, and approved the EUR 3 bln share capital increase and the 2014 Financial Statements. Alessandro Profumo and Fabrizio Viola were confirmed on the Board of Directors, Alessandro Profumo as Chairman and Roberto Isolani as Deputy Chairman.
(G/C)	20 April saw the first meeting of the new Board of Directors of the Bank, Fabrizio Viola was confirmed as Chief Executive Officer and the board committees were established

Results in brief

CONSOLIDATED REPORT ON OPERATIONS

Highlights at 31/03/2015

INCOME STATEMENT AND BALANCE SHEET FIGURES AND KEY INDICATORS

MPS GROUP

INCOME STATEMENT FIGURES (EUR mln)	31/03/2015	31/03/2014	% chg
Income from banking activities	1,054.9	891.0	18.4%
Income from banking and insurance activities	1,267.2	958.6	32.2%
Net operating income	159.6	(193.7)	n.s.
Net profit (loss) for the period	72.6	(174.1)	n.s.
BALANCE SHEET FIGURES AND INDICATORS (EUR mln)	**31/03/2015**	**31/12/2014**	**% chg**
Direct funding	131,511	126,224	4.2%
Indirect funding	111,175	106,140	4.7%
of which: assets under management	*55,300*	*51,519*	*7.3%*
of which: assets under custody	*55,874*	*54,622*	*2.3%*
Loans to customers	123,139	119,676	2.9%
Group net equity	6,471	5,965	8.5%
KEY CREDIT QUALITY RATIOS (%)	**31/03/2015**	**31/12/2014**	**Abs. chg**
Net doubtful loans/Loans to Customers	7.1	7.1	0.0
Net Unlikely to pay/Loans to Customers	9.9	9.7	0.2
Net NP past due and overdue exposures/Loans to Customers	2.3	2.6	-0.3
PROFITABILITY RATIOS (%)	**31/03/2015**	**31/12/2014**	**Abs. chg**
Cost/Income ratio	51.6	65.1	-13.5
Net loan loss provisions / End-of-period loans	1.52	6.54	-5.0
CAPITAL RATIOS (%)	**31/03/2015**	**31/12/2014**	**Abs. chg**
Total Capital ratio	12.6	13.0	-0.4
Common Equity Tier 1 (CET1) ratio	8.1	8.7	-0.6
Return on Assets (RoA) ratio	0.04	-2.91	2.95
INFORMATION ON BMPS STOCK	**31/03/2015**	**31/12/2014**	
Number of ordinary shares outstanding	5,116,513,875	5,116,513,875	
Price per ordinary share:	**From 31/12/14 to 31/03/15**	**From 31/12/13 to 31/12/14**	**% chg**
average	0.52	1.19	-56.0%
low	0.40	0.46	-13.8%
high	0.62	2.56	-75.8%
OPERATING STRUCTURE	**31/03/2015**	**31/12/2014**	**Abs. chg**
Total head count - end of period	25,763	25,961	(198)
Number of branches in Italy	2,185	2,186	(1)
Number of specialised centres	277	279	(2)
Financial advisory branches	115	118	(3)
Number of branches & representative offices abroad	40	40	-

Changes in the key items of the main aggregates of Montepaschi Group for the first quarter of 2015 are summarised below:

- **Total funding** as at 31 March 2015 had reached approximately **EUR 243 bln**, recording growth for the quarter of 4.4% supported by the direct component and the placement of assets under management products.
- **Loans to customers** grew to around **EUR 123 bln** as at 31 March 2015, up 2.9% on the end of 2014 due to the increase in repurchase agreements (+85.1% vs. 31/12/2014), used mainly as a way to temporarily invest excess liquidity. All other types of funding remained essentially stable at the figures for 31 December 2014.
- With regard to capital ratios, the **Common Equity Tier 1 Ratio** stood at **8.1% (** 8.7% at the end of 2014) and the **Total Capital Ratio at 12.6%**, respect to the 13% recorded to the end of december;
- The Group achieved **Revenue** of approx. **EUR 1,267 mln**, up 14.2% on Q4 2014 and 32.2% on the same period last year as a result of the improved primary banking income and the positive performance of revenue from trading. **Net interest income** stood at around **EUR 612 mln**, confirming the levels achieved in the final quarter of 2014 (+0.2%) due to the further downtrend in the cost of funding, both at commercial level and in the market component, which offset the lower contribution from reduced average on interest-bearing assets. Compared to the 1st quarter of 2014, the aggregate recorded a growth of 37.3%, particularly attributable to the improved funding/lending spread and the repayment of the New Financial Instruments during 2014, which led to lower costs in terms of interest expense. **Net fee and commission income**, amounting to **EUR 443 mln**, showed a 9.3% increase over Q4 2014, aided by the Network sales drive that allowed significant growth in the quarter, particularly in placement fees for assets under management products. QoQ growth was also seen in income from the use of receivables and income associated with foreign service products. Comparison with the same period last year shows essential aggregate stability (-0.5% YoY), in which the increase in asset management commissions was offset by the lower income from credit/foreign services and from service commissions. **Net profit (loss) from trading-valuation-repurchase of financial assets/liabilities** came to approximately **EUR 172 mln**, supported in particular by the gains on disposal of AFS securities;

- **Operating expenses** totalled approx. **EUR 653 mln**, down 11.1% on the final quarter of last year and 1.1% compared to the first quarter of 2014. More specifically:
  - ✓ **personnel expenses**, amounting to approx. **EUR 419 mln**, were down against the previous quarter (-2.6%) and against Q1 2014 (-2.3%), mainly due to headcount reduction carried out at the end of 2014 and the beginning of 2015, which more than offset increased expenses associated with the 2012 National Collective Labour Agreement.
  - ✓ **other administrative expenses** (net of costs recovered from customers) totalled around **EUR 186 mln**, up slightly compared to the first quarter of 2014 (+1.6%) which was characterised by a slow start to the expense cycle for certain services, particularly professional services, which later recovered in the quarters that followed. Comparison with Q4 2014 instead shows a drop in the aggregate of 18.4%, partly attributable to the acceleration in planning costs recorded in the last few months of the previous year and partly to structural cost containment action that is also planned for this year.
  - ✓ **Net value adjustments to tangible and intangible assets** were in the region of **EUR 48.4 mln**, confirming levels similar to the same period last year (-0.4%). Compared to Q4 2014, however, the aggregate shows a 36.6% decrease due to real estate write-downs applied towards the end of last year, also following the Asset Quality Review.
- **Net impairment losses on loans** recorded during the quarter totalled around **EUR 468 mln**, essentially similar to the levels for the same period last year. The QoQ comparison is not significant in that the 4th quarter of 2014 included higher impairment losses associated with

the review of classification and valuation methods and parameters for the entire loan portfolio (a larger perimeter than was taken into consideration in the Asset Quality Review). The ratio of the annualised impairment losses on loans YoY for the 1st quarter of 2015 over total customer loans reflects a **Provisioning rate of 152 bps**, compared to 654 bps at the end of 2014, which was affected by the above-mentioned non-recurring impairment losses. Excluding the latter, the provisioning rate would be approx. 155 bps.

- Considering the net effects of the PPA (approx. EUR -13 mln), the **profit for the 1st quarter of 2015** amounts to around **EUR 73 million**.

Prospects and outlook on operations

The macroeconomic environment in which the Group operates, though slightly improving, is still fragile and continue to exist uncertainties about possible future developments:

- the economy showed slight signs of recovery, but in general still persist strong critical elements for productive activities, especially small and medium enterprises;
- the conditions of the labor market remain difficult with unemployment rates still very high that penalize consumptions and savings;
- the high credit risk of banks' portfolios does not diminish and, on the other hand, is still low the credit demand for investments.

The European Central Bank (ECB) informed the Parent Company about the results of Supervisory Review and Evaluation Process (cd SREP), under which the ECB has requested that the Group will achieve, from the date of completion of the capital increase (and keep in time) a minimum threshold, on transitional base, the Common Equity Tier 1 ratio of 10.2%, the Total Capital Ratio of 10.9%, compared to regulatory thresholds, to date in force, respectively by 7.0% and 10.5%.

On 16 April 2015 took place the Ordinary and Extraordinary Shareholders' Meeting of Banca Monte dei Paschi di Siena, which approved the financial statements as at 31 December 2014 and resolved to cover the 2014 loss for the year and losses carried forward from previous years, in part from available reserves. In its extraordinary session, the Shareholders' meeting approved, a reduction in capital due to losses pursuant to article 2446 of the Italian Civil Code, non-replenishment of valuation reserves, rights issue for a maximum of EUR 3 billion inclusive of any share premium and reverse split of ordinary shares at a ratio of 1 new share for every 20 existing shares.

This capital increase will allow beside the creation of a buffer of strengthen the Group's capital position also early repayment than the original deadline of 2017 the residual amount of the New Financial Instruments (equal to 1,071 million euro).

The Bank therefore updated the Group's multi-year projections, extended to 2018, confirming the recovery of consolidated profitability and consolidation of the capital and liquidity position.

At the end of 2018, in fact, the ROE is expected to be around 7%, with a CET1 Ratio of approx. 11.7%. In consideration of this situation, no elements were found that could lead to going concern uncertainty.

With regard to the dispute brought by some of the Fruendo employees, aimed to restore employment relation with the Bank, out of the 70 legal actions pending, the number of urgent pronouncements made in the Bank's favour to date is 11, one first instance judgment in favour by the Court of Rome and one judgment against by the Court of Sienna. The Bank will appeal against the latter.

Pending a broader and final framework, given the various pronouncements and cases still pending, the most appropriate solutions will be assessed in concert with Fruendo and in line with the Business Plan objectives. To date, and while the current situation remains unchanged, no economic impact on the Bank can be forecast.

During 2015 the implementation of Directive 2014/49 (the Deposit Guarantee Schemes Directive - DGSD), which establishes a single format for deposit guarantees, and Directive 2014/59 (the Bank Recovery and Resolution Directive - BRRD), which establishes a single mechanism for settling bank crises, must be completed. In full continuity with the existing national legal systems, the DGSD aims to build a harmonised network of guarantee deposit systems. The most innovative profile regards the new funding mechanism based mainly on ex-ante contributions rather than ex-post contributions as happens now. The BRRD, on the other hand, envisages the setup of a fund to finance the settling of bank crises, also financed through an ex-ante contribution mechanism. As the legal reference framework is not yet complete, for the pourpose of the preparation of this interim report the conditions required in the accounting standards for the recognition of contributions to the two funds in the income statement are not yet met. Based on information currently available, the economic impact expected for 2015 can in any event be estimated at approx. EUR 50 mln for both funds (EUR 65 mln from 2016 and until 2024).

Analysis of the key economic-financial indicators

Reclassified accounts

Income statement and balance sheet reclassification principles

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

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

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

Given the above, the reclassified income statement and balance sheet are provided below in accordance with operational criteria, describing the reclassification action taken in the 1st quarter of 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 3.4 mln).

b) "**Dividends, similar income and gains (losses) on investments**" in the reclassified income statement incorporates item 70 "Dividends and similar income" and a portion of item 240 "Gains (losses) on investments" (EUR 24 mln, corresponding to the share of profit and loss for the period contributed by investments in the associate AXA, consolidated at equity). Dividends earned on securities held in the securities portfolio, as outlined under the item above, have also been eliminated from the aggregate.

c) The income statement item "**Other operating income/expense**" 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 0.2 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 was reduced for the portion of stamp duty and client expense recovery (approx. EUR 91 mln) posted under item 220 "Other operating expenses/income".

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 0.2 mln reclassified out of Personnel Expenses.

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

i) The effects of Purchase Price Allocation (PPA) posted to this specific account were reclassified out of other items (in particular "**Net interest income**" for EUR 12.2 mln and **depreciation/amortization** for EUR 6.9 mln, net of a theoretical tax burden of approx. EUR -6.3 mln that is included in the related item).

Balance Sheet

j) "**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".

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

l) "**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".

m) "**Other liabilities**" on the liabilities side of the reclassified balance sheet incorporates item 60 "Hedging derivatives", item 70 "Change in value of macro-hedged financial liabilities", item 80 "Tax liabilities", item 90 "Liabilities associated with non-current assets available for sale and discontinued operations" and item 100 "Other liabilities".

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

Reclassified Income Statement (Euro mln)				
	31/03/2015	31/03/2014	Change	
Montepaschi Group			Abs.	%
Net interest income	611.9	445.8	166.1	37.3%
Net fee and commission income	443.0	445.2	(2.2)	-0.5%
Income from banking activities	**1,054.9**	**891.0**	**163.9**	**18.4%**
Dividends, similar income and gains (losses) on investments	24.3	25.7	(1.4)	-5.4%
Net profit (loss) from trading	171.8	45.1	126.7	n.s.
Net profit (loss) from hedging	14.8	(4.6)	19.4	n.s.
Other operating income (expenses)	1.4	1.3	0.1	3.9%
Income from banking and insurance activities	**1,267.2**	**958.6**	**308.6**	**32.2%**
Administrative expenses:	(604.9)	(611.9)	7.0	-1.1%
a) personnel expenses	(419.4)	(429.3)	10.0	-2.3%
b) other administrative expenses	(185.5)	(182.6)	(2.9)	1.6%
Net losses/reversal on impairment on property, plant and equipment / Net adjustm	(48.4)	(48.6)	0.2	-0.4%
Operating expenses	**(653.3)**	**(660.5)**	**7.2**	**-1.1%**
Pre Provision Profit	**613.8**	**298.0**	**315.8**	**106.0%**
Net impairment losses (reversals) on:	**(454.2)**	**(491.7)**	**37.5**	**-7.6%**
a) loans	(468.2)	(476.6)	8.3	-1.7%
b) financial assets	14.0	(15.2)	29.1	n.s.
Net operating income	**159.6**	**(193.7)**	**353.3**	**n.s.**
Net provisions for risks and charges	(29.8)	(54.5)	24.7	-45.3%
Gains (losses) on investments	0.2	41.9	(41.7)	-99.4%
Restructuring costs / One-off costs	(0.2)	(1.1)	0.9	n.s.
Gains (losses) on disposal of investments	0.4	4.7	(4.3)	-91.8%
Profit (loss) before tax from continuing operations	**130.2**	**(202.7)**	**332.9**	**n.s.**
Tax expense (recovery) on income from continuing operations	(44.3)	38.4	(82.7)	n.s.
Profit (loss) after tax from continuing operations	**85.9**	**(164.3)**	**250.1**	**n.s.**
Net profit (loss) for the period including non-controlling interests	**85.9**	**(164.3)**	**250.1**	**n.s.**
Net profit (loss) attributable to non-controlling interests	(0.5)	(0.5)	(0.0)	0.8%
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**85.4**	**(164.7)**	**250.1**	**n.s.**
PPA (Purchase Price Allocation)	(12.8)	(9.4)	(3.4)	36.3%
Impairment on goodwill and intangibles	-	-	-	n.s.
Net profit (loss) for the period	**72.6**	**(174.1)**	**246.7**	**-141.7%**

Quarterly trend in reclassified incomen statement (Euro mln)

Montepaschi Group	2015 1Q	2014 4Q	2014 3Q	2014 2Q	2014 1Q
Net interest income	611.9	610.9	580.6	526.2	445.8
Net fee and commission income	443.0	405.2	421.5	425.8	445.2
Income from banking activities	**1,054.9**	**1,016.2**	**1,002.1**	**952.0**	**891.0**
Dividends, similar income and gains (losses) on investments	24.3	38.8	32.6	23.8	25.7
Net profit (loss) from trading	171.8	41.1	147.3	28.6	45.1
Net profit (loss) from hedging	14.8	(4.7)	2.2	(8.7)	(4.6)
Other operating income (expenses)	1.4	17.9	2.0	(17.7)	1.3
Income from banking and insurance activities	**1,267.2**	**1,109.4**	**1,186.1**	**978.0**	**958.6**
Administrative expenses:	(604.9)	(658.2)	(623.8)	(620.4)	(611.9)
a) personnel expenses	(419.4)	(430.7)	(427.9)	(421.9)	(429.3)
b) other administrative expenses	(185.5)	(227.5)	(195.9)	(198.5)	(182.6)
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	(48.4)	(76.3)	(65.6)	(50.2)	(48.6)
Operating expenses	**(653.3)**	**(734.5)**	**(689.5)**	**(670.7)**	**(660.5)**
Pre Provision Profit	**613.8**	**374.9**	**496.7**	**307.3**	**298.0**
Net impairment losses (reversals) on:	**(454.2)**	**(5,502.2)**	**(1,296.1)**	**(735.2)**	**(491.7)**
a) loans	(468.2)	(5,357.0)	(1,256.5)	(731.4)	(476.6)
b) financial assets	14.0	(145.2)	(39.6)	(3.8)	(15.2)
Net operating income	**159.6**	**(5,127.3)**	**(799.4)**	**(427.9)**	**(193.7)**
Net provisions for risks and charges	(29.8)	(57.2)	(37.3)	(27.5)	(54.5)
Gains (losses) on investments	0.2	(72.0)	(13.4)	133.4	41.9
Restructuring costs / One-off costs	(0.2)	(53.8)	(318.2)	(2.7)	(1.1)
Gains (losses) on disposal of investments	0.4	77.9	1.7	0.4	4.7
Profit (loss) before tax from continuing operations	**130.2**	**(5,232.5)**	**(1,166.6)**	**(324.3)**	**(202.7)**
Tax expense (recovery) on income from continuing operations	(44.3)	1,736.8	374.2	155.4	38.4
Profit (loss) after tax from continuing operations	**85.9**	**(3,495.7)**	**(792.4)**	**(168.9)**	**(164.3)**
Net profit (loss) for the period including non-controlling interests	**85.9**	**(3,495.7)**	**(792.4)**	**(168.9)**	**(164.3)**
Net profit (loss) attributable to non-controlling interests	(0.5)	0.6	4.9	(0.6)	(0.5)
Profit (loss) for the period before PPA , impairment on goodwill and intangibles	**85.4**	**(3,495.2)**	**(787.5)**	**(169.5)**	**(164.7)**
PPA (Purchase Price Allocation)	(12.8)	(10.1)	(9.2)	(9.4)	(9.4)
Impairment on goodwill and intangibles	-	(687.9)	-	-	-
Net profit (loss) for the period	**72.6**	**(4,193.2)**	**(796.7)**	**(178.9)**	**(174.1)**

Reclassified balance sheet (Euro mln)				
	31/03/2015	31/12/2014	Chg vs 31/12/14	
ASSETS			abs.	%
Cash and cash equivalents	682	1,007	(324)	-32.2%
Receivables :				
a) Loans to customers	123,139	119,676	3,463	2.9%
b) Loans to banks	7,856	7,723	133	1.7%
Financial assets held for trading	41,236	39,776	1,460	3.7%
Financial assets held to maturity	-	-	-	
Equity investments	947	1,014	(67)	-6.6%
Property, plant and equipment / Intangible assets	3,139	3,229	(90)	-2.8%
of which:				
a) goodwill	*8*	*8*	-	
Other assets	10,526	11,019	(493)	-4.5%
Total assets	**187,525**	**183,444**	**4,082**	**2.2%**

	31/03/2015	31/12/2014	Chg vs 31/12/14	
LIABILITIES			abs.	%
Payables				
a) Deposits from customers and securities issued	131,511	126,224	5,287	4.2%
b) Deposits from banks	22,519	27,648	(5,128)	-18.5%
Financial liabilities held for trading	16,381	13,702	2,680	19.6%
Provisions for specific use				
a) Provisions for staff severance indemnities	268	271	(3)	-1.2%
b) Pensions and other post retirement benefit obligations	52	66	(14)	-20.9%
c) Other provisions	1,104	1,085	19	1.7%
Other liabilities	9,195	8,459	735	8.7%
Group net equity	6,471	5,965	506	8.5%
a) Valuation reserves	(253)	(685)	433	-63.1%
c) Equity instruments carried at equity	3	3	-	
d) Reserves	(5,838)	(496)	(5,342)	n.s.
e) Share premium	2	2	-	
f) Share capital	12,484	12,484	-	
g) Treasury shares (-)	(0)	(0)	-	
h) Net profit (loss) for the period	73	(5,343)	5,416	-101.4%
Non-controlling interests	24	24	0	2.0%
Total Liabilities and Shareholders' Equity	**187,525**	**183,444**	**4,082**	**2.2%**

Reclassified Balance Sheet - Quarterly Trend (Euro mln)					
ASSETS	31/03/2015	31/12/2014	30/09/2014	30/06/2014	31/03/2014
Cash and cash equivalents	682	1,007	878	860	823
Receivables :					
a) Loans to customers	123,139	119,676	126,307	132,770	132,677
b) Loans to banks	7,856	7,723	6,884	8,638	10,204
Financial assets held for trading	41,236	39,776	41,856	39,863	43,500
Financial assets held to maturity	-	-	-	-	-
Equity investments	947	1,014	1,001	952	960
Property, plant and equipment / Intangible assets	3,139	3,229	3,934	3,971	4,004
of which:					
a) goodwill	*8*	*8*	*670*	*670*	*670*
Other assets	10,526	11,019	9,837	9,474	8,855
Total assets	**187,525**	**183,444**	**190,697**	**196,528**	**201,022**

LIABILITIES	31/03/2015	31/12/2014	30/09/2014	30/06/2014	31/03/2014
Payables					
a) Deposits from customers and securities issued	131,511	126,224	126,610	130,777	128,859
b) Deposits from banks	22,519	27,648	29,425	31,810	40,991
Financial liabilities held for trading	16,381	13,702	13,144	11,718	14,630
Provisions for specific use					
a) Provisions for staff severance indemnities	268	271	295	285	273
b) Pensions and other post retirement benefit obligations	52	66	59	59	60
c) Other provisions	1,104	1,085	1,024	991	1,020
Other liabilities	9,195	8,459	9,777	9,811	8,905
Group net equity	6,471	5,965	10,340	11,048	6,251
a) Valuation reserves	(253)	(685)	(549)	(634)	(788)
c) Equity instruments carried at equity	3	3	3	3	3
d) Reserves	(5,838)	(496)	(451)	4,548	(274)
e) Share premium	2	2	2	-	-
f) Share capital	12,484	12,484	12,484	7,485	7,485
g) Treasury shares (-)	(0)	(0)	(0)	(0)	(0)
h) Net profit (loss) for the period	73	(5,343)	(1,150)	(353)	(174)
Non-controlling interests	24	24	24	29	34
Total Liabilities and Shareholders' Equity	**187,525**	**183,444**	**190,697**	**196,528**	**201,022**

Balance Sheet

Customer funding

The Group's **total funding** as at 31 March 2015 reached approximately **EUR 243 bln**, recording growth for the quarter of 4.4% supported by the direct component and the placement of assets under management products. The contribution from assets under custody was also positive, adding over EUR 1 bln to the volume growth.

Compared to 31 March 2014, total funding increased by 3.7% as a result of assets under management (supported by Funds/UCITS and insurance products) and forms of direct funding, which more than offset the decrease in volumes of assets under custody.

Background

In Italy, direct funding in February was 1.2% lower YoY compared to the same month of the previous year, whilst deposits increased by 2.7% YoY.
In 2014 there was a decline in medium and long term funding and growth in short-term funding. The largest increases in bank deposits were seen in north east and central Italy.

The interest rates continued to drop: in February 2015 the interest rate on Euro bank deposits of households and non-financial companies was 0.65%, down considerably on the 0.94% of the same period in 2014. The return on bonds was 3.09%, lower than the 3.38% of the same period last year.

Funding from assets under management reached almost EUR 134 bln in 2014 and the assets, amounting to approx. EUR 1,585 bln, are basically equal to the value of national GDP. In the first two months of 2015 funding saw a marked increase, with an excellent figure for February (EUR +20 bln). In funding terms, foreign funds continue to exceed Italian funds, but the gap between the two is gradually narrowing.

Customer Funding (Euro mln)	31/03/2015	31/12/2014	31/03/2014	Chg Q/Q %	Chg Y/Y %
Direct funding	**131,511**	**126,224**	**128,859**	**4.2%**	**2.1%**
Indirect funding	**111,175**	**106,140**	**105,273**	**4.7%**	**5.6%**
assets under management	*55,300*	*51,519*	*46,656*	*7.3%*	*18.5%*
Mutual Funds/Sicav	*24,424*	*21,994*	*18,509*	*11.1%*	*32.0%*
Individual Portfolio under Management	*6,751*	*6,228*	*6,078*	*8.4%*	*11.1%*
Insurance Products	*24,125*	*23,297*	*22,068*	*3.6%*	*9.3%*
assets under custody	*55,874*	*54,622*	*58,617*	*2.3%*	*-4.7%*
Total funding	**242,686**	**232,365**	**234,131**	**4.4%**	**3.7%**

More specifically:

- **Direct funding**, totalling **EUR 132 bln**, was up 4.2% compared to the end of 2014, with the Group market share[1] standing at 4.53% (figure updated as at January 2015). In the 1st quarter of 2015 the aggregate benefited from the increase of Time deposits (+17.2% on 31/12/2014), supported by marketing of the "Conto Italiano di Deposito" product and the increase in Bond volumes (+4.1% on 31/12/2014), attributable to a bond issue against a securitisation transaction on receivables of the subsidiary Consum.it. The item "Other forms of direct funding", which includes the New Financial Instruments issued in favour of the Ministry of the Economy and Finance - the nominal value of which remained unchanged - compared to 31/12/2014), recorded a growth of 13.7% compared to 31 December 2014, mainly as a result of funding transactions with Key Clients.

  Compared to the same period last year, direct funding saw a 2.1% increase due to the effect of the rise in repurchase agreements with institutional counterparties (+53.2%) and Time deposits (45.3%), which more than offset the decrease in current accounts (-4.6%) and Bonds (-14%).

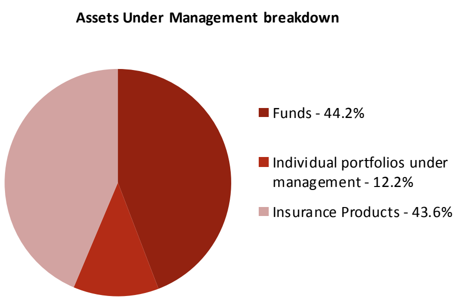
  The following table shows a breakdown of major types of direct funding from customers:

[1] Deposits and repurchase agreements (excluding repurchase agreements with central counterparties) with customers resident in Italy, and bonds net of repurchases and New Financial Instruments placed with Italian customers as first borrower (pro-forma time series due to the merger of MPS Immobiliare) - Source: Area Research & Investor Relations.

Direct funding (EUR mln)							
				Change Q/Q		Change Y/Y	
Type of transaction	31/03/2015	31/12/2014	31/03/2014	Abs.	%	Abs.	%
Current accounts	54,311	53,373	56,912	938	1.8%	(2,601)	-4.6%
Time deposits	12,657	10,800	8,709	1,857	17.2%	3,949	45.3%
Reverse repurchase agreements	21,069	21,158	13,749	(90)	-0.4%	7,320	53.2%
Bonds	32,690	31,406	38,022	1,284	4.1%	(5,332)	-14.0%
Other types of direct funding (*)	10,784	9,487	11,466	1,297	13.7%	(682)	-6.0%
Total	**131,511**	**126,224**	**128,859**	**5,287**	**4.2%**	**2,653**	**2.1%**

(*) This item includes NFS which amounted approximately 1.376 billion euro as at 31.03.15, inclusive of accrued interest due and unpaid.

- The Group's **indirect funding**, totalling **EUR 111 bln**, grew 4.7% during the quarter (+5.6% compared to 31/03/2014). More specifically:
  - **Assets under management** closed the first quarter with volumes totalling approx. **EUR 55 bln**, up 7.3% compared to the end of 2014 and 18.5% on 31 March 2014. A breakdown of the aggregate shows:
    - ✓ **Mutual Investment Funds and UCITS**, amounting to approx. **EUR 24 bln**, up 11.1% compared to 31/12/2014 (+32% over 31/03/2014), partly due to the positive market effect and partly to net inflows in the quarter of approx. EUR 1.3 bln, also in relation to guaranteed capital instruments;
    - ✓ **Individual portfolios under management** amounted to **EUR 6.8 bln**, up 8.4% compared to the end of 2014, with gross placements for the quarter of approx. EUR 500 mln. The Group's market share[2] was 3.36% (as at December 2014, latest data available);
    - ✓ the **insurance component** of approx. **EUR 24 bln** (+3.6% compared to 31/12/2014; +9.3% over 31/03/2014), benefiting from insurance premiums collected for approx. EUR 1.9 bln, driven by Unit Linked products. The Group's Bancassurance market share was 5.28% (as at December 2014, latest data available);



  - **Assets under custody** amounting to **EUR 56 bln**, showed an increase from levels at the end of 2014 (+2.3%) but reduced by 4.7% compared to 31 March 2014, especially due to the negative market effect on assets under custody of certain key clients, also associated with the performance of energy security prices.

[2] Source: Area Research & Investor Relations

Loans to customers

Group **Loans to customers** grew to around **EUR 123 bln** as at 31 March 2015, up 2.9% on the end of 2014 due to the increase in repurchase agreements (+85.1% vs. 31/12/2014), used mainly as a way to temporarily invest excess liquidity. All other types of funding remained essentially stable at the figures for 31 December 2014.

Comparison with 31 March 2014 shows a drop in total volumes of EUR 9.5 bln (-7.2%), especially on mortgages (EUR -7.9 bln; -12.6%) and current accounts (EUR -2.9 bln; -25.6%), whilst repurchase agreements and non-performing loans recorded a YoY increase.

The Group's market share, calculated net of repurchase agreements with institutional counterparties, stood at 7.07% (last available figure from January 2015), basically stable compared to December 2014.

Background

In the first two months of 2015, positive signs arrive from the new bank loan disbursements: business loans were up +3.7% YoY; loans disbursed for property purchases recorded an annual increase of over +41%, and the flow of new consumer credit transactions was up by +7.9%. In February the amounts of loans to households and businesses, however, still show a YoY change of -2.1%, recording some improvement compared to previous months. From the end of 2007 - before the start of the crisis - to date, loans to households and businesses fell from EUR 1,403 bln to EUR 1,278 bln.

Credit risk remains high, continuing largely to characterise the business loans segment as a result of the persisting crisis and its effects.
Again at the start of this year, gross doubtful loans recorded an increase of EUR 3.58 bln (in February 2015) compared to December 2014, mainly referring to the non-financial sector. The net doubtful loans/total loans ratio rose to 10.8% (9.2% in February 2014; 2.9% at the end of 2007). Net doubtful loans, on the other hand, saw an inversion of the upward trend, in February recording a -6.5% decrease on the peak figures of last November.

The interest rates have continued to drop, also due to ECB expansive policies. In February, the interest rate on new home purchase loans stood at 2.76% (2.83% at the end of 2014), whilst the interest rate on non-current account loans to non-financial companies reached 2.4% (the lowest figure since June 2010).

Loans to customers (EUR mln)				Change Q/Q		Change Y/Y	
Type of transaction	31/03/2015	31/12/2014	31/03/2014	Abs.	%	Abs.	%
Current accounts	8,488	8,745	11,404	(257)	-2.9%	(2,916)	-25.6%
Mortgages	55,031	55,328	62,966	(297)	-0.5%	(7,934)	-12.6%
Other forms of lending	27,219	27,276	29,474	(57)	-0.2%	(2,255)	-7.7%
Repurchase agreements	7,667	4,142	5,457	3,525	85.1%	2,211	40.5%
Securities lending	961	1,042	1,453	(81)	-7.8%	(492)	-33.8%
Non performing loans	23,773	23,143	21,925	629	2.7%	1,848	8.4%
Total	**123,139**	**119,676**	**132,677**	**3,463**	**2.9%**	**(9,538)**	**-7.2%**

The changes in the aggregate reflect trends in disbursements in special-purpose loans. In particular:

- MPS Capital Services granted new loans for around EUR 93 mln, down 34.7% compared to the 4th quarter of 2014 but up 36.9% on the same period last year;
- Leasing contracts amounted to approx. EUR 102 mln (-30.4% on Q4 2014 and -13.9% on Q1 2014), while Turnover Factoring totalled around EUR 991 mln (-28.5% over Q4 2014 and -12.4% on Q1 2014).

With regard to consumer credit, it should be noted that the Group signed a partnership agreement with Compass. This agreement is consistent with the Group's decision to support the credit offer to households during this unfavourable economic period and to continue its plan to enhance the value of the sales network through product placement with qualified third parties, thereby quickly developing business areas with high distribution value.

Special purpose loans and corporate finance (EUR mln)	31/03/2015	4Q2014	3Q2014	2Q2014	1Q2014	Chg Q/Q		Chg Y/Y	
						Abs.	%	Abs.	%
MPS Capital Services (disbursements)	93.2	142.8	103.1	84.8	68.1	-49.6	-34.7%	25.1	36.9%
MPS Leasing & Factoring	1,092.5	1,532.2	1,214.1	1,320.1	1,249.0	-439.7	-28.7%	-156.6	-12.5%
leases negotiated	*102.0*	*146.5*	*90.8*	*101.0*	*118.4*	*-44.5*	*-30.4%*	*-16.4*	*-13.9%*
factoring turnover	*990.5*	*1,385.7*	*1,123.4*	*1,219.1*	*1,130.6*	*-395.2*	*-28.5%*	*-140.2*	*-12.4%*
Consumit (disbursements)	86.4	152.6	159.5	223.6	240.3	-66.2	-43.4%	-153.9	-64.0%

Non-performing loans

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

As at 31/03/2015, the Group's net exposure to non-performing loans totalled **EUR 24 bln**, an increase of 2.7% from the end of the previous year and 8.4% from 31 March 2014. In this respect, compared to 31 December 2014, doubtful loans increased by +3.2% and likewise the unlikely to pays (+5.1%), whilst non-performing past due exposures reduced by 7.7%. The significant changes emerging from a comparison with 31 March 2014 - particularly in unlikely to pays (+90.1%) and non-performing past due exposures (-54.2%) - can be attributed to the effects of implementation of the results of the Credit File Review and application of the new Group accounting policy following the Asset Quality Review of 2014.

Loans to customers										
Risk category - Net book values	31/03/2015	31/12/2014	31/03/2014	weight %	weight %	weight %	Change Q/Q		Change Y/Y	
(EUR mln)				31/03/2015	31/12/2014	31/03/2014	Ass.	%	Ass.	%
A) Non performing loans	**23,773**	**23,143**	**21,925**	**19.3**	**19.3**	**16.5**	**629**	**2.7%**	**1,848**	**8.4%**
a1) Doubtful loans	8,718	8,445	9,332	7.1	7.1	7.0	272	3.2%	-614	-6.6%
a2) Unlikely to pay	12,238	11,644	6,438	9.9	9.7	4.9	593	5.1%	5,800	90.1%
a3) Net past due and overdue exposures	2,817	3,053	6,155	2.3	2.6	4.6	-236	-7.7%	-3,338	-54.2%
B) Performing loans	**99,367**	**96,533**	**110,753**	**80.7**	**80.7**	**83.5**	**2,833**	**2.9%**	**-11,386**	**-10.3%**
Total customer loans	**123,139**	**119,676**	**132,677**	**100.0**	**100.0**	**100.0**	**3,463**	**2.9%**	**-9,538**	**-7.2%**

During the first few months of 2015, the Supervisory Authority conducted review of the Group's credit exposures relating to the Residential Real Estate (EUR 29.8 bln), Institutional (EUR 1.7 bln), Project Finance (EUR 1.8 bln) and Shipping (EUR 1.3 bln) portfolios, totalling approx. 23% of loans to customers and 8% of their non-performing total. These portfolios were excluded from the previous review conducted in 2014. Though the review is essentially complete, the Bank's management have been presented only with a preliminary estimate of the impact. The official notification of the final results will therefore be issued at a later date.

However, in the Interim Report as at 31 March 2015 the effects known to date of the Credit File Review have essentially been included for approx. EUR 41 mln. With regard to the CFR statistical and collective projections, given the non-accounting nature of the related results, in a manner similar to the assessment made at the time of the 2014 AQR, the Bank will later assess their significance for accounting purposes.

In any event, based on the information provided informally, it did not expect material accounting effects.

As at 31 March 2015, the coverage of non-performing loans stood at 49%, (+3 bps on 31/12/2014), with doubtful loan coverage amounting to 65.5%, up slightly on the end of the previous quarter (+18 bps) while a decrease was recorded in unlikely to pay (-68 bps) and past due exposures (-145 bps).

Coverage ratios					
				Var. Q/Q	Var. Y/Y
	31/03/2015	31/12/2014	31/03/2014	Ass.	Ass.
Provisions for Impaired Loans / Gross Impaired Loans	49.0%	48.9%	41.6%	0.03%	7.37%
Provisions for NPLs / gross NPLs	65.5%	65.3%	58.5%	0.18%	6.95%
Provisions for Unlikely To Pay Loans / Gross Unlikely To Pay Loans	31.6%	32.3%	23.4%	-0.68%	8.20%
Provisions for Past Due Positions / Gross Past Due Positions	18.1%	19.6%	7.2%	-1.45%	10.89%

The table below reports the figures for the Group's major companies, within which Parent Company Banca Monte dei Paschi di Siena shows a provisioning to doubtful loans ratio of 67.9% vs. 50.3% for MPS Capital Services, which specialises in medium-long term loans directly supported by collateral.

Npls and Net Substandard loans by business unit					
Risk category - Net values at 31/03/2015 (EUR mln)	Group	BMPS	MPS Capital Services	MPS Leasing & Factoring	Consum.it
Net doubtful loans	8,718	5,892	2,128	507	146
% of total customer loans	7.1%	5.6%	19.5%	9.1%	5.1%
"loan loss provisions" / "gross doubtful loans"	**65.5%**	**67.9%**	**50.3%**	**61.6%**	**87.8%**
Unlikely to pay	12,238	9,063	2,444	650	72
% of total customer loans	9.9%	8.5%	22.4%	11.7%	2.5%
"Unlikely to pay" / "gross substandard loans"	**31.6%**	**32.1%**	**26.3%**	**39.1%**	**41.3%**
Provisions for Past Due Positions	2,817	2,274	335	121	66
% of total customer loans	2.3%	2.1%	3.1%	2.2%	2.3%
"Provisions for Past Due Positions" / "gross substandard loans"	**18.1%**	**17.2%**	**18.7%**	**30.7%**	**23.4%**

Coverage on **performing loans** fell to 0.8% compared to 0.9% at the end of 2014, mainly due to the increase in volumes.

The Group's securities and derivatives portfolio

As at 31 March 2015, the **Group's securities and derivatives portfolio** amounts to **EUR 34 bln**, up approx. EUR 519 mln compared to 31 December 2014 due to the growth in the Held-for-Trading portfolio (EUR +2 bln) resulting from activities of the subsidiary MPS Capital Services, against which was the decrease in the Available-for-Sale portfolio (EUR -1.4 bln) due to the disposal of securities which also aimed to optimise the portfolio. The bonds portfolio recognised under L&R remained substantially stable as at 31 December 2014.

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

MONTEPASCHI GROUP Type of portfolio	31/03/2015	31/12/2014	31/03/2014	Chg Q/Q Abs.	Chg Q/Q %	Chg Y/Y Abs.	Chg Y/Y %
Held For Trading (HFT) [1]	10,229	8,244	10,739	1,985	24.1%	(510)	-4.7%
Available For Sale (AFS) [2]	21,425	22,848	23,096	(1,422)	-6.2%	(1,670)	-7.2%
Loans & Receivable (L&R) [3]	2,147	2,191	2,476	(44)	-2.0%	(329)	-13.3%
Total	**33,801**	**33,283**	**36,310**	**519**	**1.6%**	**(2,509)**	**-6.9%**

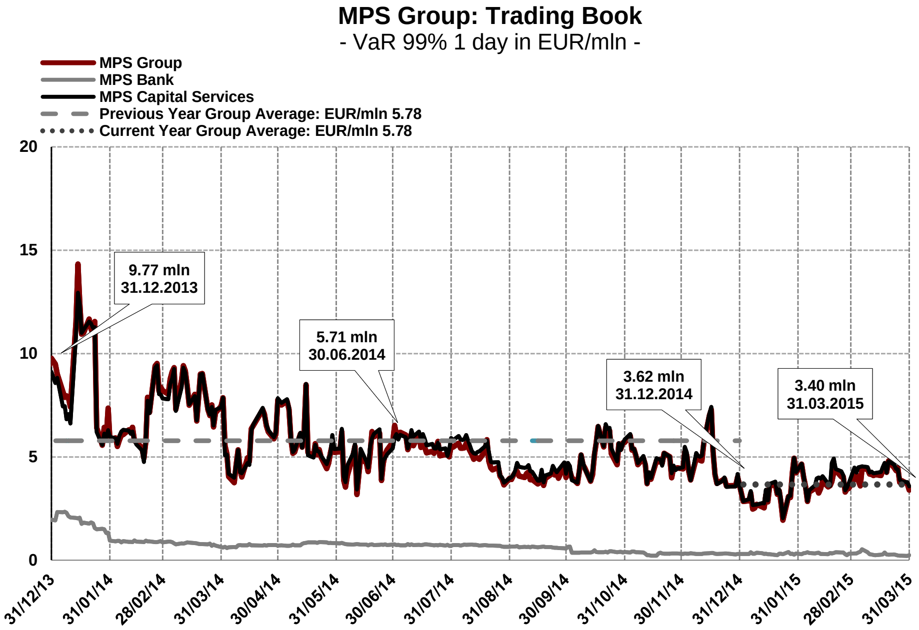
(1) "Financial assets held for trading" excluding "Loans" and net of the value of derivatives posted to "Financial liabilities held for trading". The aggregate is not net of uncovered short positions classified under "Financial liabilities held for trading".

(2) "Financial assets held for sale" excluding "Loans" including equity investments.

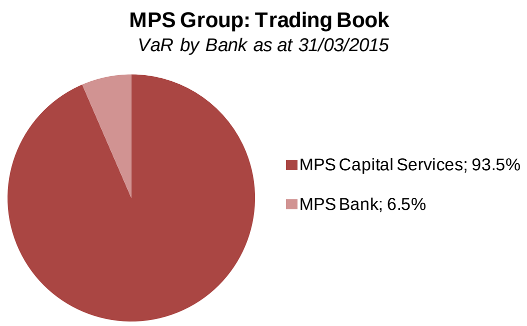
(3) Securities classified under "Loans & Receivables" posted to "Loans to customers" and "Loans to banks".

The Group's Regulatory Trading Book

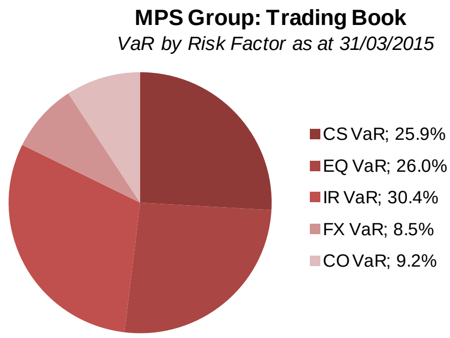
During the quarter, market risk in the Group's Regulatory Trading Book (RTB) showed decreased volatility in the VaR trend as compared to the previous year, standing at EUR 3.40 mln as at 31 March 2015, essentially stable compared to the end of 2014. VaR variability was affected primarily by the IR segment of the subsidiary MPS Capital Services due to its trading activities, mostly in Long Futures and Interest Rate Future Options and partly by changes in market benchmarks (drop in interest rates).



VaR breakdown



MPSCS accounted for 93.5% and the Parent Company for 6.5% of overall risk.



25.9% of the Group's portfolio is allocated to credit spread risk factors (CS VaR), 26.0% is absorbed by equity risk factors (EQ VaR), 30.4% is absorbed by interest rate factors (IR VaR), 9.2% by commodity risk factors (CO VaR) and 8.5% by foreign exchange risk factors (FX VaR).

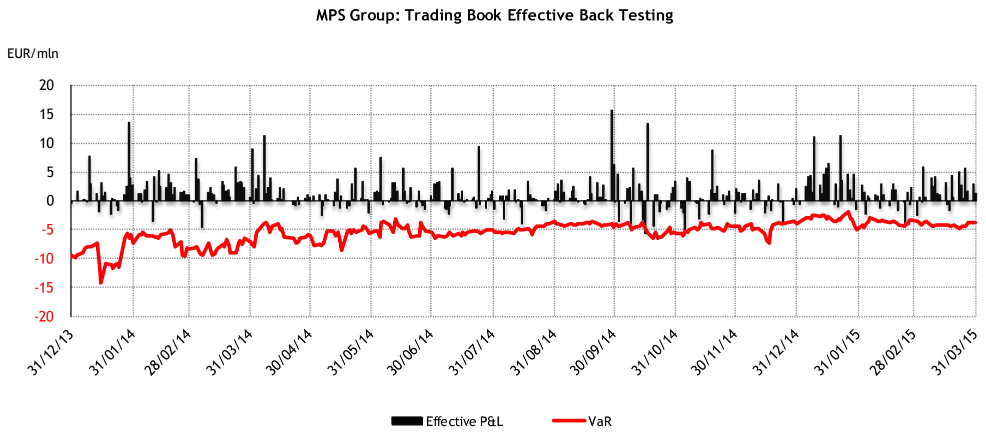
VaR trendline

During the quarter, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 1.94 mln recorded on 23 January 2015 and a high of EUR 4.94 mln on 29 January 2015, with an average value registered of EUR 3.66 mln. The Group's Regulatory Trading Book VaR stood at EUR 3.40 mln as at 31 March 2015.

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

	VaR	Date
End of Period	3.40	31/03/2015
Min	1.94	23/01/2015
Max	4.94	29/01/2015
Average	3.66	

The chart below shows the Actual Backtesting results of the internal Market Risks model in relation to the Group's Regulatory Trading Book for 2014 and for the first quarter of 2015;



The backtesting shows no exceptions in the first quarter of 2015.

Interbank position

As at 31 March 2015, the Group's **net interbank position** stood at **EUR 15 bln in funding**, an improvement of EUR 5.3 bln compared to 31/12/2014 and EUR 16 bln with respect to the end of March 2014. The first quarter of 2015 saw the full reimbursement of the Long Term Refinancing Operations with the ECB (approx. EUR 7.7 bln), partly offset by greater recourse to auctions (around EUR +1.5 bln compared to stock at the end of 2014), whilst the Target Long Term Refinancing Operations remain essentially in line with year-end levels.

Interbank balances (end-of-period; EUR mln)				Change Q/Q		Change Y/Y	
	31/03/2015	31/12/2014	31/03/2014	Abs.	%	Abs.	%
Loans to banks	7,856	7,723	10,204	133	1.7%	(2,348)	-23.0%
Deposits from banks	22,519	27,648	40,991	(5,128)	-18.5%	(18,472)	-45.1%
Net position	**(14,664)**	**(19,925)**	**(30,787)**	**5,261**	**-26.4%**	**16,123**	**-52.4%**

As at 31 March 2015 the operational liquidity position showed an **unencumbered Counterbalancing Capacity of approx. EUR 17 bln**, up EUR 1 bln compared to the end of 2014.

Shareholders' equity

As at 31/03/2015, the **Group's shareholders' equity and non-controlling interests** came to **EUR 6.5 bln**, an increase of **EUR 506 mln** compared to the end of 2014 due to the effect on the Valuation Reserve (EUR +433 mln) of the recovery in the AFS portfolio value associated with the shrinking of the Italian credit spread and with the Group's return to profit. The QoQ decrease in reserves is due to allocation of 2014 loss for the year.

Reclassified Balance Sheet (Euro mln)							
	31/03/2015	31/12/2014	31/03/2014	Chg Q/Q		Chg Y/Y	
ASSETS				Abs.	%	Abs.	%
Group net equity	6,471	5,965	6,251	506	8.5%	220	3.5%
a) Valuation reserves	(253)	(685)	(788)	433	-63.1%	535	-67.9%
c) Equity instruments carried at equity	3	3	3	-		-	
d) Reserves	(5,838)	(496)	(274)	(5,342)	n.s.	(5,564)	n.s.
e) Share premium	2	2	-	-		2	n.s.
f) Share capital	12,484	12,484	7,485	-		5,000	66.8%
g) Treasury shares (-)	(0)	(0)	(0)	-		0	-10.0%
h) Net profit (loss) for the period	73	(5,343)	(174)	5,416	-101.4%	247	-141.7%
Non-controlling interests	24	24	34	0	2.0%	(10)	-28.3%
Total Group equity and non controlling interests	**6,495**	**5,989**	**6,285**	**506**	**8.5%**	**210**	**3.3%**

Capital adequacy

Regulatory capital and requirements

On 10 February 2015 the ECB informed the Bank of the results of the Supervisory Review and Evaluation Process (SREP), based on which the ECB asked the Montepaschi Group, with effect from completion of the share capital increase submitted to extraordinary Shareholders' Meeting approval, to reach and maintain in the long term a minimum limit, based on transitional measures, in the Common Equity Tier 1 Ratio of 10.2% and a Total Capital Ratio of 10.9%, compared to the regulatory limits now in force of 7.0% and 10.5%, respectively. In this context, in order to respond positively to the SREP results, the Bank has raised the total share capital increase to EUR 3 bln and launched a number of strategic initiatives in line with the indications received.

The capital adequacy figures illustrated in this report were all calculated by including the positive effect of profit for the period. In this respect, note that based on article 26 of EU Regulation 575/2013, the inclusion among profit of own funds is subject to specific authorisation from the corresponding JST (Joint Supervisory Team) of the ECB, for which the Montepaschi Group has duly made official request.

As at 31 March 2015 the Group's level of capital was as indicated in the following table:

Capital Adequacy (eur million)	31/03/15	31/12/14	Abs. Change vs 31/12/14	% Change vs 31/12/14
Common Equity Tier 1 (CET1)	**6.217**	**6.608**	**-390**	**-5,9%**
Tier 1 (T1)	6.687	6.608	79	1,2%
Tier 2 (T2)	2.935	3.293	-357	-10,8%
Total Capital (TC)	**9.622**	**9.900**	**-278**	**-2,8%**
Risk Weighted Assets (RWA)	**76.361**	**76.220**	**140**	**0,2%**
CET1 ratio	**8,1%**	**8,7%**	**-0,5%**	**n.s.**
T1 ratio	8,8%	8,7%	0,1%	n.s.
TC ratio	12,6%	13,0%	-0,4%	n.s.

The decrease of approx. EUR -390 mln in CET1 was determined by two phenomena of opposite signs:

- a negative effect came mainly from certain regulatory impacts such as the percentage increase of the phasing-in of deductions envisaged in the new Basel 3 regulations (increasing from 20% in 2014 to 40% in 2015) and the 2014 loss coverage from reserves, which at the end of 2014 was included in Additional Tier 1 (AT1) with a total impact of these two phenomena of approx. EUR -735 mln;
- particularly positive effects came from
  - net profit generated in the period for approx. EUR 73 mln[3];
  - the decrease in the negative AFS reserve underlying the Alexandria transaction with Nomura.[4] for approx. EUR 184 mln;

[3] The inclusion of profit for the period among own funds is subject to authorisation by the Joint Supervisory Teams (JSTs), expected by 12 May 2015.

[4] Contrary to provisions of the National Discretionary Measures, which envisage the positive filter on the AFS Reserve associated with EU government securities, the ECB has asked for the positive filter to be removed from the negative AFS reserve associated specifically with

- the decrease in non-transformable DTAs, tax losses and other prudential filters for approx. EUR 60 mln;
- the positive change in the AFS reserve on the non-government securities portfolio for around EUR 22 mln.

The surplus expected loss compared to the impairment losses on loans remains negative and therefore has no impact on regulatory capital in terms of deductions.

Net of regulatory impact (planned increase in the phasing-in and coverage of 2014 losses from reserves previously calculated in AT1), the CET1 consequently shows a positive change of approx. EUR 345 mln.

Tier1 decreased mainly due to the effect of regulatory amortisation of subordinated securities as envisaged in Basel 3.

Overall, Total Capital was down by around EUR -280 mln compared to 31 December 2014.

RWA remained essentially stable (EUR +140 mln) due to offsetting effects of the increase in credit and market risk and the reduced deductions in excess weighted under RWA.

The CET1 ratio and TC ratio therefore decreased but in any event remain above the regulatory minimum limits, whilst the T1 ratio benefits from the positive buffer created in AT1.

Note that the risk weighted assets (RWA) were calculated by taking into consideration the Probability of Default (PD) and Loss Given Default (LGD) benchmarks in force at year end. The benchmark recalibration, all things remaining equal, could lead to an increase in RWA. As the process adopted for estimating and validating these benchmarks ends only after approval of the interim report and as at present the effective value of the benchmarks cannot be quantified with precision, since it depends on changes in performance indicators and, in particular, the rating assignment process, the current and forward-looking figures do not take these potential effects into account. It should also be considered that the effects could be offset, fully or in part, by those deriving from credit portfolio performance in 2015.

The exposure to Nomura, net of guarantees received, was EUR 4,696 mln as at 31 March 2015, higher by an amount of EUR 693 mln comparedto 31 December, mainly due to the increase in counterparty risk on the Long Term Repo transaction (EUR 575 mln) and to the collateral paid against the derivative and repurchase agreement operations (EUR 146 mln), both transactions associated with the "Alexandria" transaction. The increases derive solely from the performance of the market benchmarks underlying the existing transactions (higher market value of the government securities given as guarantees in the repo transaction and the increase in losses on asset swap contracts used to hedge interest rate risk on the security).

The exposure represents 48.81% of Own Funds (34.68% at 31 December 2014), ratio would drop to 39.44% considering the effects of the planned share capital increase of 3 billion to be implemented by the end of June. Since the regulatory threshold is 25%, the ECB asked Banca MPS to be within the threshold with regard to Large Exposure to Nomura by 26 July 2015. The return to this threshold may be perfomrd using different methods, all currently under study.

With regard to the position in question, it should be remembered that with the SREP closure measure notified to the Bank on 10 February 2015 the ECB - as an exception to the "neutralisation" rule for the AFS reserve of government securities envisaged until endorsement of IFRS 9 - ordered MPS to immediately include the negative AFS reserve from the "Alexandria" transaction, EUR -239 mln as at 31 March 2015, in the own funds calculation as the net effect of the gain on the security underlying the repo transaction and the loss on the hedging asset swap.

In relation to this specific treatment, BMPS considers significant the guidance expressed by the EBA, which in responding to a query as part of the public Q&A recently confirmed (on 6 March 2015) that the value of exposures must be consistent with the plus/minus treatment of own funds, stating:

the Alexandria transaction with Nomura. Consequently, this AFS reserve was fully deducted from CET1 with effect from 31 December 2014.

"However, in case filters on unrealised gains or losses in relation to such assets exist...., the exposure value of such assets will need to be adjusted by the amount of the corresponding unrealised losses or gains which have been filtered in or out from own funds respectively...." (Single Rulebook Q&A, 2014_716).

Given the prudential treatment requested by the ECB for this exposure and considering the symmetry rule pronounced by the EBA, it is considered that the underlying exposure must consider a level of fair value that takes into account all the components that generate the effects included in the regulatory capital. In view of this, the value of the exposure to Nomura in relation to the Long Term Repo transaction should reduce by around EUR 1,679 million, consistent with the real risk profile of the transaction.

As a result of this treatment, the exposure to Nomura would drop to approx. EUR 3,000 million. To conclude, taking into account the future share capital increase and the disposal now in progress of certain derivatives for around EUR 200 mln on positions other than "Alexandria", the total exposure to Nomura would in structural terms fall to within the regulatory limit of 25% of the regulatory capital.

On the forecast effects of the EBA interpretation, BMPS has begun specific discussions with the relevant ECB departments and, pending receipt of the final guidance, has decided at present not to reflect them in the financial reports and regulatory data as at 31 March 2015.

Income statement

Trends in revenues

In the first quarter of 2015 the Group achieved **Revenue** of approx. **EUR 1,267 mln**, up 14.2% on Q4 2014 and 32.2% on the same period last year as a result of the improved primary banking income and the positive performance of revenue from trading.

Financial and insurance income (EUR mln)						Chg Q/Q		Chg Y/Y	
	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	Abs.	%	Abs.	%
Net interest income	611.9	610.9	580.6	526.2	445.8	0.9	0.2%	166.1	37.3%
Net fee and commission income	443.0	405.2	421.5	425.8	445.2	37.7	9.3%	(2.2)	-0.5%
Income from banking activities	**1,054.9**	**1,016.2**	**1,002.1**	**952.0**	**891.0**	**38.7**	**3.8%**	**163.9**	**18.4%**
Dividends, similar income and gains (losses) on equity investments	24.3	38.8	32.6	23.8	25.7	(14.5)	-37.4%	(1.4)	-5.4%
Net trading income (loss) / valuation of financial assets	171.8	41.1	147.3	28.6	45.1	130.6	n.s.	126.7	n.s.
net profit (loss) from hedging	14.8	(4.7)	2.2	(8.7)	(4.6)	19.5	n.s.	19.4	n.s.
Other operating income (expenses)	1.4	17.9	2.0	(17.7)	1.3	(16.5)	-92.2%	0.1	3.9%
Income from banking and insurance activities	**1,267.2**	**1,109.4**	**1,186.1**	**978.0**	**958.6**	**157.8**	**14.2%**	**308.6**	**32.2%**

A closer look at the aggregate reveals the following:

- **net interest income** stood at around **EUR 612 mln**, confirming the levels achieved in the final quarter of 2014 (+0.2%) due to the further downtrend in the cost of funding, both at commercial level and in the market component, which offset the lower contribution from reduced average on interest-bearing assets.

  Compared to the 1st quarter of 2014, the aggregate recorded a growth of 37.3%, attributable on the one hand to the improved funding/lending spread (approx. +30 bps) - which received a positive impact from the drop in the cost of funding, mainly from Corporate customers - and, on the other hand, the repayment of the New Financial Instruments during 2014, which led to lower costs in terms of interest expense. Also note that the final figures for the 1st quarter of last year had a negative impact on recalculation of the redemption value of the New Financial Instruments, in relation to that envisaged in the contractual clauses for these instruments (for further details, please see the Group Interim Report on Operations for Q1 2014).

- **net fee and commission income**, amounting to **EUR 443 mln**, showed a 9.3% increase over Q4 2014, aided by the Network sales drive that allowed significant growth in the quarter, particularly in placement fees for assets under management products. QoQ growth was also seen in income from the use of receivables and income associated with foreign service products.

  Comparison with the same period last year shows essential aggregate stability (-0.5% YoY), in which the increase in asset management commissions (supported by continuing) was offset by the lower income from credit/foreign services and from service commissions.

- **net profit (loss) from trading-valuation-repurchase of financial assets/liabilities** for the 1st quarter of 2015 came to approximately **EUR 172 mln**, compared to around EUR 41 mln in Q4 2014 and EUR 45 mln for the same period last year.

A closer look at the result reveals that:

- **net profit (loss) from trading** showed a positive balance of approx. **EUR 67 mln**, especially owing to income from the subsidiary MPS Capital Services which was supported by the positive market trends;
- **disposal/repurchase of loans and available-for-sale financial assets and liabilities** stood at approx. EUR 122 mln (compared to a gain of approx. EUR 9 mln in Q4 2014 and around EUR 47 mln in Q1 2014), mainly relating to the disposal of AFS securities;
- **net profit (loss) from financial assets and liabilities designated at fair value** showed a negative balance of EUR 17 mln (against a positive result of EUR 18 mln in Q4 2014), mainly due to the higher value of certain bond issues placed with Retail and Institutional customers due to Banca Monte dei Paschi di Siena's improved creditworthiness as issuer.

Net trading income (loss) / valuation of financial assets (EUR mln)						Chg Q/Q		Chg Y/Y	
	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	Abs.	%	Abs.	%
Net profit (loss) from trading	66.8	13.7	(2.8)	46.5	43.8	53.1	n.s.	23.0	52.4%
Gains (losses) on disposal/repurchase of loans, financial assets available for sale and financial liabilities	122.2	9.4	108.9	(6.4)	47.0	112.8	n.s.	75.2	n.s.
Net profit (loss) from financial assets and liabilities designated at fair value	(17.3)	18.0	41.1	(11.5)	(45.7)	(35.3)	n.s.	28.5	-62.2%
Net profit (loss) from trading	**171.8**	**41.1**	**147.3**	**28.6**	**45.1**	**130.6**	**n.s.**	**126.7**	**n.s.**

The following items make up the Revenue:

- **Dividends, similar income and gains (losses) on investments**: approx. **EUR 24 mln** (around EUR 39 mln in Q4 2014), mainly attributable to the contribution from AXA-MPS (consolidated using the equity method);
- **Net profit from hedging**: profit of approx. **EUR 15 mln** (loss of EUR 5 mln in Q4 2014);
- **Other operating income/expenses** (net of recovery expenses reclassified to Other Administrative Expenses) in the positive amount of EUR 1 mln, compared to approx. EUR 18 mln in the fourth quarter of 2014.

Operating expenses

In the 1st quarter of 2015, the Group's **operating expenses** totalled approx. **EUR 653 mln**, down 11.1% on the final quarter of last year and 1.1% compared to the first quarter of 2014.

Operating expenses (EUR mln)						Chg Q/Q		Chg Y/Y	
	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	Abs.	%	Abs.	%
Personnel expenses	419.4	430.7	427.9	421.9	429.3	(11.3)	-2.6%	(10.0)	-2.3%
Other administrative expenses	185.5	227.5	195.9	198.5	182.6	(42.0)	-18.4%	2.9	1.6%
Administrative expenses	**604.9**	**658.2**	**623.8**	**620.4**	**611.9**	**(53.3)**	**-8.1%**	**(7.0)**	**-1.1%**
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	48.4	76.3	65.6	50.2	48.6	(27.9)	-36.6%	(0.2)	-0.4%
Operating expenses	**653.3**	**734.5**	**689.5**	**670.7**	**660.5**	**(81.2)**	**-11.1%**	**(7.2)**	**-1.1%**

More specifically:

- **administrative expenses** amount approximately to **EUR 605 mln**, down 8.1% from Q4 2014 and 1.1% compared to Q1 2014. A breakdown of the aggregate shows:
  - **personnel expenses** (net of restructuring costs), amount to approx. **EUR 419 mln**, down against the previous quarter (-2.6%) and against Q1 2014 (-2.3%), mainly due to headcount reduction carried out at the end of 2014 and the beginning of 2015, which more than offset increased expenses associated with the 2012 National Collective Labour Agreement.
  - **other administrative expenses** (net of costs recovered from customers) totalled around **EUR 186 mln**, up slightly compared to the first quarter of 2014 (+1.6%) which was characterised by a slow start to the expense cycle for certain services, particularly professional services, which later recovered in the quarters that followed. Comparison with Q4 2014 instead shows a drop in the aggregate of 18.4%, partly attributable to the acceleration in planning costs recorded in the last few months of the previous year and partly to structural cost containment action that is also planned for this year.
- **net value adjustments to tangible and intangible assets** for the 1st quarter of 2015 stood at **EUR 48.4 mln**, confirming levels similar to the same period last year (-0.4%). Compared to Q4 2014, however, the aggregate shows a 36.6% decrease due to real estate write-downs applied towards the end of last year, also following the Asset Quality Review.

On the back of these factors, the Group's **Gross operating profit** totalled approximately **EUR 614 mln** (EUR 375 mln in Q4 2014 and EUR 298 mln in Q1 2014). The cost/income ratio[5] was 51.6% (66.2% in the last quarter of 2014).

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

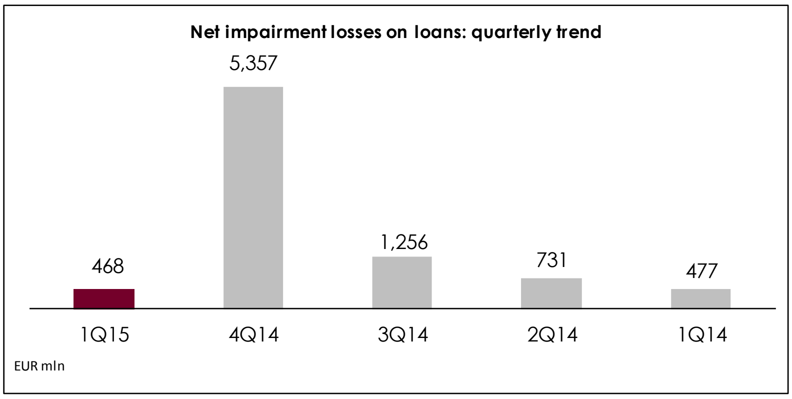
In the first quarter of 2015 the Group recorded **net impairment losses on loans** for around **EUR 468 mln**, essentially similar to the levels for the same period last year. The QoQ comparison is not significant in that the 4th quarter of 2014 included higher impairment losses associated with the review of classification and valuation methods and parameters for the entire loan portfolio (a larger perimeter than was taken into consideration in the Asset Quality Review).

Note that the statistical adjustments, i.e. adjustments relating to performing, past due and the former objective substandard loans, were calculated by taking into consideration the Probability of Default (PD) and Loss Given Default (LGD) benchmarks in force at year end. The benchmark recalibration, all things remaining equal, could lead to an increase in statistical adjustments. As the process adopted for estimating and validating these benchmarks ends only after approval of the interim report and as at present the effective value of the benchmarks cannot be quantified with precision, since it depends on

5 The cost/income ratio is expressed as the ratio between operating expenses and total revenues. It should be remembered that in the interim report as at 31 March 2015 the Group adopted a new format for the reclassified income statement, which also includes "Other operating income/expenses" under Total revenue

changes in performance indicators and, in particular, the rating assignment process, the accounting and regulatory figures do not take these potential effects into account. It should also be considered that the effects could be offset, fully or in part, by those deriving from credit portfolio performance in 2015.

The ratio of the discounted impairment losses on loans YoY for the 1st quarter of 2015 over total customer loans reflects a **provisioning rate of 152 bps**, compared to 654 bps at the end of 2014 (excluding the non-recurring impairment losses mentioned above, the provisioning rate would be approx. 155 bps).



Net impairment losses (reversals) on financial assets and other transactions showed a **positive balance of approx. EUR 14 mln** (EUR -145.2 mln in Q4 2014) due to recovery of unsecured exposures vs. the write-downs for the same exposures for over EUR 140 mln in the previous quarter. The value of approx. EUR -15 mln recorded in the 1st quarter of 2014 refers to the write-down of the investment in Istituto per il Credito Sportivo, classified in the AFS portfolio.

Consequently, the Group's **net operating profit** totalled approximately **EUR 160 mln** (negative by EUR 5,127 mln in Q4 2014 and by EUR 194 mln in Q1 2014).

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

The **result for the period** included:

- **Net provisions for risks and charges** in the amount of EUR -30 mln, mainly concentrated in legal actions and bankruptcy rescindments;
- **Gains (losses) on investments** shows a gain of EUR 0.2 mln (EUR 72 mln loss in Q4 2014). The value for the same period last year, approx. EUR 42 mln, included the disposal of the investment in SORIN and adjustment of the sale price of the investment in MPS Danni and MPS Vita to AXA Mediterranean Holding;
- **Restructuring costs/One-off charges** of approx. **EUR -0.2 mln** relating to a number of terminated employment contracts. In the fourth quarter of 2014 this item was EUR -54 mln due to early retirement incentives/provisions, as per the trade union agreement of 7 August 2014, and to the closure of branches;
- **Gains on disposal of investments**, for approx. EUR 0.4 mln. The fourth quarter of 2014 included the reclassification of the earn-out of Biverbanca and the gain on the disposal of London and New York real estate.

As a result of the above, in the 1st quarter of 2015 the Group recorded **profit before tax from continuing operations** of around EUR 130 mln.

Profit (loss) before tax from continuing operations (EUR mln)						Chg Q/Q		Chg Y/Y	
	1Q2015	4Q2014	3Q2014	2Q2014	1Q2014	Abs.	%	Abs.	%
Net operating income	**159.6**	**(5,127.3)**	**(799.4)**	**(427.9)**	**(193.7)**	**5,286.9**	**n.s.**	**353.3**	**n.s.**
Net provisions for risks and charges	(29.8)	(57.2)	(37.3)	(27.5)	(54.5)	27.4	-47.9%	24.7	-45.3%
Gains (losses) from Investments	0.2	(72.0)	(13.4)	133.4	41.9	72.3	n.s.	(41.7)	n.s.
Restructuring charges / One off charges	(0.2)	(53.8)	(318.2)	(2.7)	(1.1)	53.6	n.s.	0.9	-79.9%
Gains (losses) on disposal of investments	0.4	77.9	1.7	0.4	4.7	(77.5)	n.s.	(4.3)	-91.8%
Profit (Loss) before tax from continuing operations	**130.2**	**(5,232.5)**	**(1,166.6)**	**(324.3)**	**(202.7)**	**5,362.7**	**n.s.**	**332.9**	**n.s.**

Taxes on profit (loss) for the period from continuing operations shows a **negative balance of approx. EUR 44 mln** (positive by EUR 38 mln in Q1 2014), and include an extraodinary expense of EUR 22 mln as a result of the negative outcome of an appeal filed by Banca Monte dei Paschi di Siena against the Italia Revenue Agency pursuant to art. 11, Italian Law no. 212 of 27 July 2000, the response to which was served on 21 April 2015.

Considering the net effects of the PPA (approx. EUR -13 mln), the **profit for the 1st quarter of 2015 amounts to around EUR 73 million**, compared with a loss of approx. EUR 174 mln recognised in the same period last year.

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

Reconciliation between Parent Company and Consolidated Net Equity and Profit (Loss) for the period		
EUR Thousands	**Shareholders' equity**	**Net profit (loss)**
Balance as per Parent Company's Accounts	5,295,783	35,281
including Parent Company's valuation reserves	*(383,259)*	-
Impact of line-by-line consolidation of subsidiaries	257,249	15,499
Impact of associates	422,340	25,688
Reversal of dividends from subsidiaries	-	(3,120)
Other adjustments	365,143	(718)
Subsidiaries' valuation reserves	130,515	-
Consolidated balance	**6,471,031**	**72,629**
including valuation reserves	*(252,745)*	

Results by operating segment

Identification of operating segments

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

Based on the Group organisational structures in place as at 31 March 2015 and the reporting criteria at the highest decision-making level, the following operating segments were identified:

- **Retail Banking**, which includes the sales activities of the Retail and Private Segments and the subsidiaries Consum.it and MPS Fiduciaria;
- **Corporate Banking**, which includes the sales activities for the Corporate segment, Key Clients, Foreign Branches and the subsidiaries MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring;

- **Financial Advisory and Digital Banking**, which includes the Financial Advisory Network and the subsidiary Widiba, the Group’s newco in the digital banking sector which started up in the final quarter of 2014.
- **Corporate Centre**, which in addition to cancellations of intragroup entries, incorporates the results of the following business centres:
  - banks under foreign law (MP Banque and MPS Belgio);
  - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Consorzio Operativo di Gruppo);
  - companies consolidated at equity and held for sale;
  - operating units, such as proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

Results in brief

From the 1st quarter of 2015 the profit and loss of the Group’s operating segments are illustrated using the same reclassified income statement used for the consolidated figures. The new format envisages inclusion in the aggregate “Total revenue” of the balance of the item “Other operating income/expense”, previously recognised under Net operating profit. In addition, the Net operating profit is calculated as the difference between Gross operating profit and Net impairment losses on loans and financial receivables.

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

SEGMENT REPORTING	Business Segments									
Primary segment	Retail banking		Corporate banking		Financial Advisory and Digital banking		Corporate Center		Total MPS Group	
(EUR mln)	31/03/2015	Chg % Y/Y	31/03/2015	Chg % Y/Y	31/03/2015	Chg % Y/Y	31/03/2015	Chg % Y/Y	31/03/2015	Chg % Y/Y
PROFIT AND LOSS AGGREGATES										
Net interest income	491.5	-14.1%	298.1	7.1%	4.3	-14.7%	(182.1)	-55.5%	611.9	37.3%
Net fee and commission income	373.6	1.8%	107.9	-10.7%	3.6	3.2%	(42.1)	-8.7%	443.0	-0.5%
Other income	10.2	1.9%	80.6	31.3%	0.0	-116.8%	120.1	n.s.	210.9	n.s.
other operating expenses/income	8.8	102.0%	(4.8)	-55.7%	0.1	n.s.	(2.6)	-133.3%	1.4	3.9%
INCOME FROM BANKING AND INSURANCE	884.1	-7.3%	481.9	7.1%	8.0	-6.1%	(106.7)	-76.4%	1,267.2	32.2%
Operating expenses	(487.2)	-4.2%	(141.7)	-2.8%	(15.2)	n.s.	(9.2)	n.s.	(653.3)	-1.1%
PRE PROVISION PROFIT	396.9	-10.8%	340.2	11.9%	(7.2)	n.s.	(116.0)	-74.6%	613.8	106.0%
Net impairment losses (reversals) on loans and financial assets	(217.3)	7.5%	(220.6)	-23.1%	0.1	146.0%	(16.4)	n.s.	(454.2)	-7.6%
NET OPERATING INCOME	179.5	-26.0%	119.6	n.s.	(7.1)	n.s.	(132.4)	-71.1%	159.6	n.s.
BALANCE SHEET AGGREGATES										
Interest-bearing loans to customers	50,340	-7.2%	51,248	-9.5%	58	-55.7%	12,775	3.5%	114,421	-7.2%
Deposits from customers and debt securities issued(*)	61,344	-6.3%	24,119	-1.3%	911	34.6%	45,137	18.0%	131,511	2.1%
Indirect funding	68,459	10.5%	21,787	-12.0%	5,528	3.6%	15,401	16.3%	111,175	5.6%
Assets under management	*46,124*	*21.9%*	*1,183*	*-5.1%*	*4,810*	*1.2%*	*3,183*	*13.2%*	55,300	*18.5%*
Assets under custody	*22,335*	*-7.3%*	*20,603*	*-12.4%*	*718*	*22.4%*	*12,218*	*17.1%*	55,874	*-4.7%*

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

Sales & Distribution segments

Retail Banking

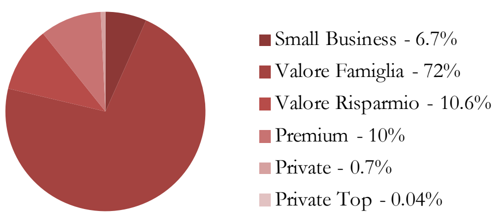
Areas of business

- Funding, lending, the provision of insurance products, financial and non-financial services to Retail customers.
- Electronic payment services (issuing and acquiring).
- Services and products for high-standing customers in the areas of wealth management, financial planning, consultancy on non-strictly financial services (tax planning, real estate, art & legal advisory), fiduciary and trust services (through the subsidiary, MPS Fiduciaria).
- Consumer lending, through the subsidiary, Consum.it and as a result of the agreement with Compass-Mediobanca Group.

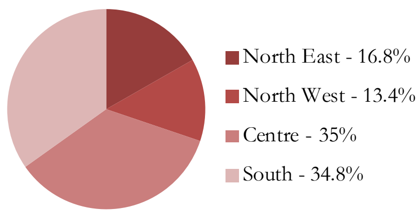
Target customers

Retail customers number amount to approximatively 5 millions.

Retail Customers: breakdown by type



Retail customers: breakdown by geography



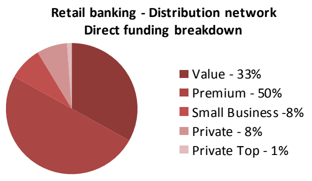
Income statement and balance sheet results

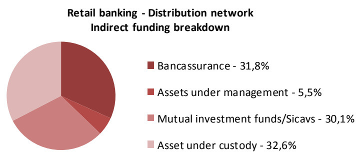
As at 31 March 2015, **Total funding** from Retail Banking stood at **EUR 130 bln**, up by around EUR 3.6 bln compared to the end of 2014 (+2.8%), supported largely by Assets under management. More specifically:

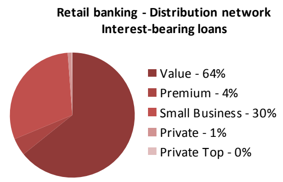
- **Direct funding**, with an impact of approx. **EUR 61 bln**, remained essentially stable compared to 31 December 2014 and, during the quarter, was characterised by a recomposition of demand volumes (reduced by around EUR 1.3 bln) into short-term investments (EUR +0.8 bln) and medium/long-term investments (EUR +0.6 bln).
- **Indirect funding**, amounting to approx. **EUR 68 bln**, instead recorded an increase of 5.2% (EUR +3.4 bln compared to 31/12/2014) as a result of Assets under management driven largely by the funds/UCITS (EUR +2.4 bln) and to a lesser extent by the insurance component (EUR +0.8 bln). Individual portfolios under management remained essential stable compared to 31 December 2014 (EUR +0.3 bln), as did Assets under custody (-0.1%).

Interest-bearing loans for the segment were confirmed at **over EUR 50 bln** but down 1.1% on the levels recorded at the end of 2014. The quarterly trend shows that the aggregate was affected by the planned "run-off" of Consum.it and the partial renewal of past due loans.

RETAIL BANKING - BALANCE SHEET AGGREGATES					
(Eur mln)	31/03/2015	31/12/2014	31/03/2014	Chg % Q/Q	Chg % Y/Y
Deposits from customers and debt securities issued - Distribution Network	**61,344**	**61,176**	**65,481**	**0.3%**	**-6.3%**
Assets under management	*46,124*	*42,685*	*37,844*	*8.1%*	*21.9%*
Assets under custody	*22,335*	*22,367*	*24,085*	*-0.1%*	*-7.3%*
Indirect Funding - Distribution Network	**68,459**	**65,051**	**61,929**	**5.2%**	**10.5%**
Total Funding - Distribution Network	**129,803**	**126,227**	**127,410**	**2.8%**	**1.9%**
Interest-Bearing Loans to Customers	**50,340**	**50,918**	**54,228**	**-1.1%**	**-7.2%**





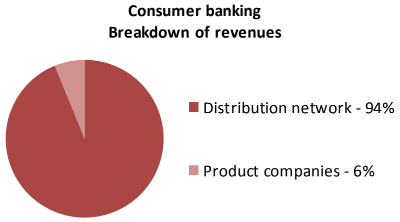


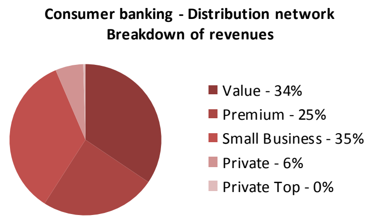
With regard to profit and loss, in the first quarter of 2015 Retail Banking achieved **revenues** of approx. **EUR 884 mln**, down 7.3% with respect to the same period last year. The aggregate includes:

- decrease in net interest income (-14.1% YoY), due largely to the decrease in the Internal Transfer Rate applied to demand items being greater than the decrease in the rate registered for customers and, to a lesser extent, also the decline in investment volumes (Q1 2015 vs. Q1 2014) compared to the run-off of Consum.it;
- increase in Net fee and commission income (+1.8%), boosted by positive trends in revenues from assets under management;
- growth in “Other revenue from banking and insurance business” (+1.9%) and “Other operating income/expenses”.

Considering the impact of Operating expenses, which reduced to 4.2% YoY, in the first quarter of 2015 Retail Banking achieved **Gross operating profit** of approx. **EUR 397 mln** (down 10.8% with respect to the same period of 2014). **Net operating income** totalled approx. **EUR 180 mln** (-26% YoY) affected by the higher net impairment losses on loans and financial assets compared to the first quarter of 2014 (+7.5%), especially among Small Business customers. The **cost-income** of the Operating Segment is **55.1%** (60.4% in Q1 2014).

RETAIL BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/2015	31/03/2014	Chg % Y/Y
Net interest income	*491.5*	*572.0*	*-14.1%*
Net fee and commission income	*373.6*	*367.0*	*1.8%*
Other income	*10.2*	*10.0*	*1.9%*
other operating expenses/income	*8.8*	*4.3*	*102.0%*
INCOME FROM BANKING AND INSURANCE	**884.1**	**953.4**	**-7.3%**
Operating expenses	*(487.2)*	*(508.3)*	*-4.2%*
PRE PROVISION PROFIT	**396.9**	**445.0**	**-10.8%**
Net impairment losses (reversals) on loans and financial assets	(217.3)	(202.2)	7.5%
NET OPERATING INCOME	**179.5**	**242.8**	**-26.0%**





PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/03/2015	31/03/2014	Chg % Y/Y
Consum.it	2.6	(3.7)	n.s.
MPS Fiduciaria	0.1	0.1	-24.2%

Marketing initiatives Retail Banking

The review of the "Private" segments continued during the quarter with the introduction of the new "Value" and "Premium" services models, replacing the previous "Family" and "Affluent" models. In particular, review of the "Value" service model continued with the implementation of a new operating sub-segmentation (Family Value, Savings Value, Business Value/Cash&Coin).

In parallel, the plan for the "Small Business" (SB) service model review was completed as part of the overall reorganisation of service logics for "business" customers. The plan involves:

- review of the current definition criteria for SB customers;
- migration of the "Cash&Coin" sub-segment to the Value service model so as to concentrate the SB chain on only strong relational intensity customers.

VALUE market

The main Value Market initiatives for the quarter were:

- **"Incontriamoci"**, targeting current account customers with a view to defining more coherent pricing through bilateral negotiation;
- **"Uno di noi 5.0"**, targeting new customers and bank customers who do not have current accounts.

SMALL BUSINESS market

The activities are divided into 4 phases:

- **growth of the customer base**, with campaigns dedicated to new current account holders;
- **growth in quality loans** both through the release of targeting and the release of exception condition campaigns for the development of agricultural loans. In terms of medium-term disbursement, interesting results were achieved through the use of the Restart and Restart Plus products;
- **increase in the number of POS terminals**, with a marketing campaign targeting Prospect customers and customers without POS terminals;
- **development of the commissions component**, through confirmation of the focus on issues related to **Protection**.

PREMIUM market

Action focused on:

- **funding management** through close attention to issues of volume and customer retention, with specific initiatives dedicated to recovery of customers transferred to other banks and **cost of funding management**, with the aim of guaranteeing constant monitoring of the impact of the segment on the income statement;
- **development**, with initiatives associated with growing the existing customer base and expanding the Premium customer base.

Development of existing customers:

- **volumes and shares of wallet**: specific initiatives have been implemented to increase the shares of wallet by high-potential customers or dedicated to increasing loyalty;
- **detailed information gathering on Premium customers**, aimed at improving customers' awareness with a view to increasing the number of periodic contacts.

Expansion of the Premium customer base:

- in addition to release of the transversal initiatives valid at Bank level, such as "Uno di Noi", strong attention was also given to the new dedicated "Cresci con NOI" container;

- management of issues associated with **Protection and Pensions** through innovative targets (Happy Birthday Previdenza), the offer of products in the Bancassurance and mutual fund Assets under Management segments, constant updating of the return on liquidity product range, and development of customer cross-selling.

Direct Marketing

Stronger Direct Marketing was recorded in the insurance segment (over 18 thousand policies sold in the first 3 months of 2015), as a result of constant pursuit of increased efficiency of the channel. In addition to the five existing products: Pronto Tutela Plus, Pronto Vita, Pronto Sostegno, Pronto Protezione Casa and Pronto Pagamento Protetto, there is now also Pronto Prevenzione Salute.
The project test sites have also been set up for implementation by UTM of the direct sales process for the Axa Guidare Progetti product.

Advertising and marketing initiatives

Development continued during the quarter of advertising and marketing initiatives to attract new customers and the transfer of Direct/Indirect Funding from other Institutions. Two initiatives in particular are reported:

- "**Un Monte di Valore**" ("A Mountain of Value"), meant to attract new deposits in exchange for benefits in the form of expense reimbursement, commissions and stamp duties;
- "**Cresci con Noi**" to promote referrals from existing customers for the acquisition of new accounts, through a reward of the option of investing liquidity in a time deposit account at particularly advantageous conditions.

Structured products

In the structured products segment, two protected capital certificates were placed with underlying shares and index linking.

Bancassurance

Savings Bancassurance

Also considering the continuing drop in interest rates and returns on government securities, the product mix has - in addition to the protected products range - included a number of target-specific pure-risk products and other asset management products dedicated to satisfying generational needs.
The following were launched through the now consolidated joint venture with AXA:

- three principal-protected **unit-linked** products in the "AXA MPS Valore Performance" line;
- a **unit-linked** product in the "AXA MPS Unit Melody Advanced" line;
- a **Class I** product known as "AXA MPS Futuro Dedicato".

Protection Bancassurance

In the quarter, the appeal of the AXA MPS product in the Protection segment was confirmed (Non-Life, Life and Auto), which also confirmed BMPS as a leader in the bancassurance sector. This was emphasised by the various recognitions received at the start of the year, including the Italy Protection Award as the second best bank in the placement of protection products, and the Cerchio d'Oro Award with first place in the Non-life products and services category.

As regards development of the product mix, the marketing of disaster recovery and earthquake coverage in the AXAMPS Business Protection product should be noted.

Assets under management

With regard to assets under management, the Group's positioning was further strengthened through enhancements to the product range. The main products placed during the quarter were:

- two **coupon funds**, known as "Cedola alto potenziale" and "Obiettivo cedola" which, in addition to a predominant bond component in European government securities, also invest in UCITS and a derivative component with the objective of producing additional returns compared to more prudent investments;
- two **window funds known as "Evoluzione" were placed**, enabling the subscriber to benefit from a gradual increase in exposure in the equity markets, through a time diversification mechanism.

During the quarter, the total gross funding on window funds was approx. **EUR 800 mln** and allowed the Group to achieve net funding on UCITs of just over **EUR 1.345 bln**.

In the **Assets under management** segment the process of enhancing the multiline catalogues of the Retail and Private markets continued, with the addition of two Specialist lines - one associated with the Asian equity markets and one bond-related with a focus on Eurozone corporate bonds.

MPS Fiduciaria

During the quarter a new sales model was defined centred on the identification of specific needs associated with the particular nature of the services offered, with a view to enhancing the product mix typical of the fiduciary industry to provide a wide range of advisory solutions able to increase the appeal and interest in the services provided by the Group.

The first action taken involved widespread issues. Examples of the professional action are generational handover with the means suitable to ensuring asset control and protection.

Investment advisory (MPS Advice)

2015 began with a strong characterisation of advanced Advice on investment services. In particular, at the end of the first quarter:

- the number of advanced advisory proposals formalised for customers exceeded 100 thousand, the volumes subject to advanced advice recorded an increase of +8.4% compared to the first quarter of 2014;

Among the main elements introduced during the quarter were:

- review of the effective boundaries and strategic asset allocations underlying the Advice platform in order to take into account the new market scenarios;
- extension of the Silver and Gold advisory services to MPS Fiduciaria customers.

Loans

Personal Loans

The sales partnership with Compass for the placement of personal loans, one-fifth of salary/pension and payment delegation products continued. Compass disbursed a total of about EUR 173 mln during the quarter.

Consumer mortgages

During the quarter, mortgage loans for approx. EUR 370 mln were signed with consumer households. 2 lending products were launched in March 2015, "Mutuo Benvenuto" and "Sostimutuo Benvenuto".

Small business loans

"Prestiquattro" was confirmed as a useful tool to satisfy non-rotational needs associated with small business management. In the first three months of 2015 it recorded new business for an amount higher than EUR 250 mln.

E-money, Payments and Collections

The main releases were:

- **Acquiring product development**: the Mobile POS terminal was released, allowing card payments to be accepted on devices integrated with smartphones and tablets;
- **Issuing product development**: the plan continues to migrate CartaSì credit cards to the new Issuing platform of Banca Monte dei Paschi, with the start-up of mass migration of all cards registered on the IOSI Loyalty programme.

Private Banking and Private Top market

A number of specific initiatives have been launched with the aim of improving the customer service levels and providing new commercial leverage to the Private Banking Network in order to effectively respond to customer demands. Sales process efficiency improvement action also continued through the dissemination of new services and customer relations methods.
It should be noted:

- consolidation of the sales planning approach, designed to boost asset volumes and improve retention and cross selling;
- the launch of initiatives to encourage volume transfers - of liquidity, securities and UCITS - from banks outside the Group scope of consolidation, making use of favourable terms;
- activation of a dedicated line for Private customers of CIDs (Italian Deposit Accounts);
- further dissemination of advisory services, particularly "Silver" and "Gold";
- launch of a specific project relating to Voluntary Disclosure (See Italian Law 186/2014);
- dissemination via online channels to Web Collaboration customers, for more effective advisory proposal and order management in relation to funds and UCITS.

Corporate Banking

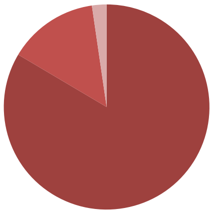
Areas of business

- Lending and offering financial products and services to businesses, including through strategic partnerships with trade associations and Confidi credit guarantee consortia, with Guarantee Institutions (including public) and Institutional Entities, through which the Bank acquires funding at favourable terms.
- Offer of integrated leasing and factoring packages for businesses, artisans and professionals (through the subsidiary MPS Leasing & Factoring).
- Corporate finance – medium-long term credit facilities, corporate finance, capital markets and structured finance (through the subsidiary MPS Capital Services).
- Products and services issued by BMPS foreign branches to support business expansion and investments by Italian companies abroad.

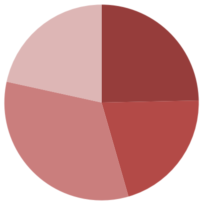
Target customers

Corporate Banking customers number 61,293.

Corporate Customers: breakdown by type



Corporate customers: breakdown by geography



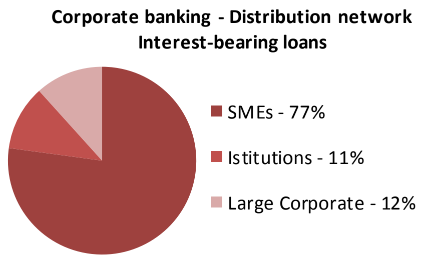
Income statement and balance sheet results

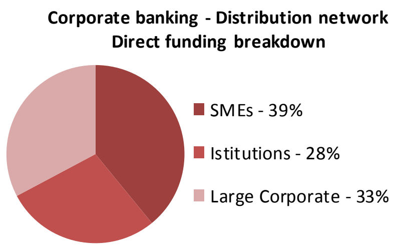
As at 31 March 2015, **total funding** from Corporate Banking stood at **EUR 46 bln**, up 7.6% on the figure for 31/12/2014. **Direct funding**, which totalled approx. **EUR 24 bln**, was up 13.3% on the end of 2014 as a result of the increase in volumes recorded for the quarter and in particular to forms of short-term funding on demand.

Indirect funding, consisting largely of Assets under Custody, stood at approx. **EUR 22 bln** as at 31/03/2015 (+1.9% from 31/12/2014), which was mainly affected by changes in deposits in certain Key Client positions.

With regard to lending, as at 31 March 2015, Corporate banking **interest-bearing loans** stood at approx. **EUR 51 bln** (+0.5% on 31/12/2014), mainly concentrated in medium-long term loans.

CORPORATE BANKING - BALANCE SHEET AGGREGATES					
(EUR mln)	31/03/2015	31/12/2014	31/03/2014	Chg % Q/Q	Chg % Y/Y
Deposits form customers and debt securities issued - Distribution Network	**24,119**	**21,289**	**24,435**	**13.3%**	**-1.3%**
Assets under management	*1,183*	*1,217*	*1,247*	*-2.7%*	*-5.1%*
Assets under custody	*20,603*	*20,172*	*23,510*	*2.1%*	*-12.4%*
Indirect Funding - Distribution Network	**21,787**	**21,389**	**24,758**	**1.9%**	**-12.0%**
Total Funding - Distribution Network	**45,906**	**42,677**	**49,193**	**7.6%**	**-6.7%**
Interest-Bearing Loans to Customers	**51,248**	**51,003**	**56,646**	**0.5%**	**-9.5%**





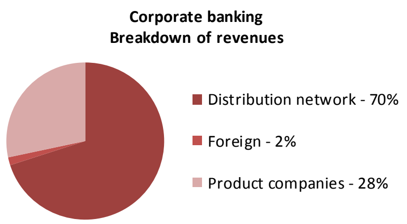
For profit and loss aggregates, in the 1st quarter of 2015 Corporate Banking **revenues** came to approx. **EUR 482 mln** (+7.1% compared to Q1 2014), in which:

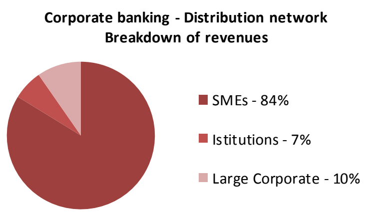
- Net interest income rose by EUR 20 mln compared to Q1 2014 (+7.1%) due to greater income on investments, partly offset by the negative effect of the reduced volumes of loans disbursed.
- Net fees and commissions were down by EUR 13 mln compared to last year (-10.7% YoY), especially due to reduced inflows from lending;
- Other Revenue from banking and insurance business improved by 31.3% YoY, supported in particular by MPS Capital Services activities;
- Other Operating income/expense was negative by EUR 4.8 mln compared to the amount of EUR -10.9 mln in the first quarter of 2014.

Net operating income was approx. EUR 120 mln, compared to EUR 17 mln recorded for the 1st quarter of 2014, affected by the 23.1% decrease YoY of impairment losses on loans and financial assets and the decrease in operating expenses (-2.8% YoY).

The Corporate Banking **cost-income ratio** stands at **29.4%** (31.8% in the first quarter of 2014).

CORPORATE BANKING - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/2015	31/03/2014	Chg % Y/Y
Net interest income	*298.1*	*278.3*	*7.1%*
Net fee and commission income	*107.9*	*120.9*	*-10.7%*
Other income	*80.6*	*61.4*	*31.3%*
other operating expenses/income	*(4.8)*	*(10.9)*	*-55.7%*
INCOME FROM BANKING AND INSURANCE	**481.9**	**449.7**	**7.1%**
Operating expenses	*(141.7)*	*(145.8)*	*-2.8%*
PRE PROVISION PROFIT	**340.2**	**303.9**	**11.9%**
Net impairment losses (reversals) on loans and financial assets	(220.6)	(286.9)	-23.1%
NET OPERATING INCOME	**119.6**	**17.0**	**n.s.**





PERFORMANCE OF COMPANIES (net profit/loss for the period)			
(EUR mln)	31/03/2015	31/03/2014	Chg % Y/Y
MPS Capital Services	14.5	39.3	-63.1%
MPS Leasing & Factoring	(9.4)	(4.6)	103.4%

Main Corporate Banking initiatives

SME Market

Activities during the quarter focused mainly on:

- planning coordination and support in relation to setup of the new Corporate TOP segment;
- increasing targeting in commercial initiatives by adopting "micro-based analyses" and taking advantage of new leverage.

With regard to the initiatives, note that:

- Mpsponsor-Minibond – Fondo Minibond PMI Italia: initiatives targeting our SME customers to promote the product;
- the release of the new "Finanziamento CDP MID" product, aiming to support investments and the working capital needs of MID Corporate companies;
- adoption by the Bank MPS of the extension to 31 March 2015 of the 2013 Credit Agreement, regarding the suspension and the extension measures for loans to small to medium enterprises;
- review of the action planned for the period 2014-2015 in order to allow the companies that will submit their applications for the capital accumulation plan contribution, to formalize short-term transactions;
- the agreement with AXA Assicurazioni for notification of the SME customers with specific non-life protection needs;
- finalisation of the first amount of funding for the current year and implementation of the MIDCAP business lending method based on the 5th edition of the ABI-Cassa Depositi e Prestiti Agreement.

Market for Institutions and Public Administration

- Operational and regulatory coordination for the entry into force of mandatory Electronic invoicing to local Public Administration.
- Support for activities associated with the introduction of split payments in the collections on Public Administration invoices.
- Plan finalised to improve Treasury and Cash service efficiency and to reorganise the Institutions segment. 157 institutions were activated by Electronic Order during the quarter.

MPS Capital Services (MPSCS)

As part of its support for businesses, the activities of **MPSCS** are not carried out through pre-defined products but rather take into account the features of each transaction. Among the most used types note: the structuring of project financing (whereby the loan is for the purpose of producing electrical energy from renewable sources), the arranging/financial advisory activities and the certification of business and financial plans targeting companies operating in the renewable energies' sector.

Corporate finance

During the quarter, operations mainly developed through:

<u>Project Financing</u> - the signing of mandates, including two arrangement mandates for transactions in the fields of wind-source renewable energies;

Structured & Shipping Finance - activity focused on the infrastructures, utilities and shipping finance sectors;

Syndication – among the banking pool loans note the structuring of a transaction for a large requalification project in Sicily in the hospitality/tourism sector promoted by a foreign investor;

Acquisition Financing - the competitive positioning was confirmed on the acquisitions/leveraged financing market in the Mid Corporate segment for transactions with a strong industrial content and major effects on Group sales.

Subsidised financing

The research aid management service for the Sustainable Growth Fund, under the responsibility of the Ministry of Economic Development, continued during the quarter. The activities as "Manager" of the main national public aid for research and industrialisation also continued.

Global Markets

Market making activities recorded an excellent performance on government securities, also as a result of the sales coverage. Corporate derivate cash flows have recovered compared to the same period in 2014. As regards investment products: bancassurance activities declined, whilst structure products such as investment certificates remained stable.

Investment Banking

With regard to the bond market, during the quarter MPSCS acted as Joint Lead Manager and Joint Bookrunner in the 15-year syndicated issue for the Republic of Italy for a total of EUR 8 bln.

MPSCS continues its activities as Nominated Advisor on behalf of Poligrafici Printing and TBS, both listed on the AIM market.

MPS Leasing & Factoring

A number of initiatives were consolidated during the quarter as indicated below.

- Leasing campaign on registered and instrumental products. The initiative that ended in February targeted craft companies, Montepaschi customers with suitable ratings, and offered subsidised conditions and simplified procedures;
- "XFACTORING", the initiative that led to numerous joint visits with SME managers with the aim of increasing/acquiring new customers;
- Launch of the "Speed" project, designed to improve performance in remarketing property and sea-going vessels originating from lease contracts.

Financial Advisory and Digital Banking

Income statement and balance sheet results

As at 31 March 2015, **total funding** for the Financial Advisory and Digital Banking segment stood at approx. **EUR 6.4 bln**, up 11% on the end of 2014. The direct component increased by 58.8% on 31 December 2014 to reach **EUR 0.9 bln** at the end of March. **Indirect funding**, the predominant component of which is Assets under management, increased by 5.8% in the quarter to stand at **EUR 5.5 bln.**

FINANCIAL ADVISORY AND DIGITAL BANKING - BALANCE SHEET AGGREGATES					
(Eur mln)	31/03/2015	31/12/2014	31/03/2014	Chg % Q/Q	Chg % Y/Y
Deposits from customers and debt securities issued - Distribution Network	**911**	**573**	**677**	**58.8%**	**34.6%**
Assets under management	*4,810*	*4,613*	*4,752*	*4.3%*	*1.2%*
Assets under custody	*718*	*613*	*586*	*17.1%*	*22.4%*
Indirect Funding - Distribution Network	**5,528**	**5,226**	**5,338**	**5.8%**	**3.6%**
Total Funding - Distribution Network	**6,439**	**5,799**	**6,015**	**11.0%**	**7.0%**
Interest-Bearing Loans to Customers	**58**	**64**	**131**	**-9.3%**	**-55.7%**

In terms of income, in the 1st quarter of 2015 this Operating Segment achieved a **Negative net operating income of approx. EUR -7 mln** due to the effect of:

- Total revenues totalling approx. EUR 8 mln, within which Net interest income (of EUR 4.3 mln) fell by 14.7% compared to the 1st quarter of 2014 whilst Net fee and commission income grew by 3.2% YoY to reach EUR 3.6 mln.
- Operating expenses of EUR 15.2 mln were significantly higher than last year's level due to the start-up phase of the newco Widiba, which began operating in the last part of the year.

Widiba - PROFIT AND LOSS AGGREGATES			
(EUR mln)	31/03/2015	31/03/2014	Chg % Y/Y
Net interest income	*4.3*	*5.0*	*-14.7%*
Net fee and commission income	*3.6*	*3.5*	*3.2%*
Other income	*0.0*	*(0.0)*	*n.s.*
other operating expenses/income	*0.1*	*(0.0)*	*n.s.*
INCOME FROM BANKING AND INSURANCE	**8.0**	**8.5**	**-6.1%**
Operating expenses	*(15.2)*	*(3.2)*	*n.s.*
PRE PROVISION PROFIT	**(7.2)**	**5.2**	**n.s.**
Net impairment losses (reversals) on loans and financial assets	0.1	0.0	n.s.
NET OPERATING INCOME	**(7.1)**	**5.3**	**n.s.**

WIDIBA, the Group's new On-Line Bank

During the quarter, Widiba continued the market communications that had already begun in the last quarter of 2014 with the brand's launch and the start-up of business operations. Consistent with the aims of the previous campaigns, the marketing and investment activities in communications focused on three main strategic lines:

- strengthen brand awareness on the market, consolidating its positioning;
- accelerate growth of the customer base, with the implementation of major acquisition campaigns;
- maintain a bond of listening and engagement with the social community.

With completion of the financial advisory integration, Widiba's model became fully operative and now presents itself on the market complete with all its components: the business products are enhanced by the advisory component, and therefore the bank is not only able to appeal to all customer targets, but can also apply important synergies between the "self" channel and financial advisory services, as always the underlying strategy of the new bank.

In the value proposition to the market, the digital component of the new platform perfectly complements the relational component of the financial advisory services into a single model, unique on the market, able to seize upon all opportunities deriving from the radical change in behaviour and expectations of consumers. In fact, the advisory services are routed through the platform, not only its product and service components, but also through an innovative tool allowing the user to choose from among 600 Widiba advisors based on the skills that best match the user's needs and make a direct contact request for a financial check-up on their investments.

Financial Advisory

Note that during the quarter the UCITS catalogue available to the financial advisors was expanded through the partnership with three new investment houses: Pioneer, Nordea and Kairos.

The Corporate Centre

Reporting scope

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

- head office units, particular governance and support functions, proprietary finance, the 'asset centre' of divisionalised entities, which comprises in particular: asset and liability management, treasury and capital management;
- business service and support units, particularly with regard to the development and management of information systems (Consorzio Operativo di Gruppo), collection of doubtful loans and value creation from the Group's real estate (previously carried out by MPS Immobiliare, which was absorbed into BMPS on 5 December 2014).

The Corporate Centre also includes the results of foreign banks (MP Banque and MP Belgio), the results of the companies consolidated at equity and the companies held for sale and the results of operating units which, on an individual basis, are below the benchmarks required for primary reporting, as well as cancellations of intragroup entries.

Main initiatives

For a description of key actions in the areas of proprietary finance and NPL management, see the "Analysis of the key economic-financial indicators - Balance Sheet" section. For actions aimed at improving the efficiency of the operating model and Group processes as well as developing human capital, see the "Analysis of the key economic-financial indicators - Structural Capital / Human Resources" sections.

ALM and Capital Management

Objectives

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

Optimal management of liquidity

With a view to maintaining long-term financial balance and strengthening compliance with liquidity requirements, activities meant to improve the liquidity position and meet short and medium/long-term cash requirements continued in 2015.

In particular, funding activities continued on ABS/covered issues by the Bank, or securities issued by the bank with government guarantees, carried out through repos and/or collateral swaps and/or sales in the market.

Furthermore, in March 2015 a securitisation of consumer loans of the subsidiary Consum.it was carried out, with a positive impact on the liquidity position.

The maturity of the bonds backed by government guarantees for EUR 6.5 bln was largely offset by the strong improvement in sales trends, in correspondence with which the ECB exposure reduced from EUR 17 bln to EUR 11 bln. In particular, in the first quarter of 2015 the old residual LTROs were repaid for EUR 7.7 bln. The MROs increased from EUR 3 bln to EUR 4.5 bln, whilst the new TLTROs remained essentially in line with the levels recorded at year end.

The total operational liquidity position, represented by the net balance at 1 month, amounted to approximately EUR 16.5 bln as at 31 March 2015, compared to EUR 15 bln at 31 December 2014.

The unencumbered counterbalancing capacity stood at approx. EUR 17.4 bln, compared to EUR 15.9 bln as at 31 December 2014.

Interest risk management

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

Equity investment management

In the quarter the Group continued to rationalise its equity investment portfolio.

Acquisitions

- As part of the Alitalia Compagnia Aerea Italiana S.p.A. restructuring agreement, a 3.496% interest in the share capital was acquired through the conversion of loans.
- A 10% equity investment in Siena Consumer 2015 Srl, a securitisation vehicle, was acquired.

Disposals

- Disposal of the equity investment in Alerion SpA, equivalent to 6.358% of share capital.
- Disposal of the equity investment in Società Cooperativa Bilanciai Campogalliano, equivalent to 5.88% of share capital.
- Disposal of the equity investment in Patto Territoriale Polis del Sud Est Barese Srl a sc, equivalent to 6.29% of share capital.

On 27 March 2015 took place the closing of the restructuring of the Sorgenia Group started in the last quarter of 2014, for more details refer to Explanatory Notes (Part H "Related Party Transactions"). Following the execution of restructuring agreement approved by the Board of Directors of BMPS in its meeting of 25.10.2014, the Parent Company holds a stake of 16.67% of the share capital of New Sorgenia Holding SpA.

Also note that, following conclusion of the liquidation procedure, the investments held in Prima Holding 2 SpA (28.34%) and Centro per la Promozione e lo Sviluppo del Territorio ed Agenzia Locale per la formazione in Liquidazione (2.5%) were disposed of.

The subsidiary MPS Capital Services sold the entire equity investment in Agricola Merse Srl, equivalent to 20% of the share capital.

Analysis of the key non-financial capital

This chapter provides an overview of the levels and trends of some of the most important non-financial capital that supports Group performance and value, in line with the expectations of stakeholders: customer base, human capital, relationship capital, structural capital and reputational capital

Customer base

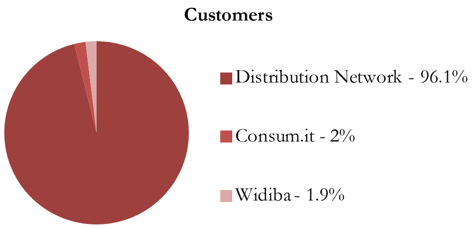
Our customers

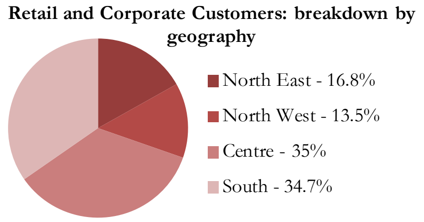
The customer base is basically stable, with Retention and Acquisition indicators down slightly compared to 31 December 2014 (by 95% and 4.1%, respectively; the previous values were 95.2% and 4.2%).

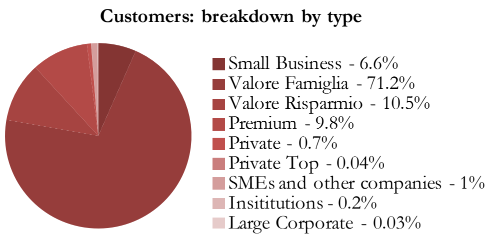
As at 31/03/15, the Group had 5,310,056 customers:

- 5,103,738 managed by the BMPS' sales & distribution network;
- 101,871 managed exclusively by Widiba, the Group's new On-Line Bank (into which the BMPS Financial Advisory sales channel was merged);
- 104,447 managed exclusively by Consum.it, the Group company specialised in consumer loans.

In particular, Retail & Corporate customers are rather evenly distributed across the country and sub-divided into homogeneous customer clusters, each associated with a specific service model.







Customer Care

Management systems

Customer care is monitored and enhanced through a cohesive system of tools and processes that make up an important framework of reference for sales and organisational functions in implementing their improvement plans. This system includes:

- customer relationship management in the branches;
- the Quality Tableau de Bord (Dashboard) – system of KPIs to monitor the effectiveness and efficiency of customer care activities;
- quality monitoring aimed at detecting, monitoring and improving process and service quality;
- periodic sample surveys;
- after-sales and contact centre services – relationship managers and customers can receive clarification and assistance, with provide feedback through dedicated phone lines and e-mail addresses.

With regard to the latter, a Network Help Desk (Isola della Rete) and Customer Help Desk (Isola della Clientela) are operational:

Network Help Desk – collects and resolves problems reported by the network, activating the relevant Parent Company functions; provides business assistance and advisory to the network; carries out training activities for the front office; handles requests for information made directly by customers via email, to info@banca.mps.it.

Customer Help Desk – provides assistance to customers for direct banking services - via telephone, the technical help desk for Internet banking services (Retail and Corporate via telephone and e-mail) and other inbound services for captive and prospect customers.

Quality Monitoring

Within the customer service and process management and monitoring system, aimed at continuously improving the results/quality balance, a reporting system has been established based on 11 indicators broken down into two categories: (1) indicators focused on checking compliance with laws and regulations (Privacy, MiFID, Anti-Money Laundering); (2) indicators to measure customer relationship quality (meeting frequency, transactions, use of advanced advisory services, etc.).

This reporting is available to the entire sales chain and is enhanced with summaries and analyses prepared by the head office department responsible for monitoring sales and quality trends.

Customer Satisfaction Surveys

Customer Satisfaction surveys aim to determine the degree of customer satisfaction generally and with respect to certain specific aspects at the level of the Bank, regional Market Areas, local Market Units and Service Models. On a sample basis, the surveys are conducted through the use of questionnaires. The customer sample size involved in the surveys is proportionate to the target areas of analysis. For each element of analysis, a Customer Perception Index (CPI) is determined as the weighted average of the following components: Satisfaction (overall quality perceived by the customer), Loyalty (propensity towards choosing the Bank again), 'Word of Mouth' (propensity towards recommending the Bank to friends and acquaintances) and Price/Quality (the affordability of the products compared to service quality). The index is expressed on a 20-100 scale.

Survey findings identify any areas of vulnerability that require corrective actions to be adopted to increase the level of customer service. Prioritising the actions may also indicate opportunities for further analysis through one or more additional surveys focusing, for example, on a specific customer segment, product, and geography.

The findings from the 2014 survey of Retail, Corporate customers (via web) and Private customers (by an external contact centre) were processed.

Retail is the market that recovered strongest in the Satisfaction and Quality/Price scores, and also on the orientations (Loyalty and 'Word of Mouth'). The strengths are the service provided by the Bank, the information made available to customers, the basic products and the staff, who achieved the highest scores. It is important to safeguard the continuity of relations and the option of taking action rapidly and effectively, exploiting the use of available channels, both traditional (the branches) and remote. The priority action areas seem to be the perception of quality/price, the product mix and the image. Secondary elements for action, on the other hand, are the more advance products (investments, pension plans, loans).

The SME segment is the only one to show the opposite trend in almost all the indicators making up the Customer Perception Index, which was down compared to the previous year.

The Entities customers were, overall, the most satisfied, and despite some uncertainty in a number of scores showed the most willingness and intention of loyalty to the Bank.

The Private segment has stabilised on the scores of the previous year, with signs of recovery especially in Quality/Price and 'Word of Mouth', whilst the Satisfaction and Loyalty scores were consolidated. The score - already high - for the Contact, the focal point of relations, improved further. Branch services were rated positively and with strong perception of the Private Centre.

Additional surveys focused on:

- benchmarking to verify BMPS' positioning against its primary competitors in terms of perception of the quality of service provided. The customer satisfaction benchmark results will be available in Q2 2015;
- verification of customers' experience at the Piazza Tolomei branch in Sienna, a few months after it reopened following the restyling of the interior and internal instruments, was through around 200 interviews among those who had visited the branch. The figures recorded show a good assessment of the service quality as a whole and the staff's willingness to illustrate the new products available at the branch, including the advanced automatic systems which, amongst others, were appreciated by most responders.

Complaints management

During the quarter, BMPS received 2,812 complaints, the ensured response time to which was shorter than the limits established by the Bank of Italy (30 days): branch procedure 5 business days (for minor problems and with an impact of up to EUR 5 thousand), accelerated procedure 15 days (more complex cases and with amounts in the range of EUR 5-10 thousand), and the ordinary procedure 22 days.

In addition, 205 petitions were filed by customers with independent bodies (Ombudsman, Consob, Bank of Italy, Arbitro Bancario Finanziario), while 809 disputes were settled by Alternative Dispute Resolution procedures.

Human capital

Headcount changes

As at 31 March 2015, the Group had 25,763 employees.

From the start of the year, 24 people have taken up service (22 recruited from the market to cover specialist roles and 2 reinstatements) and there were 221 terminations of contract (among the most important were 152 accepting the solidarity fund and 42 resignations) and one out-of-group relocation.

Staff taking up service involved 2 executives, 8 middle managers and 14 other professionals. The terminations involved 1 executive, 139 middle managers and 81 other professionals.

Distribution of the workforce in favour of customer interface units stands at 76.4% (figure does not include the international banking division which represents 2% of the total workforce) and 21.6% as regards the Head Office units.

Personnel management initiatives

The personnel management policies support the reorganisation projects, in line with the business plan objectives, through mobility plans (geographical and professional) with the aim of seizing opportunities for the career development for employees according to the logics of transparency and participation. The operational initiatives were therefore supported by:

- the Professional and Managerial Development plans which, based on managerial renewal logic, guarantee suitable quality-quantity staff coverage levels;
- the Training programmes (MPS ACADEMY) to strengthen skills, provide managerial career guidance and support requalification processes;
- the Engagement and human resource motivation leverage (incentive policies, BMPS welfare system and internal communications plans).

In the first quarter, the management action continued following the reorganisation and the implementation of new Retail service models on the network, which began at the end of 2014, with mobility management - mainly professional mobility - that has affected approx. 2,000 staff in total.

With a view to quickly covering corporate needs in terms of quality-quantity, in the definition of geographical mobility the management processes have taken into account personal needs and professional expectations in the assignment of posts, seizing upon opportunities for career development intrinsic in the corporate reorganisation processes.

Human resource development and training

Personnel management and development plans aim to promote, at all levels, prompt and widespread qualitative and quantitative coverage of Group Structure human capital requirements, in line with and in support of the company strategy.
The main initiatives for the quarter were:

- Follow-up and consolidation of the Group's Talent & Performance Management assessment process, which aims to increase productivity and employees' involvement in the Group's strategic objectives. In particular, the first quarter saw completion of the self-assessment process performed on a voluntary basis by over 60% of Group employees.
- The planning and roll-out of activities and projects to cover the quality and quantity needs of roles, particularly through Job Posting (the start-up of a new initiative for the Human Resources Department to cover 21 posts and follow-up on the induction paths of the winners of the 2014 initiatives).
- Quality matching of human resources to roles as part of the change management process. During the quarter, activities concerned the Private area (with continuation of the Private Performance Building project through the implementation of performance appraisals and follow-up action from that of the Development Assessment Center in the previous quarter) and the IT area (with start-up of the WorkForce Transformation IT project to define an agreed managerial model through diagnostics events of managerial skills and subsequent development and training actions).

Training

5.5 hours of training were delivered on average during the quarter to each Group employee. With regard to BMPS, activities involved around 64% of employees for a total of 127,421 hours. Training effectiveness was high, with an average customer satisfaction index of 5.2 on a scale from 1 to 6.

The activity was performed in accordance with "MPS Academy" Model guidelines:

- The **People** training focused on "managerial development" through initiatives targeting the managers of Parent Company departments, segmented by levels with a view to permanent updating (in partnership with "Studio Ambrosetti") and targeted training (Manager Coach, for middle managers, which will be further developed during the second quarter with individual self-development, classroom and multimedia content initiatives). With particular attention given to newly qualified officers, the training course contents were updated and enhanced with an innovative focus on managerial issues (resource management, team coordination, etc.). In support of the various phases of T&P Management, dedicated training activities were implemented (Skill Gym Center with brief training aids, flipbooks, readings) and webinars (around 3,200 Branch managers and other unit managers trained).

- The **Business** training continued to develop the technical and professional skills more directly associated with the core business. In the first quarter of 2015, following on from that already provided in 2014, qualifying training for central roles was given on credit disbursement processes throughout the entire chain. In support of the development of Retail services models, training modules were implement in the classroom, online and mentoring (especially dedicated to the Value line with respect to credit, finance and advisory). For the Private chain, during the quarter the training course launched in 2014, "Asset Allocation and generational handover" was concluded. In the **Bancassurance** field, entry training and updating began for policy placing agents, in compliance with new aspects introduced by the new IVASS Regulation 6/2014 to complete the initiatives in partnership with AXA MPS on specialist courses (Campus Expert, Obiettivo Protezione Titolari and Private).

- **Compliance and Safety** training pursued the objective of constantly ensuring compliance with regulatory provisions (anti-money laundering, health and safety). In particular, new courses on anti-money laundering were launched during the quarter.

Enhancement of equal opportunities

As at 31 March 2015 the percentage of female staff was 47.8%. Other equal opportunity indicators also show improvement: these included women in managerial positions (41.5%) and the percentage of female executives (6.1%; it was less than half this amount in 2002).

To safeguard equal opportunities, the personnel management policies are centred on encouraging the expression of all employees' professional skills and abilities, not only to cover the roles but also through access to work-life balance tools, contractual measures which are additional to and/or improve on those required by law or the national labour agreement (flexible working hours, conversion to part-time, including temporarily, paid and unpaid leaves of absence for child care etc.). In this respect, during the quarter: approx. 44% of new managerial roles were assigned to female employees; 99 part-time contracts were agreed, of which 95 requested by women (as at 31 March there were around 2,000 part-timers of which approx. 96% women); 50% of transfer requests accepted referred to female employees.

The Bank pays particular attention to facilitating the return to work of new mothers through a structured training path that also involves the member of staff's line manager and the human resources manager. Around 60 mothers made use of the service in the first quarter of the year.

Corporate welfare

The Group's second-level bargaining with trade unions confirms the central role played by welfare within the corporate model, with an offer focusing on the needs of employees, pensioners and their nuclear families. As part of this system, BMPS also contributes to employee associations that promote the use of welfare services and initiatives.

Included in this reference framework are the supplementary contributions paid to employees through corporate welfare measures that complement the provisions of the national labour agreement with regard to "traditional" social risks, such as: complementary pension plans, healthcare coverage, accident policies, etc.

Additional monetary and non-monetary initiatives address "traditional" social risks (lunch vouchers, support for family income continuity by hiring children or spouses of deceased employees, "solidarity and assistance loans" from the employee mutual assistance fund, maternity support, support of participation in cultural, recreational and sports activities through CRAL employee social organisations, loans and other transactions at subsidised rates to meet personal and household needs) as well as "new" risks (support for the employment of women, for example through training courses for the return of new mothers to the workplace, support of buying power through the "Montepaschi Outlet" online money-saving platform, support for the cultural education of employees and their families through the company's physical and virtual library, support for ongoing training on technical topics through MPS Academy).

During the quarter, the issue of welfare was subject to in-depth analysis to verify the potential options for further improvement and for enhancement of the present corporate system.

Structural capital

Distribution channels

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

Physical channels

As at 31 March 2015, the Group's network in Italy consisted of:

- 2,185 branches, as reported to the Supervisory Authority (-1 compared to 31 December 2014);
- 277 (-2) specialised centres dedicated to SME customers (121), Private/Top Private customers (91), Institutions (65), and 12 branches of the subsidiary company, MPS Leasing & Factoring. Customers belonging to the Key Clients segment are managed through dedicated resources distributed across the country;
- 590 (-5) Financial Advisors supported by 115 (-3) regional offices;
- 2,959 ATMs (+38 machines since the start of the year, due to the new self-banking tool distribution plan designed to improve quality of service to customers).

The foreign network includes:

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

Remote channels

In addition to its presence across the country, Banca MPS offers banking services to customers through remote channels, through Integrated Multichannel products for Retail and Corporate customers.

As at 31/03/2015, active customers of Retail multichannel services amounted to 906,032 for a total of 1,721,436 contracts. The net flow from the start of the year amounted to 87,612 new integrated multi-channel contracts. Internet Corporate Banking agreements totalled 184,041 with 93,982 active users. In total, agreements relative to all electronic services totalled 1,905,477 with 1,000,014 active users.

During the quarter, the remote banking platforms and functions were further developed, with new applications for private customers and corporate customers.

Operating apparatus and processes

Cost reduction initiatives

The cost reduction plan continued during the quarter.

The 2015 includes around 117 initiatives for an impact on the current year of approx. EUR 88 mln, focusing mainly on the IT, Real Estate/Security and Logistics areas.

Main results:

- **ICT**: initiatives underway involve vendor consolidation and renegotiating contracts with key suppliers, as well as continuing optimisation of the software and hardware architecture.
- **Real estate**: actions underway seek to optimise the use of office space, both for the Sales Network and for the Head Office, as well as continued lease negotiation. The project was launched that envisages structural energy consumption savings.
- **Security**: a new security management model is at the final stage of development, with objectives to improve the level of branch security, reduce the risk of robberies, improve cash management and

custody and reduce operating expenses, mainly through the removal of security guards at the branches and better management of the valuables transport processes. Health and safety in the workplace monitoring continued, particularly as regards the risk of exposure to asbestos and radon, for which monitoring of the sites continues jointly with qualified experts;
- **Logistics**: actions focused on efficiency improvement processes to achieve a “paperless” office, and optimising postal charges.

Initiatives to increase internal service quality

- Specialist compliance monitoring has been implemented in relation to central interbank alarm processes, cash management and centralised administration of financial instruments.
- The project intended to reinforce possible synergies between securities and cash transaction services in the domestic and foreign markets also moved ahead, entailing participation in Target2-Securities (T2S), the new Eurosystem platform for the centralised settlement of securities transactions.
- Action on support services for the Network, optimising processes for accounting and accounts payable, succession, physical cash and full coverage of subscriptions to the exit incentive/fund;
- The human resources operational and administrative services have been reallocated to the Regional Areas;
- In partnership with the Bassilichi Group, implementation of the pilot project for the S@fe Box Smart Strongbox product, with the goal of improving ATM service levels and decreasing times when cash is unavailable.

Relationship capital

As part of Group value and performance, it is important to develop effective relationships with stakeholders and succeed in combining the goal of meeting their different expectations with the delivery of business objectives.

These relationships are managed at head office level by a range of company functions and, in most cases, are handled at the operational level in the regions.

Stakeholder input and requests regarding issues subject to the Group’s listening and engagement initiatives are taken into consideration with various degrees of importance and urgency in company decisions.

The most well structured and ongoing relationships included in particular: investor relation activities, industrial relations and collaboration with consumer associations (the so-called ConsumerLab).

Investor relations

In managing relationships with the financial community, Investor Relations diversifies its approach based on the party involved, with the objective of ensuring that the information provided to rating agencies, analysts (equity and fixed income), financial operators and institutional and retail investors is symmetrical and balanced. The communication strategy is based on comprehensive sharing of information with management and all price-sensitive communications are promptly announced, in order to create a direct and continual dialogue.

As part of marketing activities, since the beginning of the year top management continued to meet with institutional investors (equity and fixed income) at BMPS, at road shows (Italy and the UK) and dedicated conference calls with investors who requested them.

In the quarter, the financial community’s attention was dedicated to the technical details and timing of the capital strengthening transaction, capital ratio levels and payment of the remainder of the New Financial Instruments.

Industrial relations

In the quarter, industrial relations were affected by the trend in sector trade union relations in reference to the negotiation stages of renewal of the National Labour Agreement. Despite this, the parties met as part of the contractual procedures concerning the effects on personnel as a consequence of the corporate reorganisation projects (particularly in the credit area, with organisational development of the Anomalous Risk and Credit Recovery Department, organisation of the Real Estate Management Department, setup of the Top Corporate Centres and organisation of the Internal Audit Area). The procedure for the merger of Consum.it into Banca MPS also began.

At national level, on 31 March 2015 the draft agreement on renewal of the National Labour Agreement was signed, which will be submitted for approval by the General Meetings of workers for entry into force from 1 April 2015.

ConsumerLab

"BancAscuola", the financial education programme in operation for several years in partnership with the consumer associations, involved 6 high schools in 6 different Italian cities during the quarter.

The "Consumer-Lab a Casa Vostra" project was developed through a series of workshops-debates focusing on banking and consumer issues identified as significant in cooperation with the associations and local institutions involved. Two workshops, in Grosseto and Pescara, were held during the quarter on the issues of "Energy and construction requalification of properties" and "Security of mobile banking services".

Community and local relationships

Apart from the economic function of credit and other typical banking activities, the Group fulfils corporate citizenship duties within its sphere of influence, creating social and economic added value in the community and at times considering short-term profit objectives as secondary. These actions are carried out in the local areas in collaboration with significant stakeholders.

In particular, during the quarter:

- the main products and services created by the Group in partnership with the institutions and other stakeholders representing the local communities have continued to operate as normal with the aim of providing customers and local communities with social and environmental benefits exceeding those that may be produced through standard commercial operations;
- important welfare and social development initiatives continued, including in particular the "Ritorno alla Luce" project to promote the Bank's artistic assets and cooperation with Consorzio Elis for professional higher education.

Reputational capital

Management Model

The Bank MPS is involved in managing, protecting and improving the identity and image of the company through institutional and commercial communications. It does this with the awareness of brand significance in consumer decisions and its impact on company risks and performance.

The Board of Directors defines the action plans and guidelines for attaining the objectives of strategic management of the brand.

The Communications Area coordinates and monitors, at an operational level, the development of the brand.

Specific internal rules are established to guarantee the efficacy of all communication processes that target customers, the financial markets and stakeholders in general. Communication content and style must be consistent with the Bank MPS values, and with the values to which it aspires.

The perceptions of customers and public opinion, the quality and personality of the brand, are checked through periodic market and comparative analyses (research for 2014-2015 is currently being developed). The web and social networks are also constantly monitored to detect any critical opinions to be taken into account in a timely manner.

Objectives and key initiatives to protect and enhance the Group's image and brands

Alongside its normal operations, during the quarter, the Bank MPS launched a marketing communications activity on the "Conto Italiano di Deposito" (Italian Deposit Account) with a view to prospect gathering and leveraging direct communications.

The feedback on the campaign demonstrated the effectiveness on the action taken, which at the same time promoted the business activities of the company and the brand.

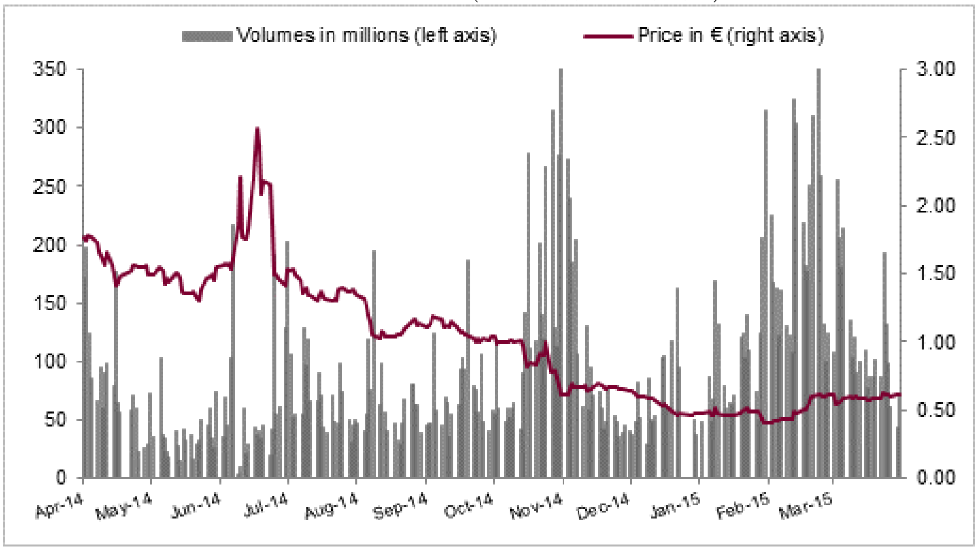
At the same time, the Bank MPS safeguarded its reputation continuously throughout the year. Therefore, dialogue with stakeholders and providing consistent, transparent information were of fundamental importance.

BMPS share price

Share price and trends

BMPS stock closed the quarter at EUR 0.618, a performance up by +31.2% since the beginning of the year (FTSE banks +29.3%; Milan +21.8%; Frankfurt +22%; Paris +12.1%).

BMPS SHARE PRICE (from 31/03/14 to 31/03/15)

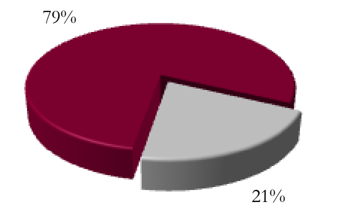


BMPS SHARE PRICE: STATISTICAL SUMMARY (from 03/31/2014 to 03/31/2015)	
Average	0.52
Lowest	0.40
Highest	0.62

During the first quarter of 2015 the number of BMPS shares traded reached 8,916 mln. Specifically, the average daily number of trades was 141.5 mln, with a minimum of 42.8 mln on 2 January and a maximum of 431.0 mln on 23 February.

MONTHLY VOLUMES OF SHARES TRADED	
2015 volumes summary (€/mln)	
January	2,257
February	4,009
March	2,650

BMPS SHARE RATINGS AS AT 31/03/15



Ratings

The ratings given by the rating agencies as at 31 March 2015 are summarised below.

Rating Agencies	Short-term debt	Outlook	Long-term debt	Outlook	Last update
Moody's Investors Service	NP		B1	Under Review	17/03/2015
DBRS	R-2 (low)	Under Review	BBB (low)	Under Review	18/02/2015
Fitch Ratings	F-3		BBB	Negative	28/10/2014

- On 18 February 2015 the DBRS rating agency downgraded the BMPS rating by one notch. In particular, it placed the long-term rating at "BBB(low)" (previously "BBB") and the short-term rating at "R-2(low)" (previously "R-2(mid)"). The outlook remained under review with negative implications;
- On 17 March 2015, following publication of the new rating assignment method, the agency confirmed the BMPS rating leaving it on the watchlist for a possible downgrade.

After the end of the quarter:

- On 1 April 2015, Fitch rating agency reviewed the MPS individual Viability Rating from "ccc" to "b-", confirming all other ratings and outlooks;

On 22 April 2015, following publication of the new rating assignment method, Moody's downgraded the MPS long-term rating from 'B3' to 'B1', with negative outlook, whereas the Bank's individual rating (the Baseline Credit Assessment - BCA) was confirmed at "caa2".

Annexes

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

Reconciliation between the reclassified income statement as at 31/03/2015 and related statutory accounts

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	31/03/2015	Accounts in the Profit and Loss Statement - Montepaschi Group		31/03/2015	Operating Reclassifications			31/03/2015
Net interest income	611.9	Interest income and similar revenues	Voce 10	1,122.6	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		12.2
		Interest expense and similar charges	Voce 20	-522.9				
Net fee and commission income	443.0	Fee and commission income	Voce 40	533.5				
		Fee and commission expense	Voce 50	-90.5				
Dividends, similar income and gains (losses) on investments	24.3	Dividends and similar income	Voce 70	3.4	(-)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	-3.4
					(+)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	24.3
Net profit (loss) from trading	171.8	Net profit (loss) from trading	Voce 80	63.4	(+)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	3.4
		Gains/losses on disposal/repurchase of:	Voce 100	122.2				
		a) loans		-1.9				
		b) financial assets available for sale		126.8				
		c) held to maturity investments						
		d) financial liabilities		-2.6				
		Net profit (loss) from financial assets and liabilities designated at fair value	Voce 110	-17.3				
Net profit (loss) from hedging	14.8	Net profit (loss) from hedging	Voce 90	14.8				
Other operating expenses/income	1.4	Other income/expenses (net) from insurance activities	Voce 220	91.9	(-)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	-90.5
Income from banking and insurance activities	**1,267.2**			**1,321.2**				**-54.0**
Administrative expenses	-604.9	Administrative expenses		-695.6				
a) Personnel expenses	-419.4	a) Personnel expenses	Voce 180a	-419.6	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180a - Parziale	0.2
b) Other administrative expenses	-185.5	b) Other administrative expenses	Voce 180b	-276.0	(-)	Restructuring costs (early retirement incentives/provisions)	Voce 180b - Parziale	
					(+)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	90.5
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (recoveries on) intangible assets	-48.4	Net losses/reversal on impairment on property, plant and equipment	Voce 200	-29.9				
		Net adjustments to (recoveries on) intangible assets	Voce 210	-25.4	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		6.9
					(-)	impairment on goodwill		
Operating expenses	**-653.3**			**-750.9**				**97.6**
Pre Provision Profit	**613.8**			**570.3**				**43.6**
Net impairment losses (reversals) on:	-454.2	Net impairment losses(reversals) on	Voce 130	-454.2				
a) loans	-468.2	a) loans	Voce 130a	-468.2				
b) financial assets	14.0	b) financial assets available for sale	Voce 130b	-0.5				
		c) held to maturity investments	Voce 130c					
		d) other financial transactions	Voce 130d	14.5				
Net income from banking activities	**159.6**			**116.0**				**43.6**
Net provisions for risks and charges	-29.8	Net provisions for risks and charges	Voce 190	-29.8				
Gains (losses) on investments	0.2	Gains (losses) on investments	Voce 240	24.5	(-)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	-24.3
Restructuring costs	-0.2				(-)	Restructuring costs (early retirement incentives/provisions)		-0.2
					(+)	Restructuring charges	Voce 180b - Parziale	
Gains (losses) from disposal of investments	0.4	Gains (losses) from disposal of investments	Voce 270	0.4				
Profit (loss) before tax from continuing operations	**130.2**			**111.1**				**19.1**
Tax expense (recovery) on income from continuing operations	-44.3	Tax expense (recovery) on income from continuing operations	Voce 290	-38.0	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-6.3
Profit (loss) after tax from continuing operations	**85.9**			**73.1**				**12.8**
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	**85.9**			**73.1**				**12.8**
Net profit (loss) attributable to non-controlling interests	-0.5	Net profit (loss) attributable to non-controlling interests	Voce 330	-0.5				
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown	**85.4**			**72.6**				**12.8**
PPA (Purchase Price Allocation)	-12.8				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-12.8
Impairment on goodwill and intangibles		Impairment on goodwill and intangibles	Voce 260		(-)	impairment on goodwill		
Parent company's net profit (loss) for the period	**72.6**	**Parent company's net profit (loss) for the period**		**72.6**		**Total**		

Reconciliation between the reclassified income statement as at 31/03/2014 and related statutory accounts

Accounts in Reclassified Profit and Loss Statement - Montepaschi Group	31/03/2014	Accounts in the Profit and Loss Statement - Montepaschi Group		31/03/2014	Operating Reclassifications			31/03/2014
Net interest income	445.8	Interest income and similar revenues	Voce 10	1,400.0	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		7.1
		Interest expense and similar charges	Voce 20	-961.3				
Net fee and commission income	445.2	Fee and commission income	Voce 40	530.7				
		Fee and commission expense	Voce 50	-85.5				
Dividends, similar income and gains (losses) on investments	25.7	Dividends and similar income	Voce 70	2.2	(-)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	-2.2
					(+)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	25.7
Net profit (loss) from trading	45.1	Net profit (loss) from trading	Voce 80	41.6	(+)	Reclassification of dividends on treasury stock transactions	Voce 70 - Parziale	2.2
		Gains/losses on disposal/repurchase of:	Voce 100	47.0				
		a) loans		-0.1				
		b) financial assets available for sale		47.3				
		c) held to maturity investments						
		d) financial liabilities		-0.2				
		Net profit (loss) from financial assets and liabilities designated at fair value	Voce 110	-45.7				
Net profit (loss) from hedging	-4.6	Net profit (loss) from hedging	Voce 90	-4.6				
Other operating expenses/income	1.3	Other income/expenses (net) from insurance activities	Voce 220	78.6	(-)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	-77.2
Income from banking and insurance activities	**958.6**			**1,003.0**				**-44.4**
Administrative expenses	-611.9	Administrative expenses		-690.3				
a) Personnel expenses	-429.3	a) Personnel expenses	Voce 180a	-430.5	(+)	Restructuring costs (early retirement incentives/provisions)	Voce 180a - Parziale	1.1
b) Other administrative expenses	-182.6	b) Other administrative expenses	Voce 180b	-259.8	(-)	Restructuring costs (early retirement incentives/provisions)	Voce 180b - Parziale	
					(+)	Recovery of stamp duty and customers' expenses	Voce 220 - Parziale	77.2
Net losses/reversal on impairment on property, plant and equipment / Net adjustments to (	-48.6	Net losses/reversal on impairment on property, plant and equipment	Voce 200	-28.8				
		Net adjustments to (recoveries on) intangible assets	Voce 210	-26.6	(+)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		6.9
					(-)	impairment on goodwill		
Operating expenses	**-660.5**			**-745.8**				**85.2**
Pre Provision Profit	**298.0**			**257.2**				**40.8**
Net impairment losses (reversals) on:	-491.7	Net impairment losses(reversals) on	Voce 130	-491.7				
a) loans	-476.6	a) loans	Voce 130a	-476.6				
b) financial assets	-15.2	b) financial assets available for sale	Voce 130b	-17.6				
		c) held to maturity investments	Voce 130c					
		d) other financial transactions	Voce 130d	2.4				
Net income from banking activities	**-193.7**			**-234.5**				**40.8**
Net provisions for risks and charges	-54.5	Net provisions for risks and charges	Voce 190	-54.5				
Gains (losses) on investments	41.9	Gains (losses) on investments	Voce 240	67.7	(-)	Portion of profit from equity investments (Gruppo AXA)	Voce 240 - Parziale	-25.7
Restructuring costs	-1.1				(-)	Restructuring costs (early retirement incentives/provisions)		-1.1
					(+)	Restructuring charges	Voce 180b - Parziale	
Gains (losses) from disposal of investments	4.7	Gains (losses) from disposal of investments	Voce 270	4.7				
Profit (loss) before tax from continuing operations	**-202.7**			**-216.7**				**14.0**
Tax expense (recovery) on income from continuing operations	38.4	Tax expense (recovery) on income from continuing operations	Voce 290	43.1	(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-4.6
Profit (loss) after tax from continuing operations	**-164.3**			**-173.6**				**9.4**
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	**-164.3**			**-173.6**				**9.4**
Net profit (loss) attributable to non-controlling interests	-0.5	Net profit (loss) attributable to non-controlling interests	Voce 330	-0.5				
Profit (loss) for the period before PPA , impairment on goodwill, intangibles and writedown	**-164.7**			**-174.1**				**9.4**
PPA (Purchase Price Allocation)	-9.4				(-)	Economic effects from allocation of BAV acquisition costs to BMPS (PPA)		-9.4
Impairment on goodwill and intangibles		Impairment on goodwill and intangibles	Voce 260		(-)	impairment on goodwill		
Parent company's net profit (loss) for the period	**-174.1**	**Parent company's net profit (loss) for the period**		**-174.1**		**Total**		**0.0**

Reconciliation between the reclassified balance sheet and related statutory accounts

Balance-sheet Items - Assets	31/03/2015	31/12/2014	Reclassified balance-sheet items - Assets
	682	**1,007**	**Cash and cash equivalents**
Item 10 – Cash and cash equivalents	682	1,007	
	-	-	**Loans and receivables**
	123,139	**119,676**	**a) Loans to customers**
Item 70 – Loans to customers	123,139	119,676	
	7,856	**7,723**	**b) Loans to banks**
Item 60 – Loans to banks	7,856	7,723	
	41,236	**39,776**	**Held to maturity investments**
Item 20 – Financial assets held for trading	19,811	16,929	
Item 30 – Financial assets designated at fair value	-	-	
Item 40 – Financial assets available for sale	21,425	22,848	
	-	**-**	**Financial assets held to maturity**
Item 50 – Held to maturity investments	-	-	
	947	**1,014**	**Investments**
Item 100 – Equity investments	947	1,014	
	-	-	**Reinsurers' technical reserves**
Item 110 – Reinsurers's technical reserves	-	-	
	3,139	**3,229**	**Property, plant and equipment / Intangible assets**
Item 120 – Property, plant and equipment	2,709	2,787	
Item 130 – Intangible assets	430	442	
	10,526	**11,019**	**Other assets**
Item 80 – Hedging Derivatives	645	613	
Item 90 – Change in value of macro-hedged financial assets (+/-)	171	179	
Item 140 – Tax assets	7,126	7,562	
Item 150 – Non-current assets held for sale and discontinued operations	183	22	
Item 160 – Other assets	2,402	2,643	
	-	-	
Total Assets	**187,525**	**183,444**	**Total Assets**

Balance-sheet Items - Liabilities	31/03/2015	31/12/2014	Reclassified balance-sheet items - Liabilities
			Deposits
	131,511	**126,224**	**a) Deposits from customers and securities issued**
Item 20 – Deposits from customers	97,139	93,145	
Item 30 – Debt securities issued	31,967	30,455	
Item 50 – Financial liabilities designated at fair value	2,406	2,624	
	22,519	**27,648**	**b) Deposits from banks**
Item 10 – Deposits from banks	22,519	27,648	
	16,381	**13,702**	**Financial liabilities held for trading**
Item 40 – Financial liabilities held for trading	16,381	13,702	
	-	-	**Provisions for specific use**
Item 110 – Provision for employee severance pay	268	271	
Item 120 - Provisions for risks and charges - a) pension and similar obligations	52	66	
Item 120 - Provisions for risks and charges - b) other provisions	1,104	1,085	
	9,195	**8,459**	**Other liabilities**
Item 60 – Hedging Derivatives	4,519	4,112	
Item 70 – Change in value of macro-hedged financial liabilities (+/-)	-	-	
Item 80 – Tax liabilities	80	164	
Item 90 – Liabilities associated to disposal groups held for sale	-	-	
Item 100 – Other liabilities	4,595	4,184	
	-	**-**	**Insurance reserves**
Item 130 – Insurance Reserves	-	-	
	6,471	**5,965**	**Group portion of shareholders' equity**
Item 140 – Valuation reserves	(253)	(685)	a) Valuation reserves
Item 150 – Redeemable shares	-	-	b) Redeemable shares
Item 160 – Equity instruments	3	3	c) Capital instruments
Item 170 – Reserves	(5,838)	(496)	d) Reserves
Item 180 – Share premium reserve	2	2	e) Share premium reserves
Item 190 – Share Capital	12,484	12,484	f) Share capital
Item 200 – Treasury shares (-)	(0)	(0)	g) Treasury shares (-)
Item 220 – Profit (loss) for the period (+/-)	73	(5,343)	h) Profit (loss) for the period
	24	**24**	**Non-controlling interests in shareholders' equity**
Item 210 – Non-controlling interests (+/-)	24	24	
	-	-	
Total liabilities and shareholders' equity	**187,525**	**183,444**	**Total liabilities and shareholders' equity**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated financial statements

Consolidated balance sheet

	Assets	31 03 2015	31 12 2014
10	Cash and cash equivalents	682,251	1,006,586
20	Financial assets held for trading	19,810,631	16,928,788
40	Financial assets available for sale	21,425,496	22,847,582
60	Loans to banks	7,855,669	7,722,753
70	Loans to customers	123,139,049	119,676,132
80	Hedging derivatives	644,530	612,957
90	Change in value of macro-hedged financial assets (+/-)	170,960	178,613
100	Equity investments	947,017	1,013,899
120	Property, plant and equipment	2,708,586	2,787,083
130	Intangible assets	430,368	441,693
	of which: goodwill	*7,900*	*7,900*
140	Tax assets	7,126,179	7,562,419
	a) current	*1,761,092*	*1,875,789*
	b) deferred	*5,365,087*	*5,686,630*
	under Law 214/2011	*4,284,755*	*4,404,780*
150	Non-current assets and groups of assets held for sale and discontinued operations	182,756	21,805
160	Other assets	2,401,955	2,643,513
	Tatal assets	**187,525,447**	**183,443,823**

Non-current assets and group of assets held for sale and discontinued operations as at 31 March 2015 refer:

- to the associate investment Anima Holding S.p.A.(EUR 98.6 mln),
- to the investee SAT- Società Autostrada Tirrenica p.A. and other minor equity investments (EUR 24.6 mln);
- to some properties of the Parent Company (EUR 59.6 mln).

follows: Consolidated balance sheet

Liabilities and Shareholders' Equity		31 03 2015	31 12 2014
10	Deposits from banks	22,519,282	27,647,671
20	Deposits from customers	97,138,716	93,144,981
30	Debt securities issued	31,967,051	30,455,439
40	Financial liabilities held for trading	16,381,296	13,701,789
50	Financial liabilities designated at fair value	2,405,530	2,623,620
60	Hedging derivatives	4,519,441	4,112,108
80	Tax liabilities	79,959	163,510
	a) current	*14,132*	*97,461*
	b) deferred	*65,827*	*66,049*
100	Other liabilities	4,595,103	4,183,569
110	Provision for employee severance pay	268,165	271,434
120	Provisions for risks and charges:	1,155,763	1,151,049
	a) post-employment benefits	52,111	65,915
	b) other provisions	1,103,652	1,085,134
140	Valuation reserves	(252,745)	(685,460)
160	*Equity instruments*	*3,002*	*3,002*
170	*Reserves*	*(5,838,353)*	*(496,120)*
180	Share premium	2,291	2,291
190	Share capital	12,484,207	12,484,207
210	Non-controlling interests (+/-)	24,109	23,625
220	Profit (loss) (+/-)	72,630	(5,342,892)
Total Liabilities and Shareholders' Equity		**187,525,447**	**183,443,823**

Consolidated income statement

	Items	31 03 2015	31 03 2014
10	Interest income and similar revenues	1,122,571	1,399,970
20	Interest expense and similar charges	(522,893)	(961,302)
30	**Net interest income**	**599,678**	**438,668**
40	Fee and commission income	533,459	530,684
50	Fee and commission expense	(90,485)	(85,488)
60	**Net fee and commission income**	**442,974**	**445,196**
70	Dividends and similar income	3,410	2,214
80	Net profit (loss) from trading	63,428	41,617
90	Net profit (loss) from hedging	14,849	(4,590)
100	Gains/(losses) on disposal/repurchase of:	122,236	47,008
	a) loans	*(1,931)*	*(100)*
	b) financial assets available for sale	*126,777*	*47,302*
	d) financial liabilities	*(2,610)*	*(194)*
110	Net profit (loss) from financial assets and liabilities designated at fair value	(17,280)	(45,733)
120	**Net interest and other banking income**	**1,229,295**	**924,380**
130	Net impairment (losses)/reversals on	(454,242)	(491,714)
	a) loans	*(468,223)*	*(476,560)*
	b) financial assets available for sale	*(504)*	*(17,592)*
	d) other financial transactions	*14,485*	*2,438*
140	**Net income from banking activities**	**775,053**	**432,666**
180	Administrative expenses:	(695,618)	(690,291)
	a) personnel expenses	*(419,613)*	*(430,461)*
	b) other administrative expenses	*(276,005)*	*(259,830)*
190	Net provisions for risks and charges	(29,803)	(54,503)
200	Net adjustments to/recoveries on property, plant and equipment	(29,884)	(28,846)
210	Net adjustments to/recoveries on intangible assets	(25,387)	(26,628)
220	Other operating expenses/income	91,860	78,575
230	**Operating expenses**	**(688,832)**	**(721,693)**
240	Gains (losses) on investments	24,513	67,658
270	Gains (losses) on disposal of investments	384	4,675
280	**Profit (loss) before tax from continuing operations**	**111,118**	**(216,694)**
290	Tax (expense)/recovery on income from continuing operations	(38,013)	43,059
300	**Profit (loss) after tax from continuing operations**	**73,105**	**(173,635)**
320	**Profit (loss)**	**73,105**	**(173,635)**
330	Profit (loss) attributable to non-controlling interests	475	472
340	**Parent company's net profit (loss)**	**72,630**	**(174,107)**

		31 03 2015	31 03 2014
	Basic Earnings per Share (Basic EPS)	**0.014**	**(1.493)**
	of continuing operations	0.014	*(1.493)*
	Diluted Earnings per Share (Diluted EPS)	**0.011**	**(1.493)**
	of continuing operations	0.011	*(1.493)*

Basic and diluted earnings per share as at 31 March 2014 include the grouping of the Parent Company's ordinary shares at a ratio of 1 new ordinary share to 100 treasury shares that was carried out on 5 May 2014, pursuant to the resolution issued by the Extraordinary Shareholders Meeting of Banca Monte dei Paschi di Siena S.p.A. held on 28 December 2013.

Consolidated statement of comprehensive income

	Items	31 03 2015	31 03 2014
10	**Profit (loss)**	**73,105**	**(173,635)**
	Other comprehensive income after tax not recycled to profit and loss	**(15)**	**(7,758)**
40	Actuarial gains (losses) on defined benefit plans	(8)	(7,759)
60	Share of valuation reserves of equity-accounted investments	(7)	1
	Other comprehensive income after tax recycled to profit and loss	**432,521**	**276,031**
80	Exchange differences	7,727	36
90	Cash flow hedges	2,383	(23,127)
100	Financial assets available for sale	395,998	271,140
110	Non current assets held for sale	154	-
120	Share of valuation reserves of equity-accounted investments	26,259	27,982
130	**Total other comprehensive income after tax**	**432,506**	**268,273**
140	**Total comprehensive income (Item 10+130)**	**505,611**	**94,638**
150	Consolidated comprehensive income attributable to non-controlling interests	475	491
160	**Consolidated comprehensive income attributable to Parent Company**	**505,136**	**94,147**

As at 31.03.15, the comprehensive income for the period amounted to EUR 505.1 mln, with an increase of EUR 411.0 mln as compared to the previous year. The figure includes profit for the year of EUR 73.1 mln and an increase in valuation reserves primarily owing to the valuation reserve for available-for-sale financial assets, which increased by EUR 124.9 mln compared to the previous year due to the combined effect of an improvement in spreads on Italian Government debt securities and greater decreases, resulting from declining interest rates, on interest rate hedging derivatives.

Consolidated Statement of changes in equity – 31 march 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 03 2015	Group equity as at 31 03 2015	Non-controlling interests as at 31 03 2015
							Shareolders'equity transactions										
				Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Purchase of treasury shares	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Changes in equity investments	Total comprehensive income for 31 03 2015			
Share capital:	12,497,620	-	12,497,620	-	-	-	-	-	-	-	-	-	5	-	12,497,625	12,484,207	13,418
a) ordinary shares	12,497,620	-	12,497,620	-	-	-	-	-	-	-	-	-	5	-	12,497,625	12,484,207	13,418
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	2,506	-	2,506	-	-	-	-	-		-	-	-	-	-	2,506	2,291	215
Reserves:	(482,986)	-	(482,986)	(5,347,267)	-	662	-	-	-	-	-	-	-	-	(5,829,591)	(5,838,353)	8,762
a) from profits	(187,416)	-	(187,416)	(5,347,267)	-	662	-	-	-	-	-	-	-	-	(5,534,021)	(5,542,783)	8,762
b) other	(295,570)	-	(295,570)	-	-	-	-	-	-	-	-	-	-	-	(295,570)	(295,570)	-
Valuation reserves	(684,222)	-	(684,222)	-	-	210	-	-	-	-	-	-	-	432,506	(251,506)	(252,745)	1,239
Equity instruments	3,002	-	3,002	-	-	-	-	-	-	-	-	-	-	-	3,002	3,002	-
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	(5,347,267)	-	(5,347,267)	5,347,267	-	-	-	-	-	-	-	-	-	73,105	73,105	72,630	475
Total equity	5,988,653	-	5,988,653	-	-	872	-	-	-	-	-	-	5	505,611	6,495,141	6,471,032	24,109
Group equity	5,965,028	-	5,965,028	-	-	868	-	-	-	-	-	-	-	505,136	6,471,032	6,471,032	X
Non-controlling interests	23,625	-	23,625	-	-	4	-	-	-	-	-	-	5	475	24,109	X	24,109

As at 31 March 2015, shareholders' equity, including non-controlling interests and the profit for the period, amounted to EUR 6,495.1 mln compared to EUR 5,988.6 mln as at 31 December 2014, marking a total variation of EUR 506.5 mln, due almost entirely to the comprehensive income for the period.

The profit for the first quarter of 2015 amounted to EUR 73.1 mln, which included a positive balance of EUR 72.6 mln for the Group and a positive balance of EUR 0.5 mln in non-controlling interests.

Valuation reserves registered an overall increase of EUR 432.5 mln, which included +EUR 396.0 mln in valuation reserves of assets "available for sale", + EUR 26.2 mln for the share of valuation reserves of equity investments carried at equity, + EUR 2.4 mln in valuation reserves for cash flow hedges, + EUR 7.7 mln in valuation reserves for foreign exchange differences; EUR 0.2 mln in valuation reserves for non-current assets held for sale and discontinued operations and -EUR 0.008 in valuation reserves for actuarial losses arising from defined benefit plans.

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

Consolidated Statement of changes in equity – 31 march 2014

				Allocation of profit from prior year		Changes during the year											
							Shareolders'equity transactions										
	Balance as at 31 12 2013	Changes in opening balances*	Balance as at 01 01 2014	Reserves	Dividends and other payout	Changes in reserves	Issue of new share	Purchase of treasury share	Extraordinary distribution of dividends	Change in equity instruments	Treasury shares derivatives	Stock options	Changes in equity investments	Total comprehensive income for 31 03 2014	Total equity as at 31 03 2014	Group equity as at 31 03 2014	Non-controlling interests as at 31 03 2014
Share capital:	7,485,698	12,354	7,498,052	-	-	-	-	-	-	-	-	-	(39)	-	7,498,013	7,484,508	13,505
a) ordinary shares	7,485,698	12,354	7,498,052	-	-	-	-	-	-	-	-	-	(39)	-	7,498,013	7,484,508	13,505
b) other shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share premium	5,159	-	5,159	-	-	-	-	-	-	-	-	-	-	-	5,159	-	5,159
Reserves:	1,187,766	(1,879)	1,185,887	(1,432,280)	-	(14,758)	-	-	-	-	-	-	-	-	(261,151)	(274,403)	13,252
a) from profits	1,261,811	(1,879)	1,259,932	(1,432,280)	-	(14,758)	-	-	-	-	-	-	-	-	(187,106)	(200,358)	13,252
b) other	(74,045)	-	(74,045)	-	-	-	-	-	-	-	-	-	-	-	(74,045)	(74,045)	-
Valuation reserves	(1,054,690)	-	(1,054,690)	-	-	-	-	-	-	-	-	-	-	268,273	(786,417)	(787,655)	1,238
Equity instruments	3,002	-	3,002	-	-	-	-	-	-	-	-	-	-	-	3,002	3,002	-
Treasury shares	(24,532)	-	(24,532)	-	-	-	24,532	-	-	-	-	-	-	-	-	-	-
Net profit (loss)	(1,438,923)	6,643	(1,432,280)	1,432,280	-	-	-	-	-	-	-	-	-	(173,635)	(173,635)	(174,107)	472
Total equity	6,163,480	17,118	6,180,598	-	-	(14,758)	24,532	-	-	-	-	-	(39)	94,638	6,284,971	6,251,345	33,626
Group equity	6,155,266	(7,863)	6,147,403	-	-	(14,737)	24,532	-	-	-	-	-	-	94,147	6,251,345	6,251,345	X
Non-controlling interests	8,214	24,981	33,195	-	-	(21)	-	-	-	-	-	-	(39)	491	33,626	X	33,626

** With respect to published accounts, previous period balances are reflective of changes described in the section "Restatement of previous period accounts and changes in estimates in compliance with IAS 8 (Accounting policies, changes in accounting estimates and errors)" of the 2014 financial statements to which reference should be made.*

As at 31 March 2014, the Group's net equity including non-controlling interests and result for the period amounted to EUR 6,285.0 mln, as compared to EUR 6,180.6 mln as at 1 January 2014.

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

Treasury shares fell by EUR 24.5 mln; profit (loss) from trading in treasury shares (- EUR 14.8 mln) is included under retained earnings which, during this reporting period, were also affected by the capitalisation of loss recognised as at 31.12.2013, amounting to EUR 1,434.3 mln.

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

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

Consolidated cash flow statement indirect method

A. OPERATING ACTIVITIES	31 03 2015	31 03 2014
1. Cash flow from operations	**468,564**	**363,421**
profit (loss) (+/-)	73,105	(173,635)
capital gains/losses on financial assets held for trading and on assets/liabilities designated at fair value (+/-)	(55,440)	(35,886)
net profit (loss) from hedging	(14,849)	4,590
net impairment losses/reversals	358,696	491,714
net losses/reversal on impairment on property, plant and equipment and on intangible assets (+/-)	55,271	55,473
net provisions for risks and charges and other costs/revenues (+/-)	33,240	60,212
tax espense (recovery) on income from continuing operations	38,013	(43,059)
other adjustments	(19,472)	4,012
2. Cash flow from (used in) financial assets	**(3,283,473)**	**(2,359,138)**
financial assets held for trading	(2,750,933)	(989,625)
financial assets available for sale	2,630,742	1,033,779
loans to banks: on demand	(134,260)	292,042
loans to customers	(3,833,699)	(2,563,442)
other assets	804,677	(131,892)
3. Cash flow from (used in) financial liabilities	**2,512,790**	**1,929,567**
deposits from banks: on demand	(5,128,389)	3,712,228
depostits from customers	3,993,736	606,472
debt securities issued	1,511,613	(573,815)
financial liabilities held for trading	2,626,931	(1,864,874)
financial liabilities designated at fair value	(240,983)	(1,064,936)
other liabilities	(250,118)	1,114,492
Net cash flow from (used in) operating activities	**(302,119)**	**(66,150)**

B. INVESTMENT ACTIVITIES	31 03 2015	31 03 2014
1. Cash flow from	**1,630**	**2,053**
sales of equity investments	-	-
dividends collected on equity investments	-	-
sales of property, plant and equipment	1,463	519
sales of intangible assets	167	1,534
2. Cash flow used in	**(23,846)**	**(14,729)**
purchase of equity investments	(8)	-
purchase of financial assets held to maturity	-	-
purchase of property, plant and equipment	(9,648)	(3,301)
purchase of intangible assets	(14,190)	(11,428)
Net cash flow from (used in) investment activities	**(22,216)**	**(12,676)**

C. FUNDING ACTIVITIES		
issue/purchase of treasury shares	-	24,532
dividend distribution and other	-	-
Net cash flow from (used in) funding activities	**-**	**24,532**
NET CASH FLOW FROM (USED IN) OPERATING, INVESTMENT AND FUNDING ACTIVITIES DURING THE YEAR	**(324,335)**	**(54,294)**

Reconciliation

Accounts	31 03 2015	31 03 2014
Cash and cash equivalents at beginning of period	1,006,586	877,276
Net increase (decrease) in cash and cash equivalents	(324,335)	(54,294)
Cash and cash equivalents at end of period	682,251	822,982

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

Explanatory Notes

Part A – Accounting policies

A.1 – General

1. General accounting standards

These consolidated interim financial statements of the Monte dei Paschi di Siena Group as at 31 March 2015 were drafted on the basis of the provisions of art. 154-ter, paragraphs 5 and 6 of the Italian Consolidated Law on Finance and in relation to the provisions issued in implementation of art. 9 of Italian Legislative Decree 38/2005.

These consolidated interim financial statements were prepared in application of IAS 34 "Interim financial reporting", in relation to the forthcoming publication of the information prospectus, taking into account the planned share capital increase. The preparation of this Consolidated Interim Report does not modify the definition of interim financial reporting period which continues to be six months.

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

The accounting principles used for the preparation of this Consolidated Interim Report are the same as those used for preparation of the Consolidated Full-Year Report as at 31.12.14, which should be referred to for further details, with the exception of the following new accounting principles or amendments, the application of which is mandatory as of financial year 2015.

The year 2015 should see 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 should see the first-time application of the interpretation **IFRIC 21 – "Levies",** published by the IASB in May 2013, which applies to all levies except those outflows of resources that are within the scope of other standards and fines and 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 accounting for a liability to pay a levy if the liability is subject to IAS 37 as well as accounting for a liability to pay a levy the amount and timing of which are uncertain.

In particular, IFRIC 21 clarifies that:

- an entity recognises a liability for a levy when the event triggering payment, as identified by the legislation, takes place;
- a liability to pay a levy is recognised progressively only if the obligating event occurs over a period of time;

- if an obligation to pay a levy is triggered when a minimum threshold is reached, no liability is recognised before such minimum threshold is reached.

The application of the abovementioned new accounting rules didn't produce any significant impacts on these consolidated interim financial statements

Lastly, it should be noted that, with respect to the 2014 financial statements, the new concept of impaired assets adopted by the Bank of Italy in the 7th update of 20 January 2015 of Circular no. 272 "Accounting Matrix" applies as of this consolidated interim report, 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 group of categories corresponds to the aggregate of non-performing exposures in accordance with 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. 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.

2. Scope and methods of consolidation

Investments in subsidiaries

	Name	Headquarters	Registered Office	Type of relationship (*)	Ownershp Relationship		Available votes % (**)
					Held by	Shareholding %	
A	**Companies**						
A.0	BANCA MONTE DEI PASCHI DI SIENA S.p.A.	Siena	Siena				
	A.1 Companies consolidated on a line-by-line basis						
A.1	MPS CAPITAL SERVICES BANCA PER LE IMPRESE S.p.a.	Florence	Florence	1	A.0	99.921	
A.2	MPS LEASING E FACTORING BANCA PER I SERVIZI FINANZIARI ALLE IMPRESE S.p.a.	Siena	Siena	1	A.0	100.000	
A.3	MONTE PASCHI FIDUCIARIA S.p.a.	Siena	Siena	1	A.0	100.000	
A.4	CONSUM.IT S.p.a.	Calenzano (FI)	Calenzano (FI)	1	A.0	100.000	
A.5	WISE DIALOG BANK S.p.a. - WIDIBA	Milan	Milan	1	A.0	100.000	
A.6	MPS TENIMENTI POGGIO BONELLI E CHIGI SARACINI SOCIETA' AGRICOLA S.p.a.	Castelnuovo Berardenga (SI)	Castelnuovo Berardenga (SI)	1	A.0	100.000	
A.7	G.IMM ASTOR S.r.l.	Lecce	Lecce	1	A.0	52.000	
A.8	AIACE REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.9	ENEA REOCO S.r.l.	Siena	Siena	1	A.0	100.000	
A.10	CONSORZIO OPERATIVO GRUPPO MONTEPASCHI	Siena	Siena	1	A.0	99.760	99.910
					A.1	0.060	
					A.2	0.030	
					A.4	0.030	
					A.5	0.030	
A.11	PERIMETRO GESTIONI PROPRIETA' IMMOBILIARI S.c.p.a.	Siena	Siena	1	A.0	98.893	98.691
					A.1	0.120	0.142
					A.2	0.049	0.057
					A.3	0.012	0.014
					A.4	0.022	0.025
					A.10	0.905	1.072
A.12	MAGAZZINI GENERALI FIDUCIARI DI MANTOVA S.p.a.	Mantua	Mantua	1	A.0	100.000	
A.13	CO.E.M. COSTRUZIONI ECOLOGICHE MODERNE S.p.a.	Rome	Rome	4	A.0	40.197	
A.14	BANCA MONTE PASCHI BELGIO S.A.	Bruxelles	Bruxelles	1	A.0	99.900	100.000
					A.1	0.100	
A.15	MPS PREFERRED CAPITAL I LLC	New York	Delaware	1	A.0	100.000	
A.16	MPS PREFERRED CAPITAL II LLC	New York	Delaware	1	A.0	100.000	
A.17	MPS CAPITAL TRUST I	New York	Delaware	4			
A.18	MPS CAPITAL TRUST II	New York	Delaware	4			
A.19	MONTE PASCHI BANQUE S.A.	Paris	Paris	1	A.0	100.000	
19.1	MONTE PASCHI CONSEIL FRANCE SOCIETE PAR ACTIONS SEMPLIFIEE	Paris	Paris		A.19	100.000	
19.2	IMMOBILIERE VICTOR HUGO S.C.I.	Paris	Paris		A.19	100.000	
A.20	MONTEPASCHI LUXEMBOURG S.A.	Luxembourg	Luxembourg	1	A.0	99.200	100.000
					A.19	0.80	
A.21	ANTONVENETA CAPITAL L.L.C. I	New York	Delaware	1	A.0	100.00	
A.22	ANTONVENETA CAPITAL L.L.C. II	New York	Delaware	1	A.0	100.000	
A.23	ANTONVENETA CAPITAL TRUST I	New York	Delaware	1	A.0	100.000	
A.24	ANTONVENETA CAPITAL TRUST II	New York	Delaware	1	A.0	100.000	
A.25	MPS COVERED BOND S.r.l.	Conegliano (TV)	Conegliano (TV)	1	A.0	90.000	
A.26	MPS COVERED BOND 2 S.r.l.	Conegliano (TV)	Conegliano (TV)	1	A.0	90.000	
A.27	CIRENE FINANCE S.r.l.	Conegliano (TV)	Conegliano (TV)	1	A.0	60.000	
A.28	MANTEGNA FINANCE II S.r.l. (in liquidazione)	Conegliano (TV)	Conegliano (TV)	1	A.0	100.000	
A.29	CONSUM.IT SECURITISATION S.r.l.	Conegliano (TV)	Conegliano (TV)	1	A.0	100.000	
A.30	SIENA MORTGAGES 07-5 S.p.a.	Conegliano (TV)	Conegliano (TV)	4	A.0	7.000	
A.31	SIENA MORTGAGES 09-6 S.r.l.	Conegliano (TV)	Conegliano (TV)	4	A.0	7.000	
A.32	SIENA MORTGAGES 10-7 S.r.l.	Conegliano (TV)	Conegliano (TV)	4	A.0	7.000	
A.33	SIENA SME 11-1 S.r.l.	Conegliano (TV)	Conegliano (TV)	4	A.0	10.000	
A.34	SIENA LEASE 11-1 S.r.l.	Conegliano (TV)	Conegliano (TV)	1	A.0	100.000	
A.35	SIENA CONSUMER S.r.l.	Conegliano (TV)	Conegliano (TV)	4	A.0	10.000	
A.36	SIENA CONSUMER 2015 S.r.l.	Conegliano (TV)	Conegliano (TV)	4	A.0	10.000	
A.37	CASAFORTE S.r.l.	Rome	Rome	4	A.0		
A.38	PATAGONIA FINANCE S.A.	Luxembourg	Luxembourg	4	A.0		

(*) Type of relationship:
1 = majority of voting rights at ordinary shareholders' meetings
2 = dominant influence at ordinary shareholders' meetings
3 = agreements with other shareholders
4 = other forms of control
5 = unified management under art. 26.1. of Leg. Decree 87/92
6 = unified management under art. 26.2. of Leg. Decree 87/92
(**) Votes available in the ordinary shareholders' meeting, distinguishing between actual and potential

The consolidated interim report includes the balance sheet and income statement results of the Parent Company and its direct and indirect subsidiaries. In particular, the scope of consolidation, as specifically set out in the IAS/IFRS, includes all subsidiaries, irrespective of their legal status, of business activity pursued in sectors other than the Parent Company's core business, of their being going concerns or wound-up companies, or of whether the equity investment consists of a merchant banking transaction.

The scope of consolidation includes all types of entities, regardless of nature, for which the new concept of control introduced by IFRS 10 applies.

Structured entities are also consolidated when the requirement of actual control recurs, even if there is no stake in the entity.

For further information on the methods of consolidation, reference should be made to the Notes to the Full-Year 2014 Consolidated Financial Statements, Part A "Accounting Policies".

Siena Consumer 2015 S.r.l. was included in the scope of consolidation during the period.

3. Going concern

This consolidated interim report was prepared based on a going concern assumption.

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

In particular, the Comprehensive Assessment conducted by the ECB in 2014 revealed a capital shortfall of EUR 2.1 bn. The Parent Company is required to cover that shortfall within the 9 months subsequent to 26 October 2014 and once that amount is covered, to comply with the Total Capital and CET 1 target ratios of 10.9% and 10.2%, respectively. In order to create a buffer with respect to the required CET 1 threshold, the Parent Company's Board of Directors decided to propose a share capital increase for up to a maximum of EUR 3 billion to the Shareholders' Meeting.

In this regard, a pre-underwriting agreement was entered into with UBS and other banks who have committed to guaranteeing the subscription of any shares remaining unsubscribed at the end of the offering period, for up to a maximum of EUR 3 billion. The pre-underwriting agreement is valid until the 30 June 2015 and is subject to the terms and conditions that are typical of such transactions.

In addition to the capital strengthening measures, additional planned managerial actions will be taken to improve the effectiveness of the Restructuring Plan, with particular reference to the improvement of asset quality and productivity in order to accelerate the Parent Company's return to profitability. These measures will include specific initiatives such as further de-risking in the financial statements and pro-active management of doubtful loans (portfolio sales, reorganisation of processes and internal teams, commercial agreements/joint ventures with specialised platforms or operators).

Note also that on 14 April 2015 it has been reached an agreement concerning the sale of the 10.3% stake of BMPS in Anima Holding S.p.A. to Poste Italiane Spa. The total counter value amounts to 210 million of euro and is subject to a sale price adjustment mechanism in favour of Poste linked to the average market price of Anima shares and to some conditions precedent which deadline is 15 July 2015

For details of the activities carried out to resolve the qualitative issues raised in the AQR, please refer to the 2014 Financial Statements.

Finally it should be noted that on 16 April 2015, owing to the loss for the period, the Shareholders' Meeting approved a share capital decrease, on the basis of the provisions of art. 2446 of the Italian Civil Code. Due to this resolution, share capital has decreased from 12,484,206,649.80 Eur to 5,765,522,412.60.

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

In accordance with the IFRSs, management is required to formulate assessments, estimates and forecasts which may have an influence on the application of the accounting principles as well as on the amounts of assets/liabilities and costs/revenues recognised in the financial statements. Estimates and related forecasts are based on past experience or other factors deemed reasonable in the specific circumstances and were made to estimate the carrying value of assets and liabilities that cannot be easily inferred from other sources. In particular, estimates were used in support of the carrying amounts for the most significant items posted in the Consolidated Interim Report as at 31 March 2015, in accordance with the aforementioned accounting principles and regulatory provisions. Production of these estimates involves the use of available information and adoption of subjective assessments. By their nature, the estimates and assumptions utilised may vary from one period to another and, therefore, it cannot be ruled out that in subsequent periods the actual amounts stated in the accounts may differ, even to a significant extent, as a result of changes in subjective assessments made. These estimates and valuations are thus difficult and bring about inevitable elements of uncertainty, even in stable macroeconomic conditions.

As regards "structured long-term repo" transactions the adoption of the new accounting policy on the classification and valuation of receivables please refer to the 2014 Financial Statements.

Attached to these Interim Consolidated Financial Statements, are the pro-forma statements as at 31 March 2015, reporting the estimated effects that would have been determined if the Parent Company had classified the "long-term structured repos" as synthetic derivatives.

5. Events after the reporting period

Please refer to the appropriate section of the Interim Report on Operations

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 03 2015 (4)	Fair value at 31 03 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	991	976	52	-	52	-
Debt Securities	Trading	Loans to banks	45,958	44,163	-	378	6	301
Debt Securities	Trading	Loans to customers	151,141	144,048	620	1,603	342	645
Debt Securities	Available for sale	Loans to banks	711,774	567,889	47,848	41,885	797	41,960
Debt Securities	Available for sale	Loans to customers	234,844	216,400	13,342	1,712	569	1,629
	Total		**1,144,708**	**973,476**	**61,862**	**45,578**	**1,766**	**44,535**

.

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 03 2015							Type	Valuation technique(s)	Inputs used
	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging deivatives	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivativies			
								Bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflation Curves
Debt securities	363,476	-	360,405	X	-	1,225,870	X	Structured bonds	Discounted Cash Flow	Interest rate curve, CDS curve, Basi(yield), Inflatio n Curves + inputs necessary to measure optional component
								Bonds	Market price*	Market price*
								Share/Equity Instruments	Market price*	Market price*, recent transactions, appraisals, manager reports
Equity instruments	25	-	74,583	X	X	X	X	Equity Instruments	Discount cash flow	Share price, beta sector, free risk rate
								Equity Instruments	Net asset adjusted	Fair value asset
Units of UCITS	9,688	-	126,710	X	X	X	X	Funds/PE	Market price*	Market price*
Loans/Deposits	4,374,079	-	-	X	X	X	X	Repo Trade	Discontinued Cash flow	Interest rate curve
									Esternal Pricing/other methoc	Periodic repricing
Deposits	X	X	X	X	1,221,080	-	X	from banks		
					6,481,222	-		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	6,770,882	-	-	644,529	4,901,173	X	4,519,441	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,
								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	347,032	-	-	-	300,941	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	**11,865,182**	**-**	**561,698**	**644,529**	X	X	X			
Total liabilities	X	X	X	X	**12,904,416**	**1,225,870**	**4,519,441**			

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

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

Items	Fair value 31 03 2015			Type	Valuation technique(s)	Unobservable inputs	Range (weighted average)
	Financial assets held for trading	Financial assets available for sale	Financial liabilities held for trading				
Debt securities	-	104,034	-		Discounted Cash Flow	Liquidity base	4.5 multiplying factor; benchmark base
					Collateral valorization	Collateral Components	0 Eur/mln
Equity instruments	-	261,068	X	Equity Instruments	Discounted Cash Flow	Liquidity base/Equity Risk Premium/Beta	20%/>8%/>0.4
				Equity Instruments	Cost/Net Equity	Fair value asset	0 - 12.5 Eur/mln
Financial derivatives	480	X	3,862	Equity Exotic	Option Pricing Model	Risk Model - Smile dynamics	No dynamic/stochastic evolution
Units of UCITS	-	2,836		Side Pocket	External Pricing	NAV	0-1 Eur/mln
Total assets	480	367,938	X				
Total liabilities	X	X	3,862				

A.4.2 Measurement processes and sensitivity

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

The category “Debt securities”, with non-observable inputs represented by Cash Flow Bases, includes the Impregilo security (EUR 39.5 mln); the sensitivity of the position with respect to the non-observable parameter range is around EUR 0.2 mln.

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. During valuation, the intervals of the possible values that can be assigned to these parameters cause the following changes in value: roughly -EUR 10 mln for every 50 bps increase in the equity risk premium, around –EUR 45 mln for every 10% increase in the market beta and roughly –EUR 30 mln for every 10% increase in the cash flow base.

Equity securities valued at cost/equity include all investments designated at fair value which could not be measured according to a market based model. These positions amount to approx. EUR 73,5 mln.

The units of UCITS measured with External Pricing are Hedge Fund side pockets, whose price quotes by the asset management companies are deemed non-verifiable. For this reason, the sensitivity of these positions is considered to be equal to their entire book value (approx. EUR 3 mln).

The category of “Financial derivatives” include derivatives whose market value depends on non-observable inputs, particularly the volatility smile. Remeasuring these positions using models which treat the input differently, from “no volatility” (Black&Scholes) to “stochastic volatility” (Heston Model) results in a change in market value of EUR 0.1 mln .

A.4.3 Fair value hierarchy

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

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

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

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

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

Level 1

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

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

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

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

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

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, said instrument is classified based on the lowest level of input that is significant to the fair value measurement.

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

Level 2 inputs are as follows:

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

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

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

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

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

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

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

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

A.4.4 Other information

With reference to para. 93 lett. (i) of IFRS 13, the Group does not hold any non-financial assets designated at fair value on a recurring and non-recurring basis.

With reference to para. 96 of IFRS 13, the Group does not apply the portfolio exception provided for in para. 48 of IFRS 13.

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.

Asset and liabilities measured at fair value	31 03 2015				31 12 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Financial assets held for trading	7,944,969	11,865,182	480	19,810,631	5,890,827	11,037,478	483	16,928,788
2. Financial assets designated at fair value	-	-	-	-	-	-	-	-
3. Financial assets available for sale	20,495,860	561,698	367,938	21,425,496	21,808,377	677,308	361,897	22,847,582
4. Hedging derivative	-	644,529	-	644,529	-	612,957	-	612,957
5. Property, plant and equipment	-	-	-	-	-	-	-	-
6.Intangible assets	-	-	-	-				
Total	**28,440,829**	**13,071,409**	**368,418**	**41,880,656**	**27,699,204**	**12,327,743**	**362,380**	**40,389,327**
1. Financial liabilities held for trading	3,473,018	12,904,416	3,862	16,381,296	3,525,270	10,172,867	3,652	13,701,789
2. Financial liabilities designated at fair value	1,179,660	1,225,870	-	2,405,530	798,367	1,825,253	-	2,623,620
3. Hedging derivative	-	4,519,441	-	4,519,441	-	4,112,108	-	4,112,108
Total	**4,652,678**	**18,649,727**	**3,862**	**23,306,267**	**4,323,637**	**16,110,228**	**3,652**	**20,437,517**

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.

During the first quarter of 2015, 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 during the first quarter of 2015 was generally due to the deterioration in the liquidity conditions in the market for said securities. In terms of financial assets, this phenomenon concerned the bond securities of the subsidiary MPS Capital Services for a total of EUR 3.1 million; as regards financial liabilities the trend is instead linked to the bond securities issued by the Parent Company totalling EUR 54.5 million.

On the other hand, the transfer of some financial assets from fair value level 2 to fair value level 1, amounting to EUR 19.7 mln and EUR 201.3 mln in bond securities of the subsidiary MPS Capital Services S.p.A. and the Parent Company respectively. The same trend in financial liabilities concerned the bond securities issued by the Parent Company, totalling EUR 457.3 mln. The change in the fair value level in the first quarter of 2015 is linked essentially to the improvement in the securities' liquidity conditions (measured in terms of bid-ask spread of the listed price) which allowed this level transfer in accordance with the Group's policy on the valuation of financial instruments

As for OTC derivatives, in compliance with IFRS 13 the Group calculates adjustments to values, obtained through valuation models using risk-free interest rates, to take account of the creditworthiness of the individual counterparty. This adjustment, known as Credit Value Adjustment (CVA), is estimated for all positions in OTC derivatives with non-collateralized institutional and commercial counterparties and with counterparties having a Credit Support Annex (CSA) not in line with market standards.

The methodology is based on the calculation of expected operational loss linked to counterparty rating and estimated on a position's duration. The exposure includes future credit variations represented by add-ons.

Market-consistent probability measurements are employed in the calculation of CVAs in order to gauge market expectations resulting from CDS prices without, however, losing the historical information available within the Group.

As at 31 March 2015 the CVA had a negative balance of approx. EUR 208.2 mln.

The Group calculates the value adjustment of OTC derivatives in a mirror image fashion and on the same perimeter to take into account its creditworthiness, Debit Value Adjustment (DVA) at 31 March 2015 the DVA is positive and amounts to a total of EUR 9.1 mln.

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

3103 2015

	Financial assets held for trading	Financial assets designated at fair value	Financial assets available for sale	Hedging derivatives	Property, plants and equipments	Intangible assets
1. Opening balance	**483**	**-**	**361,897**	**-**	**-**	**-**
2. Increases	**25**	**-**	**8,299**	**-**	**-**	**-**
2.1 Issuances	-	-	12	-	-	-
2.2 Profit posted to:	25	-	2	-	-	-
2.2.1 Profit and Loss	25	-	-	-	-	-
- of which capital gains	25	-	-	-	-	-
2.2.2 Equity	X	X	2	-	-	-
2.3 Transfers from other levels	-	-	5,920	-	-	-
2.4 Other increases	-	-	2,365	-	-	-
3. Decreases	**28**	**-**	**2,258**	**-**	**-**	**-**
3.1 Sales	26	-	509	-	-	-
3.2 Redemptions	-	-	-	-	-	-
3.3 Losses posted to:	2	-	1,326	-	-	-
3.3.1 Profit and Loss	2	-	-	-	-	-
- of which capital losses	2	-	-	-	-	-
3.3.2 Equity	X	X	1,326	-	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other decreases	-	-	423	-	-	-
4. Closing balance	**480**	**-**	**367,938**	**-**	**-**	**-**

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

3103 2015

	Financial liabilities held for trading	Financial liabilities designated at fair value	Hedging derivatives
1. Opening balance	**3,652**	**-**	**-**
2. Increases	**381**	**-**	**-**
2.1 Issues	-	-	-
2.2 Losses posted to:	381	-	-
2.2.1 Profit and Loss	381	-	-
- of which capital losses	303	-	-
2.2.2 Equity	X	X	-
2.3 Transfers from othe levels	-	-	-
2.4 Other increases	-	-	-
3. Decreases	**171**	**-**	**-**
3.1 Redemptions	-	-	-
3.2 Repurchases	-	-	-
3.3 Profits posted to:	171	-	-
3.3.1 Profit and Loss	171	-	-
- of which capital gains	10	-	-
3.3.2 Equity	X	X	-
3.4 Transfers to other levels	-	-	-
3.5. Other decreases	-	-	-
4. Closing balance	**3,862**	**-**	**-**

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

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

Part B – Information on the consolidated balance sheet

ASSETS

LIABILITIES

ASSETS

Section 2 – Financial assets held for trading – Item 20

2.1 Financial assets held for trading: breakdown

Items/Amounts	Total 31 03 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	7,674,383	363,476	-	8,037,859	5,681,567	369,022	-	6,050,589
2. Equity instruments	57,320	25	-	57,345	57,778	24	-	57,802
3.Units of UCITS	4,441	9,688	-	14,129	1,343	3,788	26	5,157
4. Loans	-	4,374,079	-	4,374,079	-	3,722,187	-	3,722,187
Total (A)	**7,736,144**	**4,747,268**	**-**	**12,483,412**	**5,740,688**	**4,095,021**	**26**	**9,835,735**
B. Derivatives								
1. Financial derivatives:	208,825	6,770,882	480	6,980,187	150,139	6,416,227	457	6,566,823
2. Credit derivatives:	-	347,032	-	347,032	-	526,230	-	526,230
Total (B)	**208,825**	**7,117,914**	**480**	**7,327,219**	**150,139**	**6,942,457**	**457**	**7,093,053**
Total (A+B)	**7,944,969**	**11,865,182**	**480**	**19,810,631**	**5,890,827**	**11,037,478**	**483**	**16,928,788**

Section 4 - Financial assets available for sale – Item 40

4.1 Financial assets available for sale: breakdown

Items/Amounts	Total 31 03 2015				Total 31 12 2014			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
1. Debt securities	20,467,280	360,405	104,034	20,931,719	21,792,524	503,570	103,211	22,399,305
2. Equity instruments	28,209	74,583	261,068	363,860	15,493	53,970	255,553	325,016
3. Units of UCITS	371	126,710	2,836	129,917	360	119,768	3,133	123,261
4. Loans	-	-	-	-	-	-	-	-
Total	**20,495,860**	**561,698**	**367,938**	**21,425,496**	**21,808,377**	**677,308**	**361,897**	**22,847,582**

Section 6 – Loans to banks – Item 60

6.1 Loans to banks: breakdown

Type of transaction/Amount	Total 31 03 2015		Total 31 12 2014	
	Book value	Fair Value Total	Book value	Fair Value Total
A. Loans to central banks	**1,447,472**	**1,447,472**	**2,212,259**	**2,212,259**
1. Time deposits	17,000	x	17,000	x
2. Compulsory reserve	1,430,464	x	2,195,257	x
3. Reverse repurchase agreements	-	x	-	x
4. Others	8	x	2	x
B. Loans to banks	**6,408,197**	**6,151,331**	**5,510,494**	**5,327,959**
1. Loans	5,223,998	5,110,779	4,362,229	4,383,909
1.1 Current accounts and demand deposits	2,161,165	x	1,611,156	x
1.2 Time deposits	158,316	x	172,267	x
1.3 Other loans:	2,904,517	x	2,578,806	x
- Reverse repurchase agreements	353,088	x	235,620	x
- Finance leases	-	x	-	x
- Others	2,551,429	x	2,343,186	x
2. Debt securities	1,184,199	1,040,552	1,148,265	944,050
Total	**7,855,669**	**7,598,803**	**7,722,753**	**7,540,218**

Loans to banks include non-performing assets for a book value of EUR 26.4 mln; at 31 December 2014 the same item amounted to EUR 24.9 mln.

The portfolio of "Loans to banks" includes loans and deposits, in addition to the unrestricted part of the compulsory legal reserve with the Bank of Italy which, as at 31.03.2015, amounted to EUR 1,430.5 mln. In accordance with regulations on average maintenance levels, the end-of-period balance of the compulsory reserve may be subject to substantial changes in relation to the Group’s contingent cash flow requirements.

Section 7 – Loans to customers – Item 70

7.1 Loans to customers: breakdown

Type of transaction/Amount	31 03 2015				
	Book value				Fair value
	Performing	Non-performing		Total	Total
		Purchased	Others		
Loans	98,405,559	5,067	23,765,773	122,176,399	126,713,922
1. Current accounts	8,487,937	444	3,981,389	12,469,770	x
2. Repurchase agreements	7,667,288	-	-	7,667,288	x
3. Mortgages	55,031,345	4,520	14,179,438	69,215,303	x
4. Credit cards, personal loans and fifth-of-salary backed loans	1,804,445	-	199,637	2,004,082	x
5. Finance lease	3,382,615	-	1,090,901	4,473,516	x
6. Factoring	653,700	-	136,982	790,682	x
7. Other transactions	21,378,229	103	4,177,426	25,555,758	x
of which: leased assets under construction	*190,069*	-	*36,197*	*226,266*	*x*
Debt securities	960,965	-	1,685	962,650	997,581
Total	99,366,524	5,067	23,767,458	123,139,049	127,711,503

Line "2 Repurchase agreements" includes, with regard to the Nomura/Alexandria transaction, a repo facility of EUR 1,967.5 mln and line "7 Other transactions" includes EUR 2,3456.7 mln in cash collateral pledged in favour of the same counterparty for the interest rate swap and long term repo transactions.

Type of transaction/Amount	31 12 2014				
	Book value				Fair value
	Performing	Non-performing		Total	Total
		Purchased	Others		
Loans	95,491,272	5,108	23,137,296	118,633,676	122,767,190
1. Current accounts	8,745,368	444	3,878,539	12,624,351	x
2. Reverse agreements	4,142,181	-	-	4,142,181	x
3. Mortgages	55,327,874	4,561	13,896,953	69,229,388	x
4. Credit cards, personal loans and fifth-of-salary backed loans	2,026,735	-	202,106	2,228,841	x
5. Finance lease	3,521,485	-	1,030,701	4,552,186	x
6. Factoring	792,524	-	146,392	938,916	x
7. Other transactions	20,935,105	103	3,982,605	24,917,813	x
of which: leased assets under construction	*184,006*	-	*43,507*	*227,513*	*x*
Debt securities	1,041,822	-	634	1,042,456	1,065,214
Total	96,533,094	5,108	23,137,930	119,676,132	123,832,404

Section 10 – Equity investments – Item 100

10.1 Equity investments: information on shareholding

Company Name	Headquarters	Registered Office	Type of relationship	Ownership Relationship		Avail. % votes
				Held by	Shareholding %	
A. Companies under joint control						
Immobiliare Novoli S.p.a.	Firenze	Firenze	2	Banca Monte dei Paschi di Siena	50.000	-
Integra S.p.a.	Calenzano (FI)	Calenzano (FI)	2	Consum.it	50.000	-
Marinella S.p.a.	Marinella di Sarzana (SP)	Marinella di Sarzana (SP)	2	Banca Monte dei Paschi di Siena	25.000	-
B. Companies under significant influence						
Aereoporto di Siena S.p.a. (in liquidazione)	Milan	Milan	1	Banca Monte dei Paschi di Siena	21.380	-
Anima Holding S.p.a. *	Milan	Milan	1	Banca Monte dei Paschi di Siena	10.324	-
Antoniana Veneta Popolare Vita S.p.a.	Trieste	Trieste	1	Banca Monte dei Paschi di Siena	50.000	-
Axa Mps Assicurazioni Danni S.p.a.	Rome	Rome	1	Banca Monte dei Paschi di Siena	50.000	-
Axa Mps Assicurazioni Vita S.p.a.	Rome	Rome	1	Banca Monte dei Paschi di Siena	50.000	-
Casalboccone Roma S.p.a. (in liquidazione)	Siena	Siena	1	Banca Monte dei Paschi di Siena	21.750	33.675
EDI.B. S.p.a. (in liquidazione)	Gubbio (PG)	Gubbio (PG)	1	Banca Monte dei Paschi di Siena	18.052	-
Fabrica Immobiliare SGR S.p.a.	Rome	Rome	1	Banca Monte dei Paschi di Siena	49.990	-
Fenice Holding S.p.a.	Calenzano (FI)	Calenzano (FI)	1	Banca Monte dei Paschi di Siena	4.156	-
				MPS Capital Services S.p.a.	16.383	-
Fidi Toscana S.p.a.	Florence	Florence	1	Banca Monte dei Paschi di Siena	27.460	-
Fondo Etrusco distrib.	Rome	Rome	1	Banca Monte dei Paschi di Siena	48.000	-
Fondo Minibond PMI Italia	Conegliano (TV)	Conegliano (TV)	1	Banca Monte dei Paschi di Siena	77.820	-
Fondo Socrate	Rome	Rome	1	Banca Monte dei Paschi di Siena	23.140	-
Industria e Innovazione S.p.a.	Florence	Florence	1	Banca Monte dei Paschi di Siena	7.107	-
Intermonte SIM S.p.a.	Milan	Milan	1	Banca Monte dei Paschi di Siena	17.410	-
Interporto Toscano A.Vespucci S.p.a.	Milan	Milan	1	Banca Monte dei Paschi di Siena	21.819	-
			1	MPS Capital Services S.p.a.	19.002	-
				Banca Monte dei Paschi di Siena	20.000	-
Microcredito di Solidarietà S.p.a.	Siena	Siena	1	Banca Monte dei Paschi di Siena	40.000	-
Nuova Sorgenia Holding S.p.a.	Milano	Milano	1	Banca Monte dei Paschi di Siena	22.240	16.670
NewColle S.r.l.	Colle V.Elsa (SI)	Colle V.Elsa (SI)	1	Banca Monte dei Paschi di Siena	49.002	-
Realizzazioni e Bonifiche Arezzo S.p.a. (in liquidazione)	Milan	Milan	1	Banca Monte dei Paschi di Siena	19.584	-
Sansedoni Siena S.p.a.	Siena	Siena	1	Banca Monte dei Paschi di Siena	21.754	33.674
S.I.T. - Finanz.di Sviluppo per l'Inn. Tecnologica S.p.a.	Roma	Roma	1	Banca Monte dei Paschi di Siena	19.969	-
Terme di Chianciano S.p.a.	Rome	Rome	1	Banca Monte dei Paschi di Siena	20.351	-
			1	MPS Capital Services S.p.a.	28.993	-
				MPS Capital Services S.p.a.	33.333	-
S.I.C.I. Sviluppo Imprese Centro Italia SGR S.p.a.	Firenze	Firenze	1	MPS Capital Services S.p.a.	15.000	-

*As at 31.03.2015, the investment in Anima Holding S.p.a. was classified under non-current assets and group of assets held for sale and discontinued operations.

Equity investments in jointly controlled companies and companies under significant influence are valued at equity method. The column indicating the percentage of votes available is valued only in cases where the actual percentage of the votes that can be exercised at the ordinary shareholders' meetings does not correspond to the actual percentage of capital held in each company.

Section 12 - Property, plant and equipment - Item 120

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

Asset/Amount	Total	
	31 03 2015	31 12 2014
1. Assets owned	**2,319,768**	**2,347,154**
a) land	814,696	822,625
b) buildings	1,208,551	1,218,460
c) furniture and furnishings	160,923	162,643
d) electronic systems	80,185	87,661
e) other	55,413	55,765
2. Assets leased	-	-
a) land	-	-
b) buildings	-	-
c) furniture and furnishings	-	-
d) electronic systems	-	-
e) other	-	-
Total	**2,319,768**	**2,347,154**

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

Asset/Amount	31 03 2015		31 12 2014	
	Book value	Fair Value	Book value	Fair Value
		Total		Total
1. Assets owned	**388,818**	**423,512**	**439,929**	**473,686**
a) land	156,319	162,547	188,368	192,139
b) buildings	232,499	260,965	251,561	281,547
2. Assets leased	-	-	-	-
a) land	-	-	-	-
b) buildings	-	-	-	-
Total	**388,818**	**423,512**	**439,929**	**473,686**

Section 13 – Intangible assets – Item 130

13.1 Intangible assets: breakdown by type

Asset / Amount	31 03 2015			31 12 2014		
	Finite Life	Indefinite Life	Total	Finite Life	Indefinite Life	Total
A.1 Goodwill	**x**	**7,900**	**7,900**	**x**	**7,900**	**7,900**
A.1.1 group	x	7,900	7,900	x	7,900	7,900
A.1.2 minorities	x	-	-	x	-	-
A.2 Other intangible assets	**422,468**	**-**	**422,468**	**433,793**	**-**	**433,793**
A.2.1 Assets carried ad cost	422,468	-	422,468	433,793	-	433,793
a) internally generated intangible assets	81,823	-	81,823	82,092	-	82,092
b) other assets	340,645	-	340,645	351,701	-	351,701
A.2.2 Assets valued at fair value:	-	-	-	-	-	-
a) internally generated intangible assets	-	-	-	-	-	-
b) other assets	-	-	-	-	-	-
Total	**422,468**	**7,900**	**430,368**	**433,793**	**7,900**	**441,693**

All of the Group's intangible assets are valued at cost. All intangible assets recognised in the financial statements have a finite useful life, except for goodwill.

As at 31 March 2015, key qualitative and quantitative impairment indicators, based on both external and internal factors, were monitored to determine whether there were any indications of goodwill impairment. The test, which took account of developments in the macro-economic scenario, discount rates, measures contained in the Group Business Plan as well as financial projections, did not reveal any signs of potential losses in the value of goodwill.

LIABILITIES
Section 1 – Deposits from banks – Item 10

1.1 Deposits from banks: breakdown

Items/accounts	Total 31 03 2015	Total 31 12 2014
1. Deposits from central banks	**12,220,622**	**19,237,185**
2. Deposits from banks	**10,298,660**	**8,410,486**
2.1 Current accounts and demand deposits	854,097	1,211,262
2.2 Time deposits	247,003	58,386
2.3 Loans	7,251,795	4,913,424
2.3.1 Repurchase agreements	4,888,738	3,174,441
2.3.2 Other	2,363,057	1,738,983
2.4 Liabilities for commitments to repurchase own equity instruments	-	-
2.5 Other liabilities	1,945,765	2,227,414
Total	**22,519,282**	**27,647,671**
Total fair value	**22,538,034**	**27,669,943**

The line "Deposits from central banks" includes EUR 11,060 mln for refinancing operations carried out as part of Eurosystem financing, guaranteed by securities pledged by the Parent Company using the pooling mechanism.

Section 2 – Deposits from customers – Item 20

2.1 Deposits from customers: breakdown

Type of transaction/Amount	Total 31 03 2015	Total 31 12 2014
1. Current accounts and demand deposits	54,310,968	53,372,526
2. Time deposits	12,657,477	10,800,072
3. Loans	29,456,815	28,134,928
3.1 Repurchase agreements	21,068,832	21,158,341
3.2 Other	8,387,983	6,976,587
4. Liabilities for commitments to repurchase own equity instruments	-	-
5. Other liabilities	713,456	837,455
Total	**97,138,716**	**93,144,981**
Total fair value	**97,399,226**	**93,233,633**

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. The item includes the long-term repo transaction in the amount of EUR 3,347.2 mln (EUR 3,353.6 mln as at 31 December 2014) relating to the "Nomura" transaction.

Section 3 – Debt securities issued – Item 30

3.1 Debt securities issued: breakdown

Type of Securities/ Amounts	Total 31 03 2015		Total 31 12 2014	
	Book value	Fair value	Book value	Fair value
		Total		Total
A. Listed securities				
1. Bonds	30,284,422	30,073,506	28,782,395	28,767,860
2. Other securities	1,682,629	1,724,416	1,673,044	1,714,830
Total	**31,967,051**	**31,797,922**	**30,455,439**	**30,482,690**

The amount of EUR 1,682.6 mln recognised in line 2.2 "Other securities – Other" includes EUR 1,375.7 mln relating to the financial instruments issued by the Bank and subscribed to by the Ministry of Economy and Finance (MEF) under Law Decree 95/2012, converted by law 135 of 7 August 2012 ("New Financial Instruments").

Section 4 – Financial liabilities held for trading – Item 40

4.1 Financial liabilities held for trading: breakdown

Type of transaction/Group item	31 03 2015						31 12 2014					
	NV	Fair value				FV'	NV	Fair value				FV'
		Level 1	Level 2	Level 3	Total			Level 1	Level 2	Level 3	Total	
A. Balance-sheet liabilities												
1. Deposits from banks	3,143,810	2,384,211	1,221,080	-	3,605,291	14,013	2,722,770	1,634,836	1,338,753	-	2,973,589	2,973,589
2. Deposits from customers	7,415,637	1,087,339	6,481,222	-	7,568,561	-	5,432,324	1,879,940	3,885,978	-	5,765,918	5,765,917
3. Debt securities issued	-	-	-	-	-	-	-	-	-	-	-	-
3.1 Bonds	-	-	-	-	-	-	-	-	-	-	-	-
3.2 Other securities	-	-	-	-	-	-	-	-	-	-	-	-
Total A	**10,559,447**	**3,471,550**	**7,702,302**	**-**	**11,173,852**	**14,013**	**8,155,094**	**3,514,776**	**5,224,731**	**-**	**8,739,507**	**8,739,506**
B. Derivatives												
1. Financial derivatives	X	1,468	4,901,173	3,862	4,906,503	X	X	10,494	4,458,655	3,652	4,472,801	X
2. Credit derivatives	X	-	300,941	-	300,941	X	X	-	489,481	-	489,481	X
Total B	**X**	**1,468**	**5,202,114**	**3,862**	**5,207,444**	**X**	**X**	**10,494**	**4,948,136**	**3,652**	**4,962,282**	**X**
Total (A+B)	**10,559,447**	**3,473,018**	**12,904,416**	**3,862**	**16,381,296**	**14,013**	**8,155,094**	**3,525,270**	**10,172,867**	**3,652**	**13,701,789**	**8,739,506**

Legend:

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

Section 5 – Financial liabilities designated at fair value – Item 50

5.1 Financial liabilities designated at fair value: breakdown

Type of transaction / Amount	Total 31 03 2015					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	2,313,543	1,179,660	1,225,870	-	2,405,530	2,502,772
Total	**2,313,543**	**1,179,660**	**1,225,870**	**-**	**2,405,530**	**2,502,772**

Type of transaction / Amount	Total 31 12 2014					
	NV	FV				FV*
		Level 1	Level 2	Level 3	Total	
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	2,537,775	798,367	1,825,253	-	2,623,620	2,737,137
Total	**2,537,775**	**798,367**	**1,825,253**	**-**	**2,623,620**	**2,737,137**

Legend:
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

Section 12 – Provisions for risks and charges – Item 120

12.1 Provisions for risks and charges: breakdown

Item/Amount	Total 31 03 2015	Total 31 12 2014
1. Pensions and other post retirement benefit obligations	52,111	65,915
2. Other provisions for risks and charges	1,103,653	1,085,134
2.1 legal disputes	431,446	424,495
2.2 personnel charges	53,359	56,247
2.3 other	618,848	604,392
Total	**1,155,764**	**1,151,049**

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

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

Item/Type		31 03 2015	31 12 2014
		Ordinary	Ordinary
A.	**Shares outstanding as at the beginning of the year**	**5,116,513,875**	**11,681,539,706**
	- fully paid	5,116,513,875	11,681,539,706
	- not fully paid	-	-
A.1	Treasury shares (-)	9	54,495,378
A.2	**Shares outstanding: opening balance**	**5,116,513,866**	**11,627,044,328**
B.	**Increases**	**-**	**5,000,243,422**
B.1	New issuances	-	4,999,698,478
	- Against payment:	-	4,999,698,478
	- Business combinations	-	-
	- Bond converted	-	-
	- warrants exercised	-	-
	- other	-	4,999,698,478
	- without payment:	-	-
	- to employees	-	-
	- to directors	-	-
	- other	-	-
B.2	Sale of treasury shares	-	544,944
B.3	Other increases	-	-
C.	**Decreases**	**-**	**11,510,773,884**
C.1	Cancellation	-	-
C.2	Purchase of treasury shares	-	-
C.3	Business transferred	-	-
C.4	Other decreases	-	11,510,773,884
D.	**Shares outstanding: closing balance**	**5,116,513,866**	**5,116,513,866**
D.1	Treasury shares (+)	9	9
D.2	Shares outstanding as at the end of the year	5,116,513,875	5,116,513,875
	- fully paid	5,116,513,875	5,116,513,875
	- not fully paid	-	-

Line B.1 “New issues” for the year 2014 refers to the new shares subscribed pursuant to the resolution for a capital increase by the Extraordinary Shareholders’ Meeting of 21 May 2014

Line C.4 “Other decreases” for the year 2014 includes the recalculation of existing shares at the start of the period and treasury shares following the reverse split of the Parent Company’s ordinary shares at a ratio of 1 new ordinary share to 100 treasury shares that was carried out on 5 May 2014, pursuant to the resolution issued by the Extraordinary Shareholders Meeting of Banca Monte dei Paschi di Siena S.p.A. held on 28 December 2013.

Share capital consists of 5,116,513,875 ordinary shares.

Section 16 – Non-controlling interests - Item 210

16.1 Details of item 210 "Non-controlling interests"

Company name	31 03 2015	31 12 2014
Equity investments in consolidated companies with significant non-controlling interests	-	-
Other equity investments	24,109	23,625
Total	**24,109**	**23,625**

Part C – Information on the consolidated income statement

Section 1 – Interest income/expense and similar revenues/charges – Items 10 and 20

1.1 Interest income and similar revenues: breakdown

Item/Type	Debt securities	Loans	Other transactions	Total 31 03 2015	Total 31 03 2014
1. Financial assets held for trading	18,690	(278)	12,181	30,593	58,736
2. Financial assets designate at fair value	-	-	-	-	-
3. Financial assets available for sale	125,296	-	-	125,296	173,106
4. Financial assets held to maturity	-	-	-	-	-
5. Loans to banks	5,778	4,822	-	10,600	12,119
6. Loans to customers	10,164	944,079	-	954,243	1,153,891
7. Hedging derivatives	X	X	-	-	-
8. Other assets	X	X	1,839	1,839	2,118
Total	**159,928**	**948,623**	**14,020**	**1,122,571**	**1,399,970**

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

1.4 Interest expense and similar charges: breakdown

Item/Type	Deposits	Secuties	Other transactions	Total 31 03 2015	Total 31 03 2014
1. Deposits from central banks	(3,790)	X	-	(3,790)	(18,433)
2 Deposits from banks	(29,198)	X	-	(29,198)	(39,105)
3. Deposits from customers	(137,197)	X	-	(137,197)	(218,224)
4. Debt securities issued	X	(275,934)	-	(275,934)	(522,831)
5. Financial liabilities held for trading	(994)	-	(1,375)	(2,369)	(4,858)
6. Financial liabilities designated at fair value	-	(18,732)	-	(18,732)	(53,350)
7. Other liabilities	X	X	(2,768)	(2,768)	(1,423)
8. Hedging derivatives	X	X	(52,905)	(52,905)	(103,078)
Total	**(171,179)**	**(294,666)**	**(57,048)**	**(522,893)**	**(961,302)**

It should be noted that the aggregate as at 31 March 2014 includes, for an amount of EUR 142.6 million, the change in the estimate due to the application of a clause contained in the issue statement resulting from the partial disposal of the shareholding held by Fondazione Monte dei Paschi di Siena in the Parent Company and relating to future disbursements connected with the reimbursement of New Financial Instruments issued by the Parent Company and subscribed by MEF (Ministry of Economy and Finance) on 28 February 2013.

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

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

2.1 Fee and commission income: breakdown

Type of service / Amount	Total 31 03 2015	Total 31 03 2014
a) guarantees issued	22,021	21,902
b) credit derivatives	-	-
c) management, brokerage and advisory services:	236,337	228,085
1. trading of financial instruments	8,636	3,964
2. currency trading	1,335	1,347
3. asset management	14,019	13,106
3.1 individual accounts	14,019	13,106
3.2. collective investment schemes	-	-
4. custody and administration of securities	2,291	2,673
5. custodian bank	-	-
6. placement of securities	4,885	4,363
7. client instructions	17,137	16,230
8. advisory on	890	734
8.1 investments	890	734
8.2 financial structure	-	-
9. distribution of third-party services	187,144	185,668
9.1. asset management	-	-
9.1.1 individual accounts	-	-
9.1.2 collective investment schemes	-	-
9.2 insurance products	61,774	68,471
9.3 other products	125,370	117,197
d) collection and payment services	56,808	57,350
e) servicing of securitisations	66	155
f) factoring transaction services	2,848	3,484
g) tax collection services	-	-
h) management of multilateral trade systems	-	-
i) current account keeping	134,001	147,979
j) other services	81,378	71,729
Total	533,459	530,684

2.2 Fee and commission expense: breakdown

Type of service / Amount	Total 31 03 2015	Total 31 03 2014
a) guarantees received	(18,229)	(25,850)
b) credit derivatives	-	-
c) management, brokerage and advisory services:	(24,025)	(27,745)
1. trading of financial instruments	(5,540)	(5,903)
2. currency trading	(20)	(16)
3. asset management:	(371)	(7)
3.1 own portfolio	(1)	(3)
3.2 third-party portfolios	(370)	(4)
4. custody an administration of securities	(1,813)	(2,881)
5. placement of financial instruments	(229)	-
6. off-site marketing of financial instruments, products and services	(16,052)	(18,938)
d) collection and payment services	(19,290)	(18,254)
e) other services	(28,941)	(13,639)
Total	**(90,485)**	**(85,488)**

Line "a) guarantees received" includes EUR 17.6 mln of fees and commissions paid by the Parent Company for the guarantee pledged by the Italian Government on certain bond issuances and simultaneously repurchased to be used in financing transactions as part of Eurosystem financing.

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 03 2015			31 03 2014		
	Dividends	Income from units of UCITS	Total	Dividends	Income from units of UCITS	Total
A. Financial assets held for trading	90	2	92	226	11	237
B. Financial assets available for sale	38	3,280	3,318	1,977	-	1,977
C. Financial assets designated at fair value	-	-	-	-	-	-
D. Investments	-	-	-	-	-	-
Total	**128**	**3,282**	**3,410**	**2,203**	**11**	**2,214**

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

4.1 Net profit (loss) from trading: breakdown

Transactions / P&L items	Unrealized Profits (A)	Trading Profits (B)	Unrealized Losses (C)	Trading Losses (D)	31 03 2015 Net Profit (Loss) (A + B)-(C + D)	31 03 2014 Net Profit (Loss)
1. Financial assets held for trading	**78,549**	**96,944**	**(15,257)**	**(25,507)**	**134,729**	**189,650**
1.1 Debt securities	75,646	91,167	(14,295)	(23,951)	128,567	180,170
1.2 Equity instruments	2,845	2,886	(539)	(881)	4,311	6,397
1.3 Units of UCITS	58	254	(423)	(106)	(217)	947
1.4 Loans	-	-	-	-	-	478
1.5 Other	-	2,637	-	(569)	2,068	1,658
2. Financial liabilities held for trading	**838**	**13,995**	**(53,415)**	**(14,171)**	**(52,753)**	**(93,147)**
2.1 Debt securities	756	13,995	(44,825)	(13,636)	(43,710)	(89,822)
2.2 Deposits	-	-	-	-	-	-
2.3 Other	82	-	(8,590)	(535)	(9,043)	(3,325)
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	10,837	6,315
4. Derivatives	**1,215,142**	**2,331,631**	**(1,153,021)**	**(2,425,262)**	**(29,385)**	**(61,201)**
4.1 Financial derivatives:	1,103,260	1,798,889	(1,068,138)	(1,889,132)	(52,996)	(83,197)
- on debt securities and interest rates	685,814	1,229,797	(632,670)	(1,204,659)	78,282	(125,975)
- on equity instruments and stock indices	386,424	420,986	(341,870)	(551,360)	(85,820)	(142,007)
- on currency and gold	X	X	X	X	2,125	20,275
- other	31,022	148,106	(93,598)	(133,113)	(47,583)	164,510
4.2 Credit derivatives	111,882	532,742	(84,883)	(536,130)	23,611	21,996
Total	**1,294,529**	**2,442,570**	**(1,221,693)**	**(2,464,940)**	**63,428**	**41,617**

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

6.1 Gains (losses) on disposal / repurchase: breakdown

Items / P&L items	Total 31 03 2015			Total 31 03 2014		
	Gains	Losses	Net Profit (Loss)	Gains	Losses	Net Profit (Loss)
Financial assets						
1. Loans to banks	-	(66)	(66)	87	(457)	(370)
2. Loans to customers	672	(2,537)	(1,865)	1,426	(1,157)	269
3. Financial assets available for sale	134,837	(8,060)	126,777	66,424	(19,121)	47,303
3.1 Debt securities issued	134,823	(8,060)	126,763	43,041	(18,752)	24,289
3.2 Equity instruments	-	-	-	23,274	(5)	23,269
3.3 Units of UCITS	14	-	14	109	(364)	(255)
3.4 Loans	-	-	-	-	-	-
4. Financial assets held to maturity	-	-	-	-	-	-
Total assets	**135,509**	**(10,663)**	**124,846**	**67,937**	**(20,735)**	**47,202**
Financial liabilities						
1. Deposits from banks	-	-	-	-	-	-
2. Deposits from customers	-	-	-	-	-	-
3. Debt securities issued	41	(2,651)	(2,610)	910	(1,104)	(194)
Total liabilities	**41**	**(2,651)**	**(2,610)**	**910**	**(1,104)**	**(194)**

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

Section 7 – Net profit (loss) from financial assets and liabilities designated at fair value – Item 110

7.1 Net changes in financial assets and liabilities designated at fair value: breakdown

Transaction/P&L items	Unrealized profits (A)	Realized profits (B)	Unrealized Losses (C)	Realized losses (D)	31 03 2015 Net Profit (A+B)-(C+D)	31 03 2014 Net Profit (A+B)-(C+D)
1. Financial assets	-	-	-	-	-	
2. Financial liabilities	9,415	839	(32,309)	(2,751)	(24,806)	(45,620)
3. Financial assets and liabilities	X	X	X	X	50	-
4. Credit and financial derivatives	28,081	37,866	(22,584)	(35,887)	7,476	(113)
Total	**37,496**	**38,705**	**(54,893)**	**(38,638)**	**(17,280)**	**(45,733)**

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

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

8.1 Net impairment losses (reversals) on loans: breakdown

Transaction/P&L items	Total 31 12 2014	Total 31 03 2014
A. Loans to banks	(1,344)	10,989
- Loans	(1,177)	(1,166)
- Debt securities	(167)	12,155
B. Loans to customers	(466,879)	(487,549)
Non performing loans purchased	(188)	(54,427)
- Loans	(188)	(54,427)
- Debt securities	-	-
Other receivables	(466,691)	(433,122)
- Loans	(466,005)	(433,105)
- Debt securities	(686)	(17)
C. Total	**(468,223)**	**(476,560)**

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

Section 11 – Administrative expenses – Item 180

11.1 Personnel expenses: breakdown

Type of Expense / Area	Total 31 03 2015	Total 31 03 2014
1. Employees	(415,676)	(426,648)
a) wages and salaries	(302,336)	(307,952)
b) social-welfare charges	(82,163)	(84,559)
c) severance pay	(10,823)	(10,856)
d) social security expenses	-	-
e) provision for staff severance pay	(2,063)	(2,396)
f) pension fund and similar obligations:	(310)	(303)
- defined contribution	(93)	(90)
- defined benefit	(217)	(213)
g) contributions to external pension funds:	(4,536)	(4,439)
- defined contribution	(3,920)	(3,993)
- defined benefit	(616)	(446)
h) costs related to share-based payments	-	-
i) other employee benefits	(13,445)	(16,143)
2. Other staff	(407)	(428)
3. Directors and Statutory Auditors	(893)	(1,340)
4. Retired personnel	(2,637)	(2,045)
Total	**(419,613)**	**(430,461)**

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

11.5 Other administrative expenses: breakdown

Items/Amounts	31 03 2015	31 03 2014
Stamp duties	(60,749)	(53,120)
Indirect taxes and duties	(9,802)	(8,412)
Municipal real estate property tax	(6,088)	(6,068)
Subscription and purchase of publications	(143)	(109)
Property rentals	(28,159)	(28,486)
Cleaning service contracts	(4,014)	(3,918)
Insurance	(6,195)	(3,683)
Rentals	(26,414)	(29,693)
Remuneration of external professionals	(24,893)	(15,661)
Third-party data processing	(17,813)	(12,311)
Title searches and land registry surveys	(763)	(869)
Lease of equipment	(9,879)	(14,983)
Utilities	(11,349)	(11,254)
Maintenance of movable and immovable properties (used in the business)	(6,109)	(6,712)
Data transmission rental	(3,847)	(5,287)
Postage	(7,845)	(9,580)
Advertising, sponsorships and promotions	(4,478)	(2,006)
Membership dues	(1,896)	(1,984)
Reimbursement of employee car and travel expenses	(2,206)	(2,202)
Security services	(5,116)	(8,116)
Software	(13,548)	(9,952)
Corporate entertainment expenses	(562)	(173)
Expenses for non-rented investment real estate	(82)	(90)
Printing and stationery	(2,420)	(2,077)
Telephone, telefax and telegraph	(1,202)	(1,486)
Transportation	(7,237)	(8,358)
Sundry occupancy expenses and refunds for release of immovable property used in the business	(1,718)	(1,752)
Others	(11,478)	(11,488)
Total	**(276,005)**	**(259,830)**

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

Section 12 – Net provisions for risks and charges – Item 190

12.1 Net provisions for risks and charges: breakdown

Items/Amounts	31 03 2015				31 03 2014			
	Legal disputes	Personnel costs	Others	Total	Legal disputes	Personnel costs	Others	Total
Provisions for the year	(19,976)	(1,854)	(50,335)	(72,165)	(26,508)	(1,930)	(54,691)	(83,129)
Write-backs	10,325	2,837	29,200	42,362	6,320	774	21,532	28,626
Total	**(9,651)**	**983**	**(21,135)**	**(29,803)**	**(20,188)**	**(1,156)**	**(33,159)**	**(54,503)**

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

15.1 Other operating expenses

Items/Amounts	Total 31 03 2015	Total 31 03 2014
Costs of robberies	(1,497)	(1,078)
Write-downs on improvements of third-party goods recognized as "Other Assets"	(2,851)	(3,009)
Other expenses on real estate (real estate inventory)	-	-
Cost of financial lease transactions	(2,378)	(3,263)
Expenses from reassessment of market rental value "Chianti transaction"	-	-
Other	(17,633)	(47,225)
Total	**(24,359)**	**(54,575)**

15.2 Other operating income: breakdown

Items/Amounts	Total 31 03 2015	Total 31 03 2014
Rents from investment real estate	6,892	8,847
Other revenues from real estate (real estate inventory)	395	208
Recovery of taxes	62,788	52,493
Recovery of insurance premiums	2,560	2,354
Income from financial lease transaction	969	1,952
Other	42,615	67,296
Total	**116,219**	**133,150**

Section 20 – Tax expense (recovery) on income from continuing operations – Item 290

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

P&L items/Sectors	Total	
	31 03 2015	31 03 2014
1. Current tax (-)	(7,591)	(39,809)
2. Adjustments to current tax of prior years (+/-)	(18,820)	(8,552)
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	112,494	-
4. Changes in prepaid taxes (+/-)	(176,733)	90,905
5. Changes in deferred taxes (+/-)	52,637	515
6. Tax expense for the year (-) (-1+/-2+3+3bis+/-4+/-5)	**(38,013)**	**43,059**

Item 290 "Tax expense on income" includes an extraordinary charge of EUR 22 mln due to the unsuccessful outcome of an appeal application submitted by the Parent Company to the Revenue Agency pursuant to art. 11, Italian Law no. 212 of 27/07/2000.

The appeal application, notified on 21 April 2015, concerned the deductibility of certain costs relating to the 2008 tax period, presented by the Parent Company in its financial statements as at 31 December 2013 as a correction of accounting errors, in compliance with IAS 8, using the procedure set forth in Circular no. 31/E of 24/09/2013 of the Revenue Agency for the deduction of costs pertaining to previous years. The correction of errors was made necessary as a result of the in-depth analyses performed by the Supervisory Authorities in 2013 regarding the transaction carried out by BMPS known as FRESH 2008, in relation to which, it emerged that the Bank should have recognised higher costs for interest expenses in its income statements for the years 2008-2011, in place of the original recognition of negative components as a direct contra-entry to shareholders' equity (see BMPS 2013 Financial Statements – Notes to the Financial Statements, page 535). The Bank, with reference to the interest expense for the 2008 tax period, deemed it necessary to submit an appeal application in order to clear up any doubt regarding the applicability of the procedure set forth in the aforementioned Ministerial Circular no. 31/E of 2013 for the deduction of costs pertaining to previous years also to tax periods for which the ordinary assessment deadline has expired, but in respect of which, the tax assessment term doubled as a result of violations that involve a renunciation obligation pursuant to art. 331 of the Italian Code of Criminal Procedure for one of the offences envisaged by Italian Legislative Decree no. 74 of 10 March 2000 has still not expired.

The Revenue Agency's response, notified to the Bank on 21/4/2015, recognised the applicability of the procedure set out in Ministerial Circular no. 31/E of 2013 only to tax periods for which the ordinary assessment deadline has not expired.

Part E – Information on risks and hedging policies

Note: Public Disclosure (Basel III Pillar) is published on the Group's website: www.mps.it/Investor+Relations.

Foreword

A summary of the organisation of the Montepaschi Group's risk governance and the related processes and key functions is described below. A description of the risk integration model and an Economic Capital analysis as at 31 03 2015 is also provided.

For more detailed information on the bank's Risk Governance and risk culture, please refer to the content of the Section "Group profile and business model – Governance and control systems" of the Consolidate Report on Operations.

Risk governance system

The risk governance system adopted by the Group is characterised by a clear-cut distinction of roles and responsibilities of the different functions at first, second and third levels of control.

Policies relating to the assumption, management, coverage, monitoring and control of risks are defined by the statutory bodies of the Parent Company. In particular:

- The Parent Company Board of Directors defines and approves strategic guidelines and risk management policies and, at least once a year, quantitatively expresses the Group's overall risk appetite in terms of economic capital;
- The Board of Statutory Auditors and the Control and Risk Committee evaluate the level of efficiency and adequacy of the internal control system, with particular regard to risk control;
- The CEO/General Management is responsible for ensuring compliance with risk policies and procedures.
- The Director in charge of the internal control and risk management system, appointed in compliance with the Corporate Governance Code for listed companies, is responsible for creating and maintaining an effective system of internal control and risk management.

Specific management committees responsible for risk issues have been established in order to promote efficiency and flexibility in the decision-making process and facilitate interactions between the various company departments involved.

- the Risk Committee establishes Risk Management policies and ensures overall compliance with the limits defined for the various operating levels; proposes the allocation of capital to be submitted to the Board of Directors for approval; evaluates the risk profile reached and therefore the capital consumption (Regulatory and Economic) at both Group level and for each individual company of the Group; analyses risk-return performance indicators.
- the Finance and Liquidity Committee formulates the principles and strategic guidelines relating to proprietary finance; it resolves upon and submits proposals regarding exposure to interest rate and liquidity risk in the banking book and defines capital management actions.
- the Credit, Credit Policies and Credit Assessment Committee formulates policies in relation to credit processes and formulates an opinion, at least once per year, on credit policies by verifying their commercial sustainability and consistency with risk appetite levels; approves, at last annually, company policies pertaining to credit assessment, including for the purposes of subsequently reporting these in the financial statements.

As part of the internal control system, third-level controls are carried out by the Internal Audit Area, second-level controls by the Risk Management Division and first-level controls by the Business Control Units (BCUs).

- The Internal Audit Area performs an independent and objective "assurance" and advising activity, aimed both at monitoring operations compliance and risk trends (including through on-site audits) as well as assessing the efficiency of the overall internal control system in order to improve the effectiveness and efficiency of the organisation.
- The Risk Division, which reports directly to the CEO, includes a risk management department, a compliance department, an anti-money laundering department and an internal approval department. This Division therefore has the following tasks:

- guarantee the overall functioning of the risk management system;
- verify capital adequacy as part of the ICAAP process and the Risk Appetite Framework (RAF), as well as ensure that significant transactions are consistent with the RAF;
- define strategic policies for the loan portfolio;
- perform the compliance and anti-money laundering duties envisaged in governing regulation;
- ensures the necessary reporting flows to the Group’s Top Management and Governance bodies.

Specifically, within the Risk Division:

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

- The outlying BCUs operating within the subsidiaries or main business areas, carry out compliance checks on the transactions for which they are responsible and are the first level of organisational supervision of transactions within the broader internal control system.

Requirements of autonomy and independence of the Risk Division

Autonomy and independence are ensured by mechanisms facilitating relations and functional links with the Corporate Bodies having strategic supervision, management and control functions.

In particular, the Board of Directors appoints and removes the Head of the Parent Company's Risk Division, upon proposal by the Audit and Risk Committee, with the assistance of the Appointments and Remuneration Committee, having consulted the Board of Statutory Auditors.

The remuneration of the Head of the Parent Company's Risk Division is determined and approved by the Board of Directors upon proposal by the Appointments and Remuneration Committee, having heard the opinion of the Audit and Risk Committee, having consulted the Board of Statutory Auditors.

Activities relating to the international Regulatory framework

- Pillar 1: since 2008, the Group has used internal models validated by the Bank of Italy for the measurement and management of credit risk (AIRB - Advanced Internal Rating Based) and operational risk (AMA - Advanced Measurement Approach). Over time, and in collaboration with the Supervisory Authorities, these models have been further enhanced and their scope of application extended to Group entities not originally included in the initial validation scope.
- Pillar 2: during the year, the internal managerial models were further enhanced and certain actions were taken to improve the Group’s Internal Capital Adequacy Assessment Process (ICAAP), which was disclosed to the Bank of Italy as required. In particular going on the efforts to ensure compliance with the new framework Supervisory Review and Evaluation Process (SREP).
- Pillar 3: public disclosure is provided on a quarterly basis through the Group’s internet site www.mps.it/Investor+Relations and is continuously updated in accordance with regulatory developments.

An analysis of the Group's Economic Capital

The Overall Economic Capital (or Overall Absorbed Capital) is the minimum amount of capital resources required to cover economic losses resulting from unforeseen events caused by the simultaneous exposure to different types of risk.

The main types of risks incurred by the Montepaschi Groups in its day-to-day operations can be summarily described as follows:

- Credit risk (including concentration risk);
- Counterparty risk;
- Issuer risk;
- Trading book market risk;
- Banking book interest rate risk (Asset & Liability Management - ALM);
- Liquidity risk;
- Equity investment portfolio risk;
- UCITS risk;
- operational risk;
- business risk;
- real estate risk;
- reputational risk.

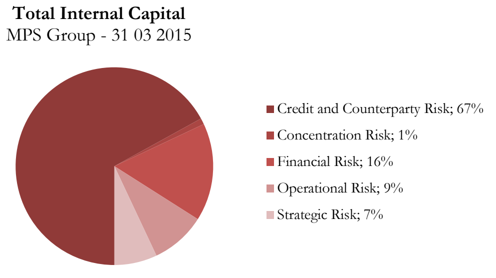
Risks inherent in investment products/services for the Group's customers are also monitored, to protect the customer and preventing any potential repercussions in terms of reputation.

All of the types of risk mentioned above are involved in quantifying the overall Economic Capital, with the exception of liquidity and reputational risk that, instead, are mitigated through organisational policies and processes.

Risk assessment models

The Risk Management Area regularly quantifies the Group's Internal Capital for each type of risk and periodically reports these to the Risk Committee and Governing Bodies as part of the reporting flows prepared by the Risk Division.
In the first quarter of 2015, some significant changes were introduced to the methods of estimating Internal Capital. The main one consists of the move from a Pillar 2 approach to one known in the literature as "Pillar 1 Plus". In essence, the Pillar 1 regulatory requirements for Credit and Counterparty Risk and for Operational Risk, which already include the requirements relating to Issuer Risk on the Banking Portfolio (BP), Investment Risk and Real Estate Risk, are increased by the requirements from internal models relating to Market Risks, Banking Book Interest Rate Risk, Concentration Risk and Strategic Risk.

Overall Internal Capital is calculated prudentially without considering the inter-risk diversification, by directly adding together the contributions of the individual risks. This approach tends to incorporate the indications in the SREP (Supervisory Review and Evaluation) Guidelines document published by the EBA in December 2014. The guidelines are targeted at Supervisory Bodies; however, they already indirectly offer interesting food for thought for the individual supervised banks too.



Section 1 – Risks of the banking group

1.1 Banking group - Credit risk

Qualitative information

1.1.1 General aspects

Within the guidelines of the Business Plan approved by the Board of Directors of the Parent Company, and in line with the evolution of the supervisory regulatory framework, the Group pursues the priority objective of improving the quality of the managed loan book and consequently reducing the cost of credit.

The Group's credit activity is managed with a view to monitoring risk and enhancing growth opportunities, through the development of credit policies and systems aimed at making the most of trend data in connection with individual borrowers, against a background of in-depth knowledge and strategic management of positions.

1.1.2 Credit risk management policies

Organisational aspects

As its distinctive mission, the Credit Division performs activities of credit risk taking and operational monitoring of credit quality, giving guidance and support to the network in credit activities, monitoring trends in the cost of credit and ensuring coverage of the Group's major risks and financial restructuring transactions. It also supervises the overall distressed debt portfolio, defining and implementing its management policies and optimizing its performance (times, costs and results) in terms of collection of doubtful loans and loans in arrears.

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

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

In the first quarter of 2015, the contents of the restructuring of the Credit Division resolved by the Board of Directors at the end of 2014 were rolled out to the Bank's structures. The objective of this initiative is to improve supervision by the general management of the most problematic loans, for a more effective and efficient management and collection of these debts.

The reorganisation resulted in a different allocation of activities among the 4 areas of the Credit Division; conversely, the responsibilities of the Staff that provides administrative support to the Deputy General Manager, Head of Credit, and facilitates the handling of cross-divisional matters, remain unchanged.

The Loan Disbursement Area is responsible for loan disbursement, monitors significant loan risks and manages country risk.

The Restructured Loans Area manages problem loans that require the implementation of restructuring actions. Particular focus was given to the operational consequences of the new debt crisis solution tools for companies introduced by recent bankruptcy law amendments.

The Distressed Credit Risk and Debt Collection Area directly manages doubtful loans and substandard loans. Its “mission” is to maximise results from debt collection activities using both traditional debt collection methodologies (legal action and external companies for mass debt collection on small-ticket receivables) and more advanced methods connected with portfolio disposals or using companies specialised in debt collection.

The Area is the reference point for debt collection in any phase of the exposure's life cycle, regardless of the classification of the position.

The Specialised Credit Services Area provides services to the credit supply chain to ensure operational continuity. Responsibilities for supervising the quality of the bank's loan portfolio have been transferred to this Area during the quarter. In particular, as part of the new classification process which was designed to acknowledge developments in supervisory legislation (update dated 20 January of Bank of Italy Circular "272 Matrice dei Conti" ('*Accounting Matrix*')), the Area has the job of verifying the proper implementation of the process and, subsequently, the prompt classification of counterparties.

The first quarter saw the consolidation of the new operating model of the Bank's eight loan chain Regional Areas implemented in 2014. The new organisational structure improved both the interactions of Regional Area credit structures, with the branch network and with the general management. The model is guaranteeing greater coverage of the credit quality objectives and a reduction in the average response times to customers' loan applications. Furthermore, the transfer of the responsibility for substandard counterpart risk management from the commercial manager, who operates at the branch, to a specialist based at the Regional Area made it possible, on the one hand, for commercial managers to have more time to assist the best customers and, on the other, to assign the management of the counterparties which present different problems from ordinary counterparties to specialists.

Credit quality, which is determined in accordance with Supervisory guidance, is constantly monitored by central and outer units.

Management, measurement and control systems

Starting in 2008, statistical models aimed at creating the Internal Rating Model and rating assignment processes were authorised by the Supervisory Authority for the calculation of capital requirements using the Advanced IRB approach (AIRB).

The prudential regulation 'Basilea 2' requires the Parent Company to adopt the following credit risk measures needed to calculate regulatory capital (AIRB approach): Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The new methodology with the greatest impact on risk measurements is "Probability of Default", which is a reflection of the borrower's rating, meaning its ability to meet obligations assumed over a time horizon of one year. Thus, a rating is a probability-based approach to risk assessment, and represents a projection of portfolio quality that forms a part of daily processes of credit facility assessment, loan management and pricing, as well as of the procedures used to determine loan loss provisions and reports used by management.

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

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

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

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

In the first quarter of 2015 the Group, also to reply to the issues revealed during the Asset Quality Review, conducted by the ECB in 2014 commenced a process involving an in-depth review of the model for the classification and valuation of its loans with the goal of making it consistent with the new supervisory regulations. Policies governing loan classification and valuation were issued in April, which introduce the following changes:

- identification of default detection parameters in order to promptly identify impaired positions. The identification is linked to a series of events symptomatic of the deterioration of the credit quality of the counterparty. When these are verified, the Bank takes action.
- introduction of the concept of Forborne: exposures subject to contractual changes or refinancing to debtors which find themselves in financial difficulty are classified as forborne. The term forborne encapsulates, under a single definition, all used and known concepts, for example, “restructuring”, “late payments”, “repayment plans”, “rescheduling”, “refinancing” provided to entities in difficulty;
- evolution of loan valuation methods attributable to these two types of measurement to be used to calculated the provision for impairment:
  - Valuation of cash flows: applicable to business customers (in the presence of a set of financial statements, business plan) in the event in which the debtor continues to generate operating cash flows able to repay the debt.
  - Valuation of the guarantees and/or balance sheet assets of the counterparty: applicable to all customers, in the event in which the debt must be extinguished principally through the enforcement of guarantees and/or the monetization of the assets or equity of the counterparty. This approach will also be utilised where the determination of cash flows is difficult to apply and/or insufficient.
- introduction of more conservative review rules for the valuation of loans to ensure the adjustments are promptly brought into line with the effective risk of the exposure.

Credit risk is analysed in-house for management purposes using the Credit Portfolio Model, which was developed internally by the Parent Company and produces detailed outputs in the form of traditional risk measures such as Expected Loss, Unexpected Loss, both management (intra-risk diversified with a representative period of one year and a confidence interval calibrated to the target rating assigned to the Group) and regulatory. Several inputs are considered: Probability of default (PD), obtained through validated and non-validated models, LGD rates (management and regulatory), number and types of guarantees supporting the individual credit facilities, regulatory and management CCF on the basis of which the regulatory and management EAD are estimated respectively.

The internal PD, LGD and EAD models for risk measurement are one of the main elements of assessment for all Group units involved in the credit industry, both at Head Office level (Risk Management, Credit Division, Chief Financial Officer, General Management, Risk Committee, Board of Directors) and at branch level (Rating agencies and Relationship Managers). The Group is currently authorised to use the Advanced Internal Rating Based (AIRB) models to determine capital requirements against credit risk on the portfolios of "exposures to businesses" and "retail exposures" of Banca Monte dei Paschi di Siena, MPS Capital Services and MPS Leasing & Factoring, and is awaiting validation of the EAD parameter and roll-out of the domestic NBFI portfolio for these counterparties.

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

Results obtained from model application were then compared with data recorded by the Debt Collection Area which, within the Credit Division, is dedicated to the management and recovery of non-performing loans.

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

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

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

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

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

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

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

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

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

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

The Montepaschi Group regularly conducts stress tests on all risk factors. The stress tests are used to assess the bank's capacity to absorb large potential losses in extreme but plausible market situations, so as to identify the measures necessary to reduce the risk profile and preserve assets.

Stress tests are developed on the basis of discretionary and trend-based scenarios.

- trend-based scenarios: assumptions are made of shocks that are due to a combination of risk factors which were historically observed in the past and whose recurrence and plausibility retain a certain degree of likelihood;
- discretionary scenarios: assumptions are made of shocks that are due to a combination of risk factors which may emerge in the near future, depending on the foreseeable environmental, social and economic developments. Simple discretionary scenarios are currently being developed (variation of a single risk factor) as are multiple ones (variation of several risk factors simultaneously). Simple discretionary scenarios are calibrated to independently deal with one category of risk factors at a time, assuming shocks do not spread to the other factors. Multiple discretionary scenarios, on the other hand, aim to assess the impact of global shocks that simultaneously affect all types of risk factors.

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

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

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

The results from the stress test are submitted to the Top Management and Board of Directors. They are formally examined by the Board of Directors as part of the ICAAP Annual Report approval process, with a view to providing a self-assessment of the current and prospective capital adequacy of the Montepaschi Group.

Credit policies

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

The model adopted, which is integrated in the Group's budgeting process, is aimed at identifying credit development and management processes that will meet business targets within the limits of the financial and regulatory capital that the Group identifies as maximum acceptable risk, by setting out criteria for customer selection and approaches for the identification of portfolios to be re-qualified/run off in different ways depending on customer segment, business sector, geographic area, quality of counterparties, form of lending and collateral pledged.

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

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

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

Loan disbursement processes

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

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

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

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

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

Monitoring processes

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

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

Identification of high insolvency risk positions

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

'Customer-type differentiated' treatment of positions

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

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

In the first few months of 2015, a new process was defined for the management of loans under restructuring, which will make it possible to manage, through monitoring of the loan, the entire negotiation process until approval of the restructuring plan for an exposure.

Credit risk mitigation policies

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

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

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

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

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

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

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

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

- Credit derivatives:
    - credit default swaps;
    - total return swaps;
    - credit linked notes.

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

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

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

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

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

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

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

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

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

Non-performing financial assets

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

Quantitative Information

A. Credit quality

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

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

31 03 2015

Portfolio/quality	Banking Group					Other entities		Total
	Doubtful loans	Unlikely to pay	Past-due	Past-due not impaired	Other assets	Impaired	Other	
1. Financial assets held for trading	137	2,577	-	-	20,929,004	-	-	20,931,718
2. Financial assets held to maturity	-	-	-	-	-	-	-	-
3. Loans to banks	1,507	24,928	-	859	7,828,375	-	-	7,855,669
4. Loans to customers	8,717,605	12,237,897	2,817,085	4,137,515	95,239,124	-	-	123,149,226
5. Financial assets designated at fair value	-	-	-	-	-	-	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-	-
Total 31 03 2015	**8,719,249**	**12,265,402**	**2,817,085**	**4,138,374**	**123,996,503**	**-**	**-**	**151,936,613**
Total 31 12 2014	**8,446,691**	**11,670,653**	**3,053,313**	**4,461,646**	**122,177,493**	**-**	**-**	**149,809,796**

The data as at 31 December 2014 are presented, solely for disclosure purposes, 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: default, 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"Financial assets held for trading" and "Hedging derivatives".

The notions of substandard and restructured exposures were therefore repealed and included in the unlikely to pay aggregate, with the exception of objective substandard (EUR 1,360.7 mln as at 31 December 2014) inserted in past due non-performing exposures.

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

31 03 2015

Portfolio/quality	Non perfoming assets			Performing			Total (Net exposure)
	Gross exposure	Specific write-downs	Net exposure	Gross exposure	Portfolio adjustments	Net exposure	
A. Banking Group							
1. Financial assets held for trading	5,814	3,099	2,715	20,929,004	-	20,929,004	20,931,719
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Loans to banks	81,163	54,728	26,435	7,838,964	9,730	7,829,234	7,855,669
4. Loans to customers	46,583,489	22,810,902	23,772,587	100,175,309	798,670	99,376,639	123,149,226
5. Financial assets designated at fair value	-	-	-	X	X	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-
Total A	**46,670,466**	**22,868,729**	**23,801,737**	**128,943,277**	**808,400**	**128,134,877**	**151,936,614**
B. Other consolidated companies							
1. Financial assets held for trading	-	-	-	-	-	-	-
2. Financial assets held to maturity	-	-	-	-	-	-	-
3. Loans to banks	-	-	-	-	-	-	-
4. Loans to customers	-	-	-	-	-	-	-
5. Financial assets designated at fair value	-	-	-	X	X	-	-
6. Financial assets held for sale	-	-	-	-	-	-	-
Total B	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total 31 03 2015	**46,670,466**	**22,868,729**	**23,801,737**	**128,943,277**	**808,400**	**128,134,877**	**151,936,614**
Total 31 12 2014	**45,413,496**	**22,242,839**	**23,170,657**	**127,549,851**	**910,711**	**126,639,139**	**149,809,796**

The data as at 31 December 2014 are presented, solely for disclosure purposes, 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

A1.3 Banking Group - Balance sheet exposure to banks: gross and net amounts

31 03 2015

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	41,374	39,730	X	1,644
b) Unlikely to pay	44,953	17,906	X	27,047
c) Past due	-	-	X	-
e) Other assets	7,993,943	X	9,730	7,984,213
Total A	**8,080,270**	**57,636**	**9,730**	**8,012,904**

A1.6 Banking Group - Balance sheet exposure to customers: gross and net amounts

31 03 2015

Type of exposure/ Amount	Gross exposure	Specific write-downs	Portfolio adjustments	Net exposure
A. Balance-sheet exposure				
a) Doubtful loans	25,249,174	16,531,569	X	8,717,605
b) Unlikely to pay	17,893,430	5,655,075	X	12,238,355
c) Past due	3,441,540	624,454	X	2,817,085
e) Other assets	121,041,602	X	798,670	120,242,932
Total A	**167,625,746**	**22,811,098**	**798,670**	**144,015,977**

Exposure to sovereign debt risk

Below is a breakdown of the Group's exposure to sovereign debt risk in government bonds, loans and credit derivatives as at 31 March 2015.

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

(in milions of eur)

COUNTRY	DEBT SECURITIES					LOANS	CREDIT DERIVATIVES
	Financial assets held for trading		Financiale assets available for sale		L&R	L&R	Financial assets HFT
	Nominal	Fair value=book value	Nominal	Fair value=book value	Book value	Book value	Nominal
Argentina	1.44	0.44	-	-	-	-	-
Austria	(11.94)	(12.33)	-	-	-	-	18.59
Belgium	(13.92)	(14.84)	55.75	61.05	-	-	-
Bosnia	0.01	-	-	-	-	-	-
Brazil	0.19	0.48	-	-	-	-	-
France	(8.93)	(9.21)	3.50	4.26	-	-	(128.27)
Germany	(106.04)	(125.32)	-	-	-	-	-
Greece	0.10	0.05	-	-	-	-	-
Italy	3,835.17	4,015.04	16,577.28	20,414.58	156.86	940.38	252.60
Mexico	0.14	0.20	-	-	-	-	-
Holland	0.08	0.09	-	-	-	-	(13.94)
Poland	0.28	0.29	10.00	10.74	-	-	-
Portugal	(2.45)	(2.94)	15.00	15.51	-	-	15.80
United Kingdom	0.07	0.08	-	-	-	-	18.59
Russia	0.11	0.15	-	-	4.76	-	-
Spain	1.43	1.61	40.00	48.38	-	-	(13.94)
United States	0.20	0.15	-	-	-	-	-
Sud Africa	1.52	1.21	-	-	-	-	-
Turkey	0.62	0.78	-	-	-	-	-
Ungheria	0.02	0.02	-	-	-	-	-
Venezuela	(0.40)	(0.16)	-	-	-	-	-
Other Countries	-	-	29.96	29.96	-	-	-
Total 31 03 2015	**3,697.70**	**3,855.79**	**16,731.49**	**20,584.48**	**161.62**	**940.38**	**149.11**
Total 31 12 2014	**1,820.42**	**1,862.09**	**18,992.86**	**22,100.36**	**465.58**	**3,252.10**	**690.03**

Details on the Group's exposure is presented taking into consideration that, according to instructions from the European Securities and Markets Authority (ESMA), "sovereign debt" is defined as bonds issued by central and local Governments and by government Entities, as well as loans disbursed to said entities.

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

The overall exposure consists almost entirely in Italian debt and is concentrated under the AFS accounting category. This AFS exposure is nearly exclusively towards level 1 of the fair value hierarchy, with the exception of EUR 326 mln in government bonds.

Exposures to Portugal and Spain reported in the accounting portfolios "Financial assets available for sale" and "L&R" were not written down as it was determined that there was no objective evidence of impairment strictly associated, in this specific case, with the issuer's capacity to meet its obligations.

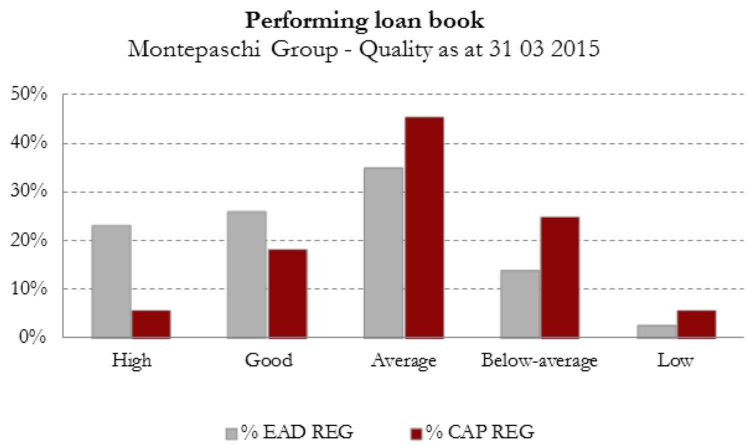
Following are the details of Italian AFS reserves and credit derivatives (in EUR/mln):

AFS securities: Italy	31 03 2015	31 12 2014
Book value	20,414.6	21,805.1
AFS reserve (after tax)	(160.8)	(564.1)
of which: hedging effect (after tax)	(1,260.9)	(2,301.8)

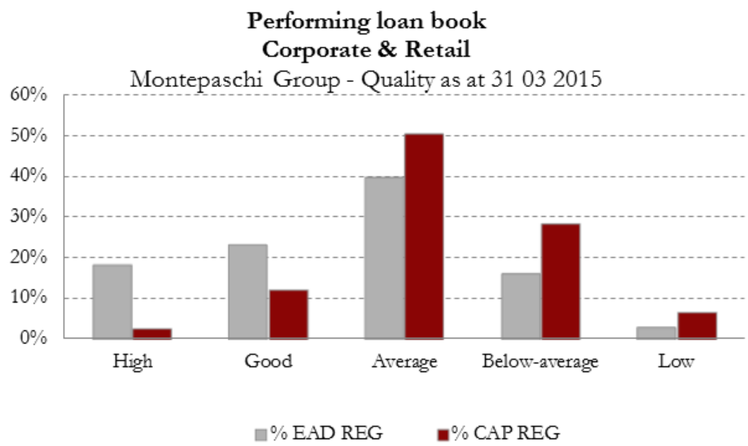
Credit derivatives - Italy	31 03 2015	31 12 2014
Purchase of protection		
Nominal	(3,584.1)	(3,791.3)
Positive fair value	185.4	285.6
Negative fair value	0.2	0.1
Sale of protection		-
Nominal	3,836.7	4,292.4
Positive fair value	0.2	0.2
Negative fair value	233.4	357.4

F. Banking group - Credit risk measurement models

The chart below provides a credit quality breakdown of the Montepaschi Group portfolio as at 31 March 2015 (excluding financial asset positions). The following graph shows that about 49% 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.

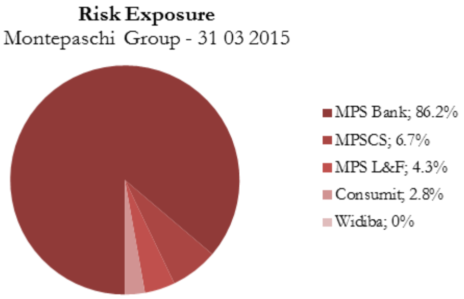


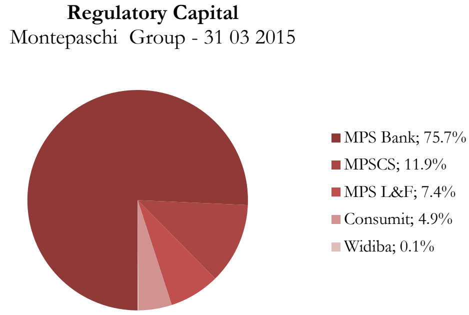
On the other hand, the following chart provides a breakdown of credit quality only for Corporate and Retail portfolios (which are largely validated by regulatory authorities for the use of internal PD and LGD models). As at 31.03.2014, high or good quality exposure accounted for approximately 41% of total exposure:



With reference to Risk Exposure, the Parent Company covers 86.2% of the Group's total, while MPS Capital Services, MPS L&F, Consum.it and Widiba jointly cover the remaining 13.8%:

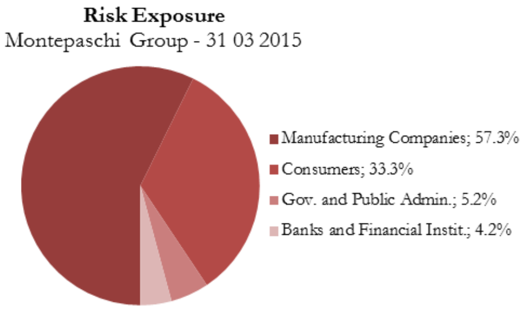
The Regulatory Capital for credit risk is absorbed mainly by the Parent Company (75.7%), followed by MPS Capital Services (11.9%) and by MPS Leasing e Factoring (7.4%) Residuali Consum.it (4.9%) and Widiba (0.1%).

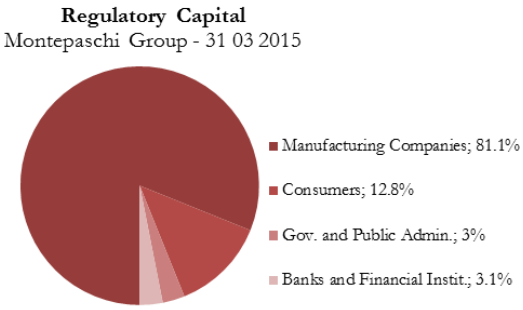




An analysis conducted at the end of the first quarter of 2015 shows that the Group's risk exposure is mainly toward “Manufacturing Companies” (57.3% of total loans disbursed) and “Households” (33.3%). The remaining portion is broken down between "Government and Public Administration" and "Banks and Financial Institutions", respectively at 5.2% and 4.2%.

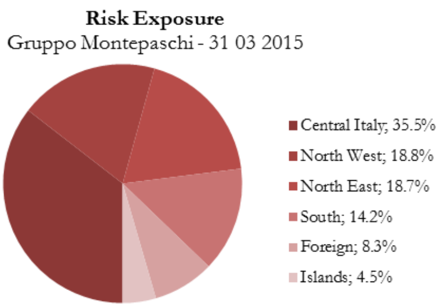
In terms of Regulatory Capital, 81.1% is absorbed by the “Manufacturing Companies” customer segment. The “Households” segment stands at 12.8%; followed by "Banks and Financial Institutions” and “Government and Public Administration” with 3.1% and 3% respectively;

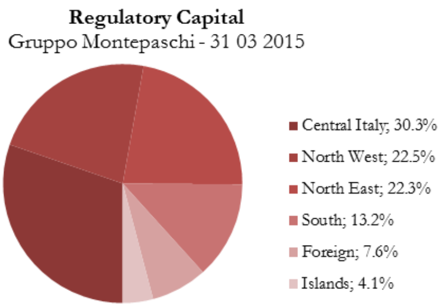




An analysis of the geographical breakdown of Group customers shows that exposure to risk is primarily concentrated in Italy’s Central regions (35.5%), followed by the North East and North West (18.8% and 18.7%), Southern Italy (14.2%), foreign countries (8.3%) and Italy's islands (4.5%):

Regulatory Capital absorption is also higher in Central Italy (30.3%) in North West Italy (22.5%) and North East Italy (22.3%) due to the greater concentration of loans in those areas. These are followed by Southern Italy (13.2%), Foreign Countries (7.6%) and the Islands (4.1%):

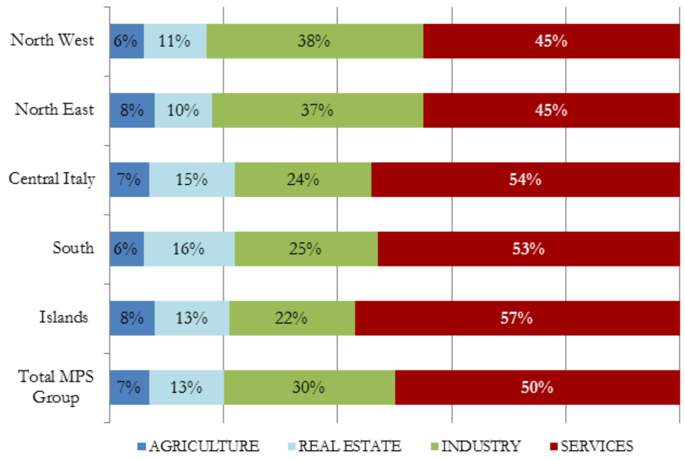




Lastly, the following graphs show, solely for Italian corporate customers, the percentage breakdown of Default Exposure by individual Geographic Area and Regulatory Capital absorption by Business Sector.

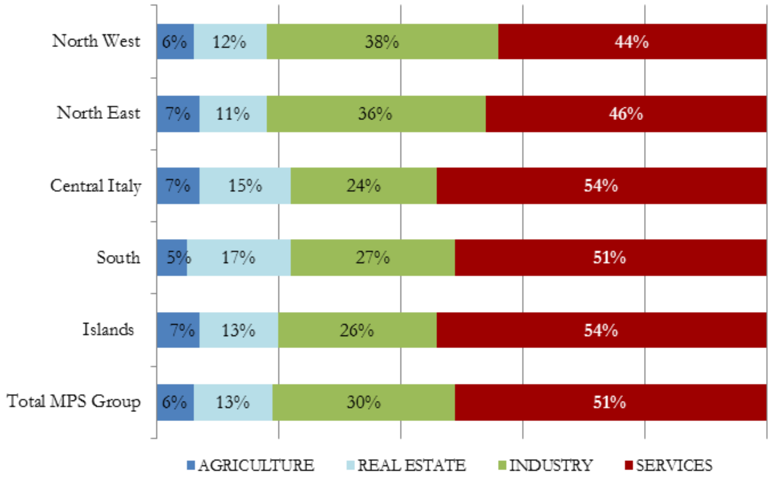
The largest share of Default Exposure for businesses in all Geographic Areas is accounted for by the "Services" sector. Out of the Group's total exposure, the share of Services accounts for 50% and is followed by Industry (30%), Building (13%) and Agriculture (7%).

Italian Corporate customers – performing loan book as at 31 03 2015
EAD REG by geography and business segment



Also as regards Regulatory Capital (CAP), the greater concentration relates to the Services sector in all Geographic Areas.

Italian Corporate customers – performing loan book as at 31 03 2015
CAP REG by geography and business segment



The comparison between expected loss and actual loss is performed on an annual basis by the internal control function as part of PD and LGD backtesting procedures.

1.2 – Banking groups - Market risks

1.2.1 Interest rate and price risk – regulatory trading book

Market risks relating to the Trading Book

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

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

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

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

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

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

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

- IR: interest rates on all relevant curves, inflation curves and related volatilities;
- EQ: share prices, indexes, baskets and relative volatilities;
- CO: commodity prices, indexes and baskets;
- FX: exchange rates and related volatilities;
- CS: credit spread levels.

VaR (or diversified or net VaR) is calculated and broken down daily for internal management purposes, even with respect to other dimensions of analysis:

- organisational/management analysis of portfolios,
- analysis by financial instrument,
- analysis by risk family.

It is then possible to assess VaR along each combination of these dimensions in order to facilitate highly detailed analyses of events characterising the portfolios.

In particular, with reference to risk factors the following are identified: Interest Rate VaR (IR VaR), Equity VaR (EQ VaR), Commodity VaR (CO VaR), Forex VaR (FX VaR) and Credit Spread VaR (CS VaR). The algebraic sum of these items gives the so-called Gross VaR (or non-diversified VaR), which, when compared with diversified VaR, makes it possible to quantify the benefit of diversifying risk factors resulting from holding portfolios on asset class and risk factor allocations which are not perfectly correlated. This information can also be analysed along all the dimensions referenced above.

The model enables the production of diversified VaR metrics for the entire Group in order to get an integrated overview of all the effects of diversification that can be generated among the various banks on account of the specific joint positioning of the various business units.

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

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

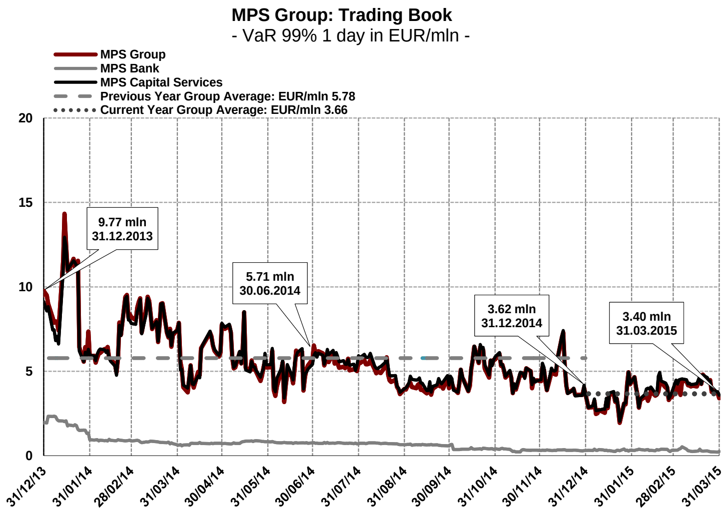
Stress tests are developed on the basis of discretionary and trend-based scenarios. Trend-based scenarios are defined on the basis of previously-registered real situations of market disruption. Such scenarios are identified based on a time frame in which risk factors were subjected to stress. No particular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

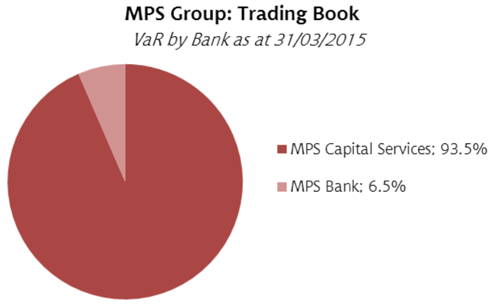
Stress tests based upon discretionary scenarios assume extreme changes occurring to certain market parameters (interest rates, exchange rates, stock indices, credit spreads and volatility) and measure the corresponding impact on the value of portfolios, regardless of their actual occurrence in the past.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

It should be noted that the VaR methodology described above is, for operational purposes, also applied to the portion of the Banking Book consisting of financial instruments that are similar to trading instruments (e.g. AFS bonds/Equity instruments). The measurements and charts below refer to the Regulatory Trading Portfolio only.

* * * *

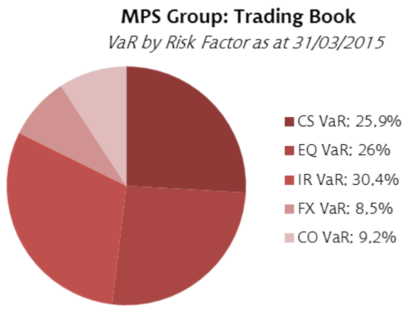
In the first quarter of 2015, the market risks of the Group's Regulatory Trading Book recorded, in terms of VaR, a decrease in volatility compared to the previous year, amounting to EUR 3.40 mln at 31.03.15, essentially stable with respect to the end of 2014. The VaR variability was affected in particular by the IR segment of the subsidiary MPSCS due to its trading activities, primarily in Long Futures and Interest Rate Future Options and partly by the variation in market parameters (fall in interest rates).





With regard to legal entities, the Group's market risks are concentrated on MPSCS (93.5%), followed by the Parent Company (6.5%).

A breakdown of VaR by risk factors as at 31.03.2015 shows that approx. 25.9% of the Group's portfolio was allocated to risk factors such as Credit Spread (CS VaR), 26.0% was absorbed by equity risk factors (EQ VaR), 30.4% was absorbed by interest rate risk factors (IR VaR) 9.2% commodity risk factors (CO VaR) e and the remaining 8.5% by foreign exchange risk factors (FX VaR).



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

	VaR	Date
End of Period	3.40	31/03/2015
Min	1.94	23/01/2015
Max	4.94	29/01/2015
Average	3.66	

During the first quarter 2015, the Group's VaR in the Regulatory Trading Book ranged between a low of EUR 1.94 mln recorded on 23.01.2015 and a high of EUR 4.94 mln on 29.01.2015 with an average value registered of EUR 3.66 mln. VaR PNV as at 31.03.2015 amount to EUR 3.40 mln.

VaR model backtesting

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

Backtesting refers to a series of tests conducted on VaR model results against day-to-day changes in the trading book value, with a view to assessing the model's forecasting capacity as regards the accuracy of risk metrics generated. If the model is robust, by periodically comparing the estimated daily VaR against daily trading losses from the previous day, the result should be that actual losses greater than the VaR occur with a frequency consistent with that defined by the confidence level.

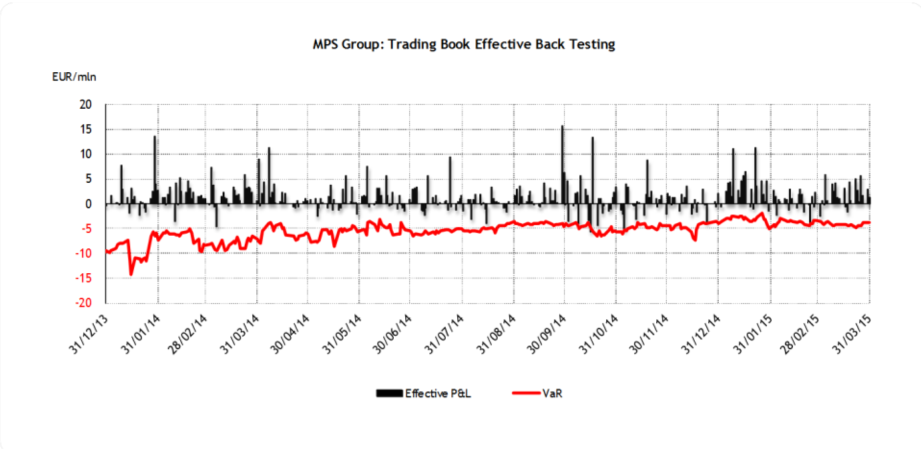
Based on supervisory instructions (Bank of Italy Circular 263/06, as amended), the Risk Management Area considered it appropriate to apply the theoretical and actual backtesting methods and integrate these into the Group's management reporting system.

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

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

These "clean" P&L results (the "actual P&L") are compared with the previous trading day VaR. If the losses are greater than those forecast by the model an "exception" is recorded.

The chart below shows the Actual Backtesting results of the internal Market Risks model in relation to the Group's Regulatory Trading Book, both for 2014 and for the first quarter of 2015;



The backtesting shows no exceptions in the first quarter of 2015.

Qualitative information

A. General

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

A.1 Interest rate risk

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

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

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

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

A.2 Price risk

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

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

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

Quantitative Information

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

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

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

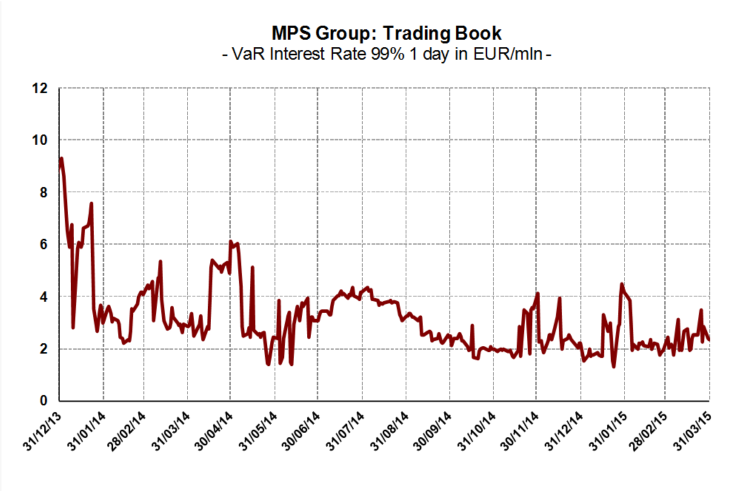
This table has not been prepared since an analysis of the regulatory trading book's sensitivity to interest rate risk and price risk is produced based on internal models.

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

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

3.1 Interest rate risk

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



The trend in Interest Rate VaR during the first quarter of 2015 was influenced by the trading activities of the subsidiary MPSCS, primarily in long futures and interest rate future options, and partly by rate reductions recorded during the period

.

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

	VaR	Date
End of Period	2.35	31/03/2015
Min	1.30	23/01/2015
Max	4.48	29/01/2015
Average	2.36	

Simulations include the following interest rate risk scenarios:

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

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

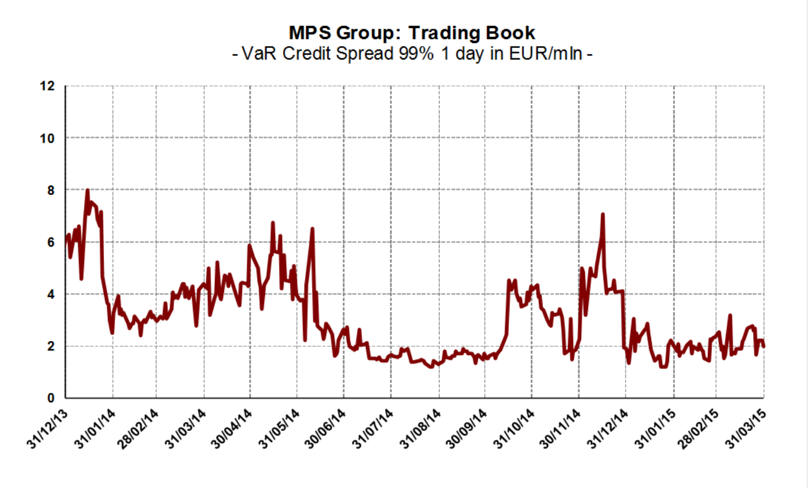
MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Interest Rate	+ 100bp all Interest Rate Curves	(27.06)
Interest Rate	-100bp all Interest Rate Curves	(7.70)
Interest Rate	+ 1% all Interest Rate Volatility	0.05

The asymmetry in the interest rate scenarios +100 bps and -100 bps is due mainly to the effect of the floor applied to the curves owing to the low level in interest rates reached in the Euro area around the end of the quarter (further decrease over the end of 2014).

To complete the interest rate risk analysis, details are also provided on the credit spread risk of the Group's Trading Book associated with the volatility of issuers' credit spreads. The VaR by risk factor (specifically, Credit Spread VaR) has operational relevance for the purpose of risk management analyses, even though it is the overall VaR diversified among all risk factors and portfolios that is used by the operating units.



The trend in the Credit Spread VaR in the first quarter of 2015 was characterised by low volatility. In absolute terms, Credit Spread VaR was mainly affected by subsidiary MPSCS' trading in long futures and interest rate future options.

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

	VaR	Date
End of Period	2.00	31/03/2015
Min	1.18	26/01/2015
Max	3.18	09/03/2015
Average	2.03	

For the purposes of sensitivity analysis, the simulation scenario is as follows:

- +1 bp parallel shift for all credit spreads.

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

MPS Group: Trading Book

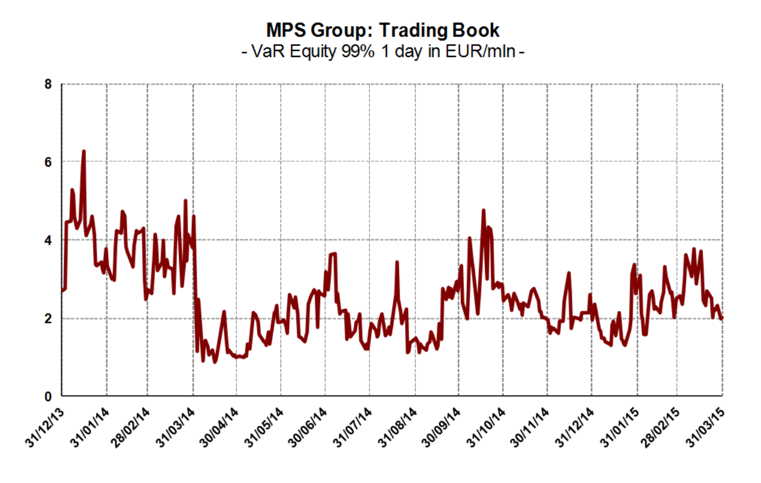
EUR/mln

Risk Family	Scenario	Global Effect
Credit Spread	+ 1bp all Curves	(0.80)

3.2 Price risk

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

Below is information on the Group's diversified Equity VaR.



In the first quarter of 2015 the Equity VaR was influenced by activities related to the structuring and coverage of policies and other structured products of the subsidiary MPSCS, and in part by the trading activity, also of MPSCS, mostly on options and futures with key market indexes as underlying.

MPS Group: Trading Book

VaR Equity 99% 1 day in EUR/mln

	VaR	Date
End of Period	2.01	31/03/2015
Min	1.29	13/01/2015
Max	3.78	11/03/2015
Average	2.33	

The simulated price scenarios are as follows:

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

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

MPS Group: Trading Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+ 1% Equity Prices (prices, indices)	(0.09)
Equity	-1% Equity Prices (prices, indices)	0.46
Equity	+ 1% Equity Volatility	0.16

As regards the exposure to commodity risk, the Commodity VaR, introduced in the fourth quarter of 2014, stands at EUR 0.71 mln, up in absolute terms in the first quarter of 2015 due to trading activities, primarily on the futures commodities of the subsidiary MPSCS.

MPS Group

VaR PNV Commodity 99% 1 day in EUR/mln

	VaR	Data
End of Period	0.71	31 03 2015
Min	0.08	14 01 2015
Max	0.76	18 03 2015
Average	0.42	

Below is the overall effect of the scenario analyses.

The simulated price scenarios are as follows:
+1% of each commodity price,
-1% of each commodity price,
+1% of all volatility surfaces of all commodity risk factors.

MPS Group: Trading Book
EUR/mln

Risk Family	Scenario	Global Effect
Commodity	+ 1% Commodity Prices	(0.01)
Commodity	-1% Commodity Prices	0.01
Commodity	+ 1% Commodity Volatility	0.00

1.2.2 Interest rate and price risk - banking book

Qualitative information

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

A.1 Interest rate risk

In accordance with international best practices, the Banking Book refers to all of the commercial operations of the Bank in relation to the transformation of maturities with respect to balance-sheet assets and liabilities, Treasury, foreign branches and hedging derivatives of reference. The definition of the scope of the Banking Book and the ALM centralisation process are set out in a resolution by the Board of Directors of the Parent Company in compliance with the framework described in the regulatory provisions (Bank of Italy Circ. 285). The framework sets the rules for the centralisation of Asset & Liability Management under the Parent Company's Finance, Treasury and Capital Management Area (FTCMA) and the definition and monitoring of operating limits for interest rate risk in the Group's Banking Book. The Banking Book also includes bond receivables held for investment purposes, classified as either AFS or L&R.

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

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

A method update was introduced in January 2015, aimed at sterilising the origination of the cash flows of the components not directly relating to interest rate risk.

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

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

- a quantitative model, which provides the basis for calculation of risk indicators for the interest rate risk exposure of the Group and Group companies/entities;

- risk monitoring processes, aimed at verifying compliance with the operational limits assigned to the Group overall and to the individual business units;
- risk control and management processes, geared toward bringing about adequate initiatives for optimising the risk profile and activating any necessary corrective actions.

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

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

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

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

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

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

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

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

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

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

A.2 Price risk

The price risk in the MPS Group's Banking Book is measured in relation to equity positions mostly held for strategic or institutional/instrumental purposes. For such purposes, the portfolio is primarily made up of equity investments, alternative funds (hedge funds) and AFS securities. Trading in UCITS is carried out exclusively through the direct purchase of the funds/SICAVs, with no use being made of derivative contracts.

The instrument used to measure the price risk of the equity investments portfolio is Value-at-Risk (VaR), which represents the loss that the portfolio in question, valued at Fair Value, could experience in the time frame of one quarter (holding period), considering a confidence interval of 99%. The VaR model used (unlike the one used for the Trading Book) is a simulation model which uses the Monte

Carlo approach, based on series of market yields for listed companies and time series of sector-based indices for unlisted ones.

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

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

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

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

B. Fair value hedging

C. Cash-flow hedging

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

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

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

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

Quantitative Information

1. Banking book: breakdown of financial assets and liabilities by residual life (repricing date)

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

2. Banking book: internal models and other sensitivity analysis methods

2.1 Interest rate risk

The sensitivity of the Group, at the end of 2015, was indicative of exposure to rate hike risk. The amount of economic value at risk in the event of a +100 bps parallel shift of the rate curve came to -EUR 252.37 mln at the end of march 2015 (vs. EUR 299.79 mln for a shift of -100 bp). It should be noted that a method update was introduced in January 2015, aimed at sterilising the development of the cash flows of the components not directly relating to interest rate risk. However, if benchmarked against Capital, these values are below the level considered as the attention threshold by the Bank of Italy.

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

2.2 Price risk

The Group's equity investment portfolio includes approximately 205 equity investments in companies outside the Group, i.e., companies that are not consolidated either fully or proportionally. Approximately 90% of its value is concentrated in 10 investments, while the unit value of the remaining investments is rather limited (approximately 166 equity investments, valued at less than EUR 1 mln and accounting for around 2% of the overall portfolio).

The VaR of the Group's equity investment portfolio (99% and a holding period of 1 quarter) amounted to approximately 20% of the portfolio Fair Value at the end of the first quarter of 2015, with risk concentrated in the 5 most significant investments.

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

MPS Group: Banking Book

EUR/mln

Risk Family	Scenario	Global Effect
Equity	+ 1% Equity Prices (prices, indices, basket)	11.97
Equity	-1% Equity Prices (prices, indices, basket)	(11.97)
Equity	+ 1% Equity Volatility	0.00

The impact of the equity investments portfolio on the scenario analysis total is approximately 77%.

1.2.3 Foreign exchange risk

Qualitative information

A. General information, operational processes and measurement methods

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

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

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

B. Hedging of exchange rate risk

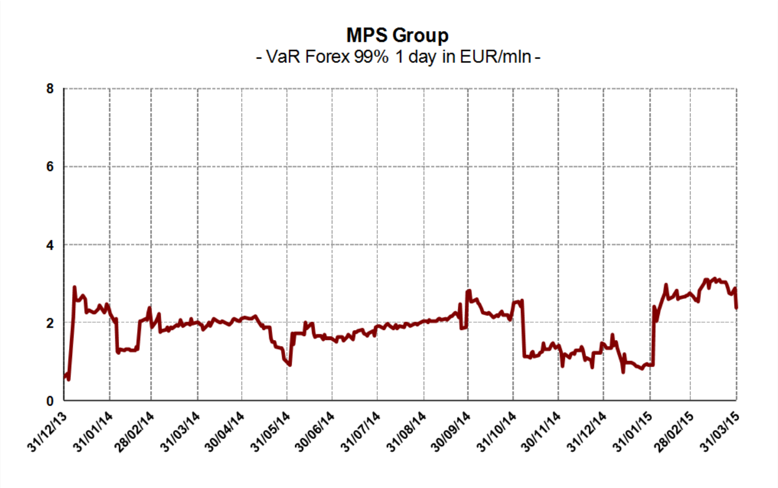
Foreign exchange operations are mainly based on short-term trading, with the systematic balance of the transactions originated by the franchise and the retail banks which automatically feed into the Group's position.

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

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

Internal models and other sensitivity analysis methods

Exchange risk is monitored in terms of VaR and scenario analysis (for the methodology see the paragraph "Market Risk Management Model for the Trading Book"). Shown below is information concerning the Group's diversified Forex VaR.



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

	VaR	Date
End of Period	2.39	31/03/2015
Min	0.72	13/01/2015
Max	3.14	16/03/2015
Average	2.17	

The following scenarios were used for foreign exchange rate simulations:

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

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

MPS Group

EUR/mln

Risk Family	Scenario	Impact on net interest and other banking income and net profit	Impact on shareholders' equity	**Global Effect**
Forex	+ 1% Exchange rate a	0.12	0	**0.12**
Forex	-1% Exchange rate ag	(0.09)	0	**(0.09)**
Forex	+ 1% Forex Volatility	(0.01)	0.00	**(0.01)**

1.3 – Banking group - Market risks

Qualitative information

A. Liquidity risk: general information, operational processes and measurement methods

As part of the regular revision process of models and processes, the Group has revised its approach for the identification, measurement and management of Liquidity Risk (Group Liquidity Risk Framework).

Group Liquidity Risk Framework

The **Group's Liquidity Risk Framework** is intended as the set of tools, methodologies, organisational and governance setups which ensures both compliance with national and international regulations and adequate liquidity risk governance in the short and medium/long term, under business as usual and stress conditions.

Management of the Group's **Operating Liquidity** is intended to ensure the Group is in a position to meet cash payment obligations in the short term. The essential condition for a normal course of business in banking is the maintenance of a sustainable imbalance between cash inflows and outflows in the short term. The benchmark metric in this respect is the difference between net cumulative cash flows and Counterbalancing Capacity, i.e. reserve of liquidity in response to stress conditions over a short time horizon.

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

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

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

Liquidity limits

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

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

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

1.4 – Banking group - Operational risk

Qualitative information

A. General information, operational procedures and measurement methods

General information and Framework structure

By an administrative ruling dated 12/06/2008, the Bank of Italy authorised the Group to use internal models for the determination of capital requirements for credit and operational risks.

The adoption of the advanced model (AMA) calls for banks to:

- adopt an internal organisation which defines the roles of the corporate bodies and functions involved in the operational risk management process;
- establish a control function for data gathering and storing, capital requirement calculation, risk profile assessment and reporting;
- perform ongoing checks on the quality of the management system and its compliance with regulatory provisions;
- delegate the internal auditing body to perform periodic audits on the operational risk management system;
- ensure over time that the system is actually made use of in the usual course of business (use test).

For this purpose, the Group has adopted an integrated system for operational risk management, i.e. an internal framework built around a governance model that involves all companies included in the AMA model scope of application. The approach defines the standards, methods and instruments that make it possible to measure risk exposure and the effects of mitigation by business area.

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

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

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

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

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

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

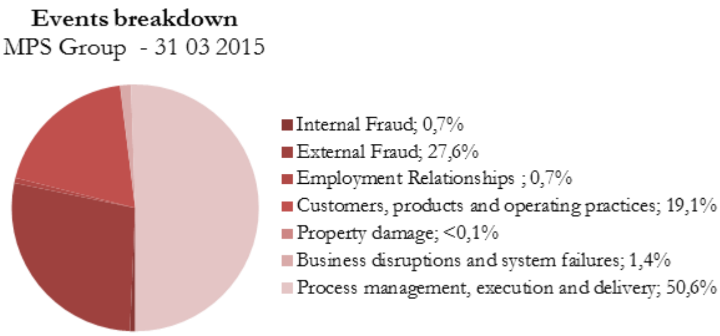
The Advanced Measurement Approach (AMA) is applied to all domestic financial and banking entities, while the foundation model is used for remaining components and foreign companies. As at 31 March 2015 internal model coverage in terms of total banking income exceeded 95%.

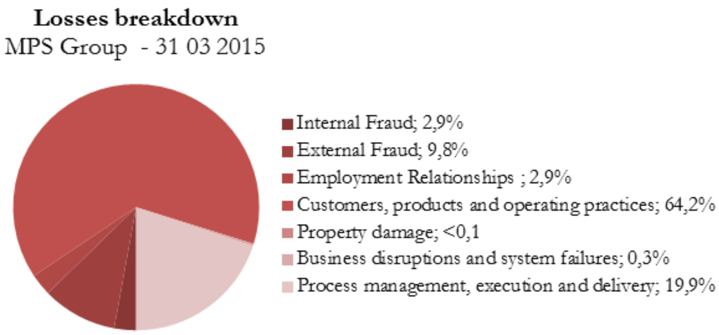
ORM has also set up a reporting system which ensures timely information on operational risks for the Top Management, which transposes the strategic principles of the management system into specific operating policies. Reports are regularly submitted to the Risk Committee and governing bodies.

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

Quantitative Information

The percentage breakdown of the number of events and operational losses recognised in the first quarter of 2015 is reported below, divided into various risk classes.

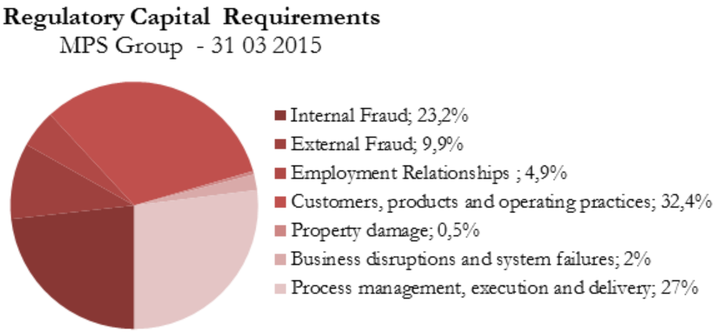




As at 31.03.15, the number of operational risk events and the overall amount registered a decrease both over the previous quarter and compared to the same period in 2014. No significant phenomena were recorded in the quarter.

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": 64.2% of the total) and operational and process management shortfalls (under "Process management, execution and delivery": 19.9% of the total).

With regard to "non-fulfilment of professional obligations with customers", risk events are mainly associated with claims (legal actions and complaints) due to the application of compound interest. By contrast, the graph below shows the breakdown of regulatory requirements by risk class:



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

Main types of legal action

The risks associated with or connected to legal disputes – i.e. disputes brought before judicial authorities and arbitrators – are kept under specific and careful review by the Group.

In case of disputes for which the disbursement of financial resources to perform the underlying legal obligation is believed to be "*likely*" and the relevant amount can be reliably estimated, allocations are made to the Reserve for Risks and Charges using statistical or analytical criteria.

The key characteristics of significant cases, by macro-category or individually, are described below:

A) Significant cases by macro-category

The cases brought against the Group belonging to sufficiently homogeneous types for which the risk has been estimated using analytical and/or statistical criteria can be grouped for the most part into macro-categories, characterised individually by a common denominator represented by alleged critical elements of products, operations, services or relationships for which or in which the 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 at 31.03.15:

Type of dispute	No. of cases	Relief sought (EUR mln)	Funds (EUR mln)
Interest compounding	3,766	408.2	180.7
Claw-backs of payments received from defaulted entities	518	583.3	119.9
Defaulting obligations and financial plans	1,259	73.7	22.2

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, CSM), even before Italian Law no. 2/2009 was enforced, should have been calculated on the basis of the effective global rate (Tasso Effettivo Globale - TEG), contrary to Bank of Italy guidelines - is frequently the pretext for the actions brought by customers. The plaintiffs most often claim irregularities in current account balances; however, claims concerning compound interest are also increasingly frequent: these cases are based on the alleged illegitimacy of the so-called "French-style amortisation" in mortgage loans, and violation of Italian Law no. 108/1996 on usury in term loans. Aware that the jurisprudential interpretation is often disadvantageous (although not univocal), at least with respect to certain issues, the Group is committed to maximising the arguments in its defence - which do exist, particularly concerning the statute of limitations - identifiable in the regulatory and interpretative framework. Thinking in terms of macro-categories, the total provisions estimated for this type of disputes appear to be adequate relative to the risk.

2) Disputes concerning bankruptcy rescindments

The reform implemented from 2005 has reduced and limited the scope of bankruptcy rescindments, particularly those relating to current account remittances. For those that can still be filed, or already pending at the effective date of the reform, the 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 lawsuits resulted in the emergence of some favourable jurisprudential orientations, at least with respect to certain specific cases, which are allowing balanced risk control.

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 case is still in the initial phase and 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.

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 is in the initial stage.

The claim appears to be ungrounded and the risk of losing the case is merely possible, but cannot be estimated in practice.

Banca Monte dei Paschi di Siena S.p.A. vs. Antonio Merloni S.p.A.

In October 2011, the extraordinary administration procedure of the company Antonio Merloni S.p.A. brought a legal action against Banca MPS before the Court of Ancona requesting the return, as part of a bankruptcy rescindment, of EUR 53,793,525.32 as to the primary claim and EUR 17,798,574.24 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 proceeding is under preliminary investigation.

Banca Monte dei Paschi di Siena S.p.A. vs. Fallimento Medeghini Spa in liquidazione

In 2012, Fallimento Medeghini SpA in liquidazione served a complaint on the Bank 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 Spa.

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 Bank, 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.

Former Banca Antoniana Popolare Veneta S.p.A. 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 is currently in progress.

Banca Monte dei Paschi di Siena S.p.A. vs. CHI. DEM srl 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 the Bank 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' defence is based essentially 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 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.

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 (MONTIBOND), as well as damages in the same amount.

The Bank'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 be superseded by the completion of the bond issue procedure, and therefore essentially "defused" as it can be said, without getting into the technical intricacies, that the subject of the dispute has ceased to exist. 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 Banca Monte dei Paschi di Siena, 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 conducts. 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 him 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.

Banca Monte dei Paschi di Siena S.p.A. vs. Extraordinary Administrators 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 51.7 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 22/4 - 28/5/2014, 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 29/01/2015, 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 set in the records for 03/06/2015.

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

For the sake of disclosure completeness it is pointed out that, in relation to the share capital increases of 2008 and/or 2011, the Bank received a total of 462 requests, for a total of EUR 117.8 mln demanded where quantified, targeted at obtaining the repayment of sums invested and/or compensation of damages, monetary and non-monetary, as a result of alleged losses suffered.

These claims – brought individually or collectively, through professionals or consumer associations – although as regards their heterogeneity, are mostly justified by generic references to the Bank's alleged violation of the industry legislation governing information provided at the time of the aforementioned share capital increases, and were rejected given generic, unfounded, not backed by the suitable documentary evidence and in certain cases, prescribed.

Information is provided on this matter in the event that the claims in question, as things currently stand, all rejected, are brought before a Court of law through the filing of proceedings in which the 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. vsNomura concerning Alexandria transaction.

The Parent Company is assessing an increase in its civil claim for damages, currently at approx. EUR 1 billion, and is evaluating the potential impact from recent evidence that has emerged following the completion of preliminary investigations by the Public Prosecutor of Milan, alleging the criminal wrongdoing of some of Nomura's senior managers for having paid out sums to executives against allegedly corrupt episodes.

Given the above, the Bank has reserved the right to carry out a thorough assessment into the early closure of the transaction. This will be evaluated in the light of other available alternatives, any legal impediments arising from ongoing proceedings, instructions by the ECB as well as any further legal actions needed to protect its interests against possible speculations regarding this matter.

In view of the ongoing investigations by the Prosecutor of Milan, CONSOB is currently analysing the accounting methods for long-term structured repo transactions.

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Lastly, it should be noted that, in relation to the communications received from Anima and BPM, that the Parent Company is conducting in-depth preliminary evaluations regarding the contractual guarantees issued in due course at the time of the equity investment disposal. Once this aspect has been defined, the tax nature of Guardia di Finanza's claim will be, if necessary, examined in depth, based on the prior acquisition, by the audited company, of all elements not known to date, on which said claim is based.

Risks from tax disputes

The Parent Company and the major Group companies have tax disputes pending; the amount of each dispute is not significant. In addition, investigations are under way that have not yet resulted in findings or claims: in particular, the following should be noted: the audit relating to direct taxes, VAT and withholding taxes for the 2013 tax period, opened by the Guardia di Finanza of Sienna at MPS Leasing & Factoring and the general audit of the 2012 tax period, opened by the Revenue Agency at MPS Capital Services.

The risks from tax disputes decreased considerably over the last two years as a result of some important settlements reached with the Revenue Agency, concerning the tax disputes involving the most significant amounts: Lastly, worthy of note is the settlement of the Chianti Classico operation, reported in a previous disclosure relating to the financial statements for the year ended as at 31 December 2014.

Among the cases associated with tax disputes, those in which the risk of losing is considered likely are a limited number and adequate provisions have been made to the Reserve for risks and charges, each for non-material amounts.

With reference to the Parent Company, it is to be mentioned the investigation performed under court order by the Guardia di Finanza into a real estate transaction performed by MPS Immobiliare in 2011 and consisting in contributing a property complex located in Rome to a closed-end real estate fund and the subsequent disposal of units held in that same fund. In relation to that transaction, as mentioned in previous reports, on 16 September 2013 the Guardia di Finanza served an official tax audit report challenging MPS Immobiliare's ability to use the tax regime applied to the contribution in question and subsequent failure to pay VAT of around EUR 27 mln and direct taxes of approximately EUR 4 mln. The Italian Revenue Agency has not yet served any assessment notice but has formally invited the company to provide clarifications, believing that the transactions put in place are on the whole elusive: as mentioned in prior reports, the company, assisted by its advisors, has prepared and filed its own observations. The risk of losing associated with these issues is considered unlikely.

Financial risks of investment services

Foreword

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

Wealth risk management process and methods

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

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

Organisational responsibility at Group level for supervising financial risk measurement, monitoring and control activities and for mapping investment products/services for the purposes of MiFID adequacy is an integral part of the Group's integrated risk management responsibilities. This is to ensure centralised governance of the direct and indirect risks which the Group incurs during the course of its operations. Within the Risk Management Area of Banca MPS' Risk Division, this task is allocated group wide to the Wealth Risk Management Service.

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

The regulatory framework for investment services and verifications of appropriateness is provided for by European MiFID regulations and Consob Regulation on Intermediaries no. 16190/2007. With regard to the third-level regulatory framework, Consob Communication no. 9019104/2009 ("Level 3 - Illiquid financial products") together with inter-association guidelines on illiquid financial products issued in 2009 play a particularly important role for brokers, as does Consob Communication no. 97966/2014 on the distribution of complex financial products to retail customers.

All the investment products (of the Group and of third parties), whether or not included in the overall offering to the Group's customers, are mapped for risk on the basis of quantitative measurements of market and credit risk factors; liquidity and complexity assessments are also conducted on these products. Product mapping is one of the guiding criteria for carrying out investment adequacy checks as part of the consulting service offered.

For the sake of simplicity, investment product risk mapping, performed with reference to individual risk macro-factors, is grouped under specific risk categories defined by appropriate keys.

A special focus is given by the Bank to the monitoring and prevention of potential financial and reputational risks which investment services, particularly in a context of financial crisis such as the one experienced over the last few years, may generate as a consequence of increased market volatility. The fast-moving and not always predictable market trends may result in both a potentially rapid change, upward or downward, in product risk and generate potential financial losses and prompt a changing attitude by customers towards their own financial investments.

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

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

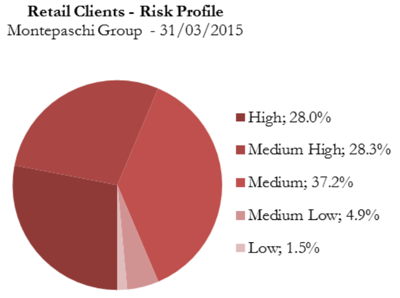
The strategic choice of Banca MPS is to combine the placement of financial products with advisory so as to ensure the highest level of protection for the investor and, at the same time, enhance the role played by relationship managers. Again, with a view to protecting customers, the obligation to verify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

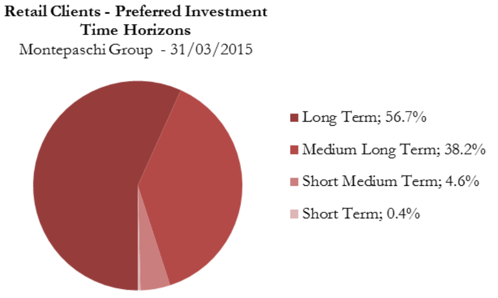
Banca MPS offers two types of advisory services. “Basic” transactional advisory is aimed at verifying the suitability of the individual investments recommended in relation to the risk of the customer's investment portfolio as a whole. “Advanced” advisory is instead aimed at verifying the suitability of the overall set of transactions, advising on them based on their impact on a suggested investment portfolio of the customer in order to obtain optimum asset allocation and maximised prospective returns over a certain time horizon, given the customer's risk profile.

With reference to the “basic” advisory service offered by Banca MPS, a project was completed at the end of 2014 aimed at developing a new transactional adequacy model; the project was launched as pilot in the first few days of the year and then rolled out throughout the MPS branch network and Banca Widiba. In summary, this new transactional adequacy model adopts a multivariate control approach to the individual risk factors, taking the risk of the customer’s portfolio, including the recommended investment product, as a reference.

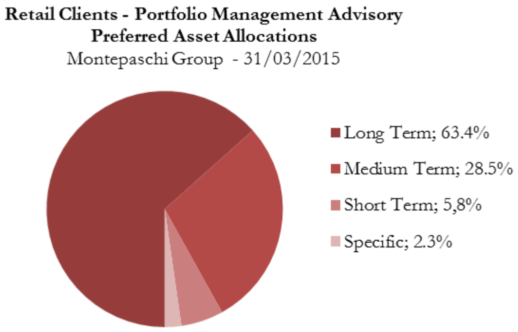
The activities described above cover the entire distribution perimeter of the network of Banca MPS branches and the investment service operated by Banca Widiba, which started its activities in the last part of 2014 and which has taken over Financial Promotion activities. They also cover MPS Capital Services for the role played in the chain products process.

The results of questionnaires filled out by Group customers confirm a moderate conservative approach to financial investments. Group customers in the "Retail" macro-segment, namely retail customers which represent almost the entire customer base of the Group, and which hold investment products, 37.2% declared, at the end of the first quarter of 2015, a "moderate" risk investment objective and mainly medium to long-term investment horizons. The investment objective emerged from the responses provided to the MiFID profiling questionnaire, as a part of the more general risk profile which also includes information on the customer's knowledge, experience and time horizon.





At the end of March 2015, the portfolios held by Consumer/Retail customers on the basis of formalised "advanced" advisory proposals to obtain optimum asset allocation, were mainly distributed into the recommended medium and especially long-term Asset Allocation (AA) macro-classes. This testifies to the interest of customers who turn to this type of advisory service for stable and long-lasting investments.



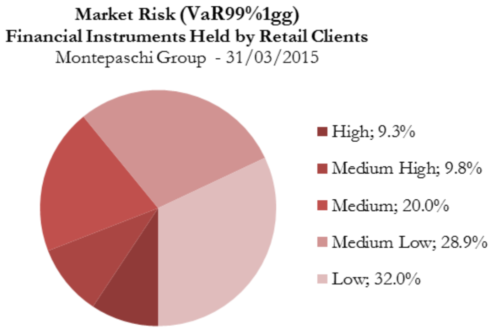
In terms of the mapping of the risk of investment products, in the first quarter of 2015, the Eurozone's equity markets benefitted from the improved expectations brought about by the ECB's securities purchase programme (quantitative easing) approved in January and implemented at the start of March, reversing the downward trend recorded in the second part of the previous year in particular, as a result of a still weak and, in some cases non-existent economic recovery, and the heightening tensions linked to the Ukrainian crisis and Greek political uncertainty.

The effects of quantitative easing included the fall in yields on sovereign debt to exceptionally low levels throughout the Euro area and on all maturities, with the subsequent perception of mitigated sovereign risk for Eurozone countries. The monetary expansion is also squeezing financial and corporate bond yields.

Therefore, investor sentiment further improved in the Euro area, favouring a recovery in financial investments despite a context of potential volatility and risk of macro risk factors which contribute to determining the overall risk of investment products. Hence, this performance was reflected in the risk trend relating to the investment products held by customers.

The experience in recent years, however, requires greater caution when interpreting market signs and investor behaviours. In the current circumstances, rapid changes in monetary policy, the perception of sound financial systems and investor behaviour can have violent repercussions on risk factors and on the investments of customers.

In line with the market trends and consequent impacts on macro risk factors, the investment products held by "Consumer" customers showed, at the end of March, a distribution concentrated on average for market risk on medium-low levels of 1 day VaR 99%. Also as regards credit risk (issuer risk), the relative majority of domestic government and Euro area securities and of financial and corporate issues showed a risk mainly distributed on the lowest and medium risk classes.



Customers have regularly been informed of changes in the risk of financial instruments held, so as to ensure timely informational transparency and facilitate possible decisions aimed at rebalancing the risk profile of their investments.

Part F – Information on consolidated shareholders’ equity

Section 1 - Consolidated shareholders' equity

Qualitative information

The Montepaschi Group pursues strategic objectives focused on quantitative and qualitative strengthening of capital, structural rebalancing of liquidity and achievement of sustainable profitability levels. In this perspective, capital management, planning and allocation activities play a crucial role in ensuring compliance over time with the minimum capitalisation requirements set by the regulations and the supervisory authorities, as well as with the risk appetite level approved by the Group's strategic supervision body.

This is the purposes 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 contest 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 Montepaschi Group defines its targets on the basis of a Risk Adjusted Performance Measurement (RAPM), which measures profitability net of the cost of capital to be held for regulatory purposes relative to the assumed risk level.

The definitions of equity applied are those used in Supervisory Regulations: Common Equity Tier 1, Tier 1 and Capital; moreover, the RAPM metrics also include Invested Capital, i.e. the amount of Shareholders' equity needed to achieve Common Equity Tier 1 values, whether determined ex ante as target levels or realised ex post.

The Capital at Risk concepts applied are those used in the regulatory requirements, corresponding to the risk weighted assets (RWA), determined on the basis of the rules set out in the supervisory regulations, and the economic capital corresponding to the maximum losses estimated on measurable risks at a predetermined confidence interval and on the basis of the Group's internal models and rules. Both measurements are used as part of RAPM metrics.

B. Quantitative Information

B.1 Consolidated shareholders' equity: breakdown by business areas

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Net equity items	Banking group	Insurance companies	Other companies	Consolidation cancellations and adjustments	Total
Shareholders' equity	12,497,625	315,317	234,534	(549,851)	12,497,625
Share premium	2,506	-	103,884	(103,884)	2,506
Reserves	(5,829,591)	390,989	92,402	(483,391)	(5,829,591)
Equity instruments	3,002	-	-	-	3,002
Treasury shares (-)	-	-	-	-	-
Valuation reserves	(251,506)	126,511	6,605	(133,116)	(251,506)
- Financial assets available for sale	(136,603)	-	-	-	(136,603)
- Tangible assets	-	-	-	-	-
- Intangible assets	-	-	-	-	-
- Hedges of foreign investments	-	-	-	-	-
- Cash flow hedges	(180,482)	-	-	-	(180,482)
- Exchange difference	8,878	-	-	-	8,878
- Non-current assets held for sale	1,919	-	-	-	1,919
- Actuarial gains (losses) on defined benefit plans	(126,364)	-	(42)	42	(126,364)
- Share of valuation reserves of equity investments valued at equity	122,649	122,625	37	(122,662)	122,649
- Special revaluation laws	58,497	3,886	6,610	(10,496)	58,497
Profit (loss) for the year - Group and minority interests	73,105	20,929	6,680	(27,609)	73,105
Net equity	**6,495,141**	**853,746**	**444,105**	**(1,297,851)**	**6,495,141**

Section 2 – Regulatory banking capital and ratios

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 transition requirements.

1. Common equity Tier 1 (CET1)

Full application requirements

Common equity Tier 1 (CET1) mainly consists of:

- ordinary shares;
- share premium reserve resulting from the calculated share capital;
- retained earnings;
- valuation reserves.

The requirements for including capital instruments in CET1 are very stringent. They include the following:

- capital instruments must be classified as equity for accounting purposes;
- the nominal amount cannot be reduced except in cases of liquidation or discretionary repurchases by the issuer, with the appropriate authorization by the Supervisory Authority;
- they must have perpetual duration;
- the issuer is not obliged to distribute dividends;
- the issuer can only distribute dividends from distributable profits;
- there can be no preferential treatment in distributions, unless as a reflection of different voting rights;
- there are no caps on distribution;
- the cancellation of distributions does not result in restrictions on the issuer;
- with respect to the other issued capital instruments, CET1 instruments absorb firstly and a proportionally greater amount of the losses in the moment that they incurred;
- they represent the most subordinated instruments in the event of the Parent Company's bankruptcy or liquidation;
- the holders have the right to the issuer's residual assets in the event of the issuer's liquidation;
- they are not subject to guarantees or contractual provisions that increase their seniority.

Profit for the period can be included in CET1 before final approval of the annual report only with the authorization by the Supervisory Authority and only if the following conditions are met: the profit must be audited by the external auditors and any dividends the Parent Company is going to distribute must be deducted from the profit for the period.

The CET1 calculation excludes the valuation reserve generated by cash flow hedges and the gains/losses from changes in the Bank's credit standing (fair value option liabilities and derivative liabilities).

Furthermore, CET1 includes additional value adjustments (so-called "prudent valuation"). These adjustments are made to fair value exposures in the financial statements and must include the uncertainty of the parameters (model risk, unwinding costs, etc.) and potential future costs (operational risks, concentration risk, liquidity risk, etc.). The adjustments vary according to the financial instruments' classification as Level 1, 2 or 3.

In addition to these components, which represent the prudential filters, CET1 is subject to the following deductions:

- loss for the period;
- intangible assets, including the goodwill implicit in the equity investments under significant influence or joint control, valued according to the equity method;
- tax assets that are based on future profitability and do not derive from temporary differences (tax losses);
- 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 portion that exceed established CET1 thresholds, known as exemptions, according to the specific mechanism described below:

- non significant investments in CET1, AT1 and T2 instruments of financial institutions are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to direct, indirect and synthetic investments in CET1 instruments of financial institutions, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- net deferred tax assets that depend on future profitability and derive from temporary differences are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- significant investments in CET1 capital instruments of financial institutions are deducted for the portion that exceeds 10% of the CET1 that is obtained after applying the prudential filters and all deductions other than those for deferred tax assets that are dependent on future profitability and derive from temporary differences, to any deductions in excess of the AT1 capital instruments and deductions in qualified equity investments in financial businesses;
- amounts not deducted as a result of the 10% exemption of significant investments in CET1 capital instruments of financial institutions and net deferred tax assets that depend on future profitability and derive from temporary differences, added together, are deducted only for the portion that exceeds 17.65% of the CET1 that is obtained after applying the prudential filters and all deductions, including investments in financial institutions and deferred tax assets, with the exception of any deductions in excess of the AT1 capital instruments.

Amounts not deducted as part of the exemptions are included in the RWA with 250% weighting.

Non-controlling interests are calculated in CET1 to the extent to which they cover the corresponding minimum capital requirements of the subsidiary. Hence, any excess cannot be included in the CET1 calculation.

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 Parent company to Bank of New York S.A. The negative impact on Tier 1 due to this exclusion amounted to EUR 76 mln.

Transitional requirements

The following are the key aspects of the transition requirements:

- the losses for the period are calculated in CET1 with a progressive introduction of 20% per year (40% in 2015 and 100% from 2018); the portion temporarily not deducted from CET1 is calculated in reduction 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, 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, 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 classified in the AFS portfolio, until approval by the European Commission of the IFRS that replaces IAS 39, as a result of the introduction of the CRR according to each country's discretion established as part of the transition requirements by Bank of Italy. In accordance with Circular no. 285 of 17/12/2013, in January 2014 the MPS Group exercised this right; the AFS reserve linked to AFS securities (BTP) related to the Alexandria transaction constitutes a derogation to this regime. More specifically, following the Comprehensive Assessment, the entire amount of the negative reserve related to the government bonds that were the subject of the transaction (amounting to EUR 239 mln as at 31 March 2015) was considered in the CET 1 calculation;
- 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;
- deferred tax assets that depend on future profitability and derive from temporary differences existing as at 1 January 2014 are deducted from CET1 with a gradual introduction of 10% per year beginning in 2015 (10% in 2015 and 100% in 2024);
- other deferred tax assets that depend on future profitability and derive from temporary differences, generated after 1 January 2014, are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018);
- non significant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- significant investments in CET1 instruments of financial institutions held directly, indirectly or synthetically are deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018). Direct investments in financial institutions not deducted from CET1 during the transition phase are deducted at 50% from AT1 and 50% from T2. Indirect and synthetic investments are subject to capital requirements and included in RWA;
- the excess of expected losses on impairments (expected loss delta) is deducted from CET1 with a gradual introduction of 20% per year beginning in 2014 (40% in 2015 and 100% in 2018). The portion not deducted from CET1 during the transition phase is deducted at 50% from AT1 and 50% from T2.

Additional impairments to assets and liabilities designated at fair value are calculated in proportion to the amount with which said assets and liabilities are calculated in CET1 during the transition period. For example, since unrealised gains and losses on exposures to central governments classified in the AFS portfolio are not at this time included in the CET1 calculation, any additional corresponding impairments are not recognised.

The New Financial Instruments (NSFs) subscribed by the MEF can be included in the CET 1 calculation until 31 December 2017.

New Financial Instruments

The issuance of the NFIs is consequential to the shortfall revealed by the exercise conducted by the EBA on the capital requirements of Europe's major banks in the second half of 2011. The subscription of NSF by the MEF entailed the adoption of a Restructuring Plan approved by the European Commission on 27 November 2013.

The NFIs were issued by Banca Monte dei Paschi di Siena S.p.A. on 28 February 2013 pursuant to article 23-sexies of Law Decree no. 95 of 6 July 2012, converted, with amendments, into Law no.135 of 7 August 2012, as subsequently amended. In particular, the Ministry of Economy and Finance subscribed the NFIs issued by the Bank for a total of EUR 4,071 mln, of which EUR 1,900 mln allocated to full repayment of the Tremonti Bonds already issued by the Bank in 2009, and EUR 171 mln, due on 1 July 2013, for advance payment of interest accrued on Tremonti Bonds up to 31 December 2012, in consideration of the Bank's negative results as at 31 December 2012.

The characteristics of the New Financial Instruments include:

- the NFIs are financial instruments which may be converted into ordinary shares by the issuer BMPS and are characterised by subordination pari passu with ordinary shares, in the event of both voluntary liquidation or bankruptcy proceedings and under going concern assumptions. In particular, on a going-concern basis, the NFIs absorb losses that reduce the capital ratio to below 8% in the same proportion with respect to the share capital and reserves, by reducing the nominal value;
- the NFIs are perpetual instruments and the Parent Company has the right to redeem them subject to the previous authorisation by the Bank of Italy; repayment of the instruments will occur at the greater of the following values:
  - an increasing percentage of the nominal value over time (100% by 30 June 2015, then increased by 5% every two years up to a maximum of 160%);
  - the product of shares underlying the NFIs and the price paid in the event of a takeover bid on BMPS after the subscription date;
  - the product of shares underlying the NFIs and the price received by the Fondazione MPS in the event that over 10% of its shareholding is sold over a period of 12 months.
- the NFIs have no rights under art. 2351 of the Civil Code and are convertible into shares upon the request of the issuer (art. 23-decies para.1); in particular, in the event of conversion, the MEF is to be assigned a number of shares equal to the ratio between the nominal value of the NFIs and the Theoretic Ex Rights Price (TERP) discounted by 30%; the TERP is positively related to the market value of BMPS shares;
- interest on NFIs is paid in cash up to the amount of net profit for the year gross of the same interest, tax effect and net of provisions for statutory reserves;
- any interest in excess of this threshold is paid through the issue of new shares at market value or, for 2013 interest, through the issue of additional NFIs for the equivalent nominal value;
- with regard to interest payment on NFIs:
  - interest on NFIs is calculated on a pro rata basis by applying a fixed rate of 9% to the nominal value for the first year (2013) with a subsequent step up of half a point every 2 years until the 15% cap is reached;
  - subject to the exceptions provided for in 2013 and 2014, interest that is not covered by net profit for the year is to be paid through the allocation of a number of shares equal to the number of shares in issue multiplied by the ratio between interest due and market

capitalisation of BMPS (average of 10 days prior to the date of the Board of Directors which approved the financial statements) net of the same interest;
- in the event of loss for the year, no dividends shall be paid out under any circumstances.

During 2014 the Parent Company completed a capital increase for an amount of EUR 5 bn. Due to this capital increase and to the authorisations received by the Bank of Italy and the Ministry of Economy and Finance, the Parent Company redeemed a nominal value of EUR 3 bln of New Financial Instruments as well as New Financial Instruments relating to interest accrued for the financial year 2013 and issued at the same time, for a total consideration of EUR 3,455.6 mln, which includes the effects from the terms and conditions of the NFIs following the sale of shares by Fondazione Monte dei Paschi di Siena.

Thus Common Equity T1 as at 31 March 2015 includes EUR 1,071 mln of NFIs. On the other hand, interests accrued for an amount of 243 mln during 2014, that will be converted into ordinary shares on 1 July 2015 due to the loss recognized in the financial year 2014, are not yet included in Common Equity Tier 1.

2. Additional Tier 1 (AT1)

Full application requirements

The main requirements for including capital instruments in AT1 are:

- the subscription and acquisition must not be financed by the Parent Company or its subsidiaries;
- they are subordinated to T2 instruments in the event of bankruptcy;
- they are not subject to guarantees that increase their seniority issued by the Parent Company, its subsidiaries or other companies with close ties to the Bank and its subsidiaries;
- they have indefinite duration and do not include incentives for repayment;
- call options may be exercised only at the issuer's discretion and, in any event, no earlier than 5 years, unless authorised by the Supervisory Authority related to specific circumstances;
- interest is paid as a function of distributable profits;
- the Parent Company has full discretion in paying interest and at any moment may decide to not pay for an unlimited period; the cancellation is not cumulative;
- cancellation of interest does not constitute issuer default;
- in the event of trigger events, the nominal value may be reduced permanently or temporarily or the instruments may be converted into CET1 instruments.

AT1 is subject to the following deductions for Montepaschi Group:

- direct, indirect and synthetics investments in the Bank's AT1 instruments;
- direct, indirect and synthetics investments in AT1 instruments of financial institutions which it owns a significant stake;
- direct, indirect and synthetics investments in AT1 instruments of financial institutions, which it does not own a significant stake; for the portion that exceeds the exemption of 10%, proportionally attributable to AT1 instruments;
- any adjustments exceeding T2.

As a result of these previsions, some instruments issued in previous years by Montepaschi Group do not meet the requirements to be included in AT1.

Transitional requirements

The following are the key aspects of the transition requirements for 2014:

- 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 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%;
- 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%.

3. Additional Tier 2 (AT2)

Full application requirements

The main requirements for including capital instruments in T2 are:

- the subscription and acquisition must not be financed by the Parent Company or its subsidiaries;
- they are not subject to guarantees that increase their seniority issued by the Parent Company, its subsidiaries or other companies with close ties to the Bank and its subsidiaries;
- the original duration is not less than 5 years and there are no incentives for early repayment;
- call options may be exercised only at the issuer's discretion and, in any event, no earlier than 5 years, unless authorised by the Supervisory Authority related to specific circumstances;
- interest does not vary based on the Parent Company's credit standing;
- amortisation of these instruments for purposes of inclusion in the T2 calculation is pro-rata temporis in the last 5 years.

T2 is subject to the following deductions:

- direct, indirect and synthetics investments in the Bank's T2 instruments;
- direct, indirect and synthetics investments in T2 instruments of financial institutions, which it owns a significant stake;
- direct, indirect and synthetics 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 T2 instruments;

From the results of the Comprehensive Assessment, the Patagonia vehicle was consolidated also for prudential purposes. This treatment resulted in a Tier 2 reduction by approximately EUR 88 mln as at 31 March 2015.

Transitional requirements

The following are the key aspects of the transition requirements for 2015:

- non significant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100%; non significant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted with a phase-in of 20% per year as of 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs;
- significant investments in T2 instruments of financial institutions held directly are deducted from T2 at 100%; significant investments in T2 instruments of financial institutions held indirectly or synthetically are deducted with a phase-in of 20% per year as of 2014 (40% in 2015 and 100% in 2018). Indirect and synthetic investments, not deducted during the transition phase, are subject to capital requirements and included in RWAs;
- the excess of expected losses on impairments (expected loss delta), temporarily not deductible from CET1 due to the transition period, is deducted from T2 at 50%.

Grandfathering

A gradual exclusion from the relevant capital level is envisaged for capital instruments issued previously and calculated in regulatory capital through 31 December 2013 that do not meet the requirements of the new regulatory framework. Specifically, 70% of the nominal value outstanding in 2014 may be included in the CET1, AT1 and T2 calculation, decreasing 10% per year until its full exclusion in 2022, for those instruments issued or calculated in the regulatory capital prior to 31 December 2011 that do not meet the new requirements.

B. Quantitative Information

	31 03 2015	31 12 2014
A. Tier 1 before prudential filters	7,595,846	7,266,990
of which CET1 instruments subject to transitional provisions	1,071,000	1,071,000
B. Tier I prudential filters	31,703	(1,183)
C. Tier I capital gross of items to be deducted (A+B)	**7,627,549**	**7,265,807**
D. Items to be deducted from Tier I	2,012,004	1,743,282
E. Transitional regime - Impact on CET1 (+/-)	601,756	1,084,984
F. Total Common Equity Tier 1 (CET1) (C - D +/- E)	**6,217,301**	**6,607,509**
G. Additional Tier 1 (AT1) gross of items to be deducted and transitional regime effects	611,956	538,420
of which AT1 instruments subject to transitional provisions	402,056	321,347
H. Items to be deducted from AT1	-	-
I. Transitional regime - Impact on AT1 (+/-)	(142,276)	(538,420)
L. Total additional Tier 1 (AT1) - (G - H +/- I)	**469,680**	**-**
M. Tier2 (T2) gross of items to be deducted and transitional regime effects	3,084,129	3,351,208
of which T2 instruments subject to transitional provisions	-	-
N. Items to be deducted from T2	67,312	68,516
O. Transitional regime - Impact on T2 (+/-)	(81,684)	9,916
P. Total Tier 2 (T2) (M - N +/- O)	**2,935,133**	**3,292,608**
Q. Total capital (F + L + P)	**9,622,114**	**9,900,117**

As at 31 March 2015, CET 1, before prudential filters were applied, increased by EUR 328.9 mln, totalling EUR 7,595.8 mln, compared to EUR 7,267.0 mln at the end of 2014.

At the same date the amount of AT1 is EUR 612.0 mln, compared to EUR538.4mln at the end of 2014.

T2 decreased by EUR 357.5 mln, totalling EUR 2,935.1 mln, compared to EUR 3,292.6 mln at the end of 2014.

2.3 Capital adequacy

A. Qualitative information

Under the prudential regulation, the minimum equity requirements for 2015 are as follows:

- CET1 ratio of at least 4.5% of the Group's total risk exposure;
- AT1 ratio of at least 6% of the Group's total risk exposure;
- Total Capital ratio of at least 8% of the Group's total risk exposure.

Additionally, the new regulations envisage that banks must have the following reserves:

- capital conservation buffer - aimed at conserving the minimum level of regulatory capital during difficult periods in the market, through the allocation of high quality capital in periods in which there are no market tensions. This reserve is mandatory and must be at least 2.5% of the Bank's total risk exposure. The reserve consists of CET1 capital;
- countercyclical capital buffer - aimed at protecting the banking sector in phases of excessive growth in loans. The buffer provides for the accumulation of CET1 capital during phases of rapid growth in the credit cycle, which can then be used to absorb losses in the downward phase of the cycle. As opposed to the capital conservation buffer, the countercyclical buffer is imposed only during periods of loan growth and is calculated according to pre-established criteria. Supervisory Authorities have not yet defined the amount of this reserve;
- G-SII buffer for global systemically important banks and O-SII buffer for other systemically important entities - impose higher capital requirements on those entities based on their systemic relevance, at a global or national level, which pose greater risks for the financial system and for which a crisis could have impacts on contributors. The Group falls under the Basel Committee's definition of systemically important banks, required to publish indicators according to the established times and methods. Hence, from 2016, the Group will be subject to additional loss absorbency requirements, the extent of which will be defined by the Bank of Italy.

As concerns capital requirements, for credit risks the Group uses the Advanced Internal Rating Based (AIRB) method with reference to the "Credit Exposures to Retail" and "Credit Exposures to Entities" regulatory portfolios. The scope of application of the AIRB method currently includes the Parent Company Banca MPS, MPS Capital Services Banca per le Imprese and MPS Leasing & Factoring. For the remaining portfolios and Group entities, capital requirements relative to credit risks are calculated according to the standard method.
Conversely, capital requirements relative to market risk are calculated according to the standard method for all Group entities.
Capital requirements relative to the operational risk calculated according to the AMA method cover the entire Banking Group perimeter almost completely. For the remaining part of the perimeter, the base method applies.

Furthermore, in 2014 the ECB performed, in collaboration with the national competent authorities responsible for the supervision of banks, a system-wide Comprehensive Assessment, pursuant to the regulations on the Single Supervisory Mechanism (EU Regulation no. 1024/2013 of the European Council on 15 October 2013), which became effective on 3 November 2013. The Comprehensive Assessment has three main goals: transparency (to enhance the quality of information available on the condition of banks), repair (to identify and implement necessary corrective actions, if and where needed) and confidence building (to assure all stakeholders that banks are fundamentally sound and trustworthy).

The Comprehensive Assessment touched on three aspects: (i) a supervisory risk assessment to review, quantitatively and qualitatively, the most sensitive exposures in the credit portfolio (supervisory risk assessment); (ii) an asset quality review (AQR) to enhance the transparency of bank exposures by reviewing the quality of banks' assets, including the adequacy of asset and collateral valuation and related provisions; and (iii) a stress test to examine the resilience of banks' financial statements to stress scenarios (assessed over the three-year period 2014-2016).

The results of the Comprehensive Assessment, which includes the Asset Quality Review and the Stress Test in the two scenarios, "base" and "adverse", were published by the EBC on 26 October 2014. The Comprehensive Assessment identified for the MPS Group a shortfall of EUR 2.1 bn. The Bank is required to cover the shortfall within the 9 months following 26 October 2014 and to comply, once the shortfall is made up, with the Total Capital and Common Equity Tier 1 target ratios of 10.9%and 10.2% respectively. In order to have a capital buffer with respect to the CET1 threshold required under the SREP, the Shareholders' Meeting of the Parent Company approved a capital increase in the amount up to a maximum of EUR 3 bn. The rights issue is backed by an underwriting agreement.
The target ratios required by the EBC must be complied with at all times when the Authority's Decision is in force; similarly, at those times the Bank may not distribute dividends.

With reference to the Liquidity Coverage Ratio and the Net Stable Funding, the observation period, which precedes its official introduction, by the Supervisory Authorities began in March 2014.. The introduction of these two indicators and their minimum threshold will be, with the approval of the Council and the European Parliament, as of January 1, 2018 Also in the case of the Net Stable Funding Ratio, the observation period started on 31 March 2014. These two ratios and the associated minimum requirements will become effective 1 January 2018, upon authorisation of the European Council and Parliament.

The Leverage Ratio is calculated with a denominator that is based on the assets not risk weighted at the end of the quarter. The indicator will become binding in 2018, the transition observation phase will take place from 2014 until 31 December 2017. To date, the Supervisory Authorities have not yet determined the minimum Leverage Ratio thresholds.

Schematically, the Leverage Ratio is calculated as follows:

$$\frac{\text{TIER 1}}{\text{(Off balance-sheet items* Credit Conversion Factor + Derivatives + Securities Financing Transaction) + Other Balance sheet assets – Regulatory Adjustment)}}$$

The exposures must be reported net of regulatory adjustments envisaged in the T1 calculation in order to avoid double counting. In fact, items fully deducted from capital do not contribute to the Leverage Ratio and are deducted to the extent of the exposure.

B. Quantitative Information

Categories/Amounts	Non-Weighted amounts		Weighted amounts/requirements	
	31 03 2015	31 12 2014	31 03 2015	31 12 2014
A. RISK ASSETS				
A.1 Credit and couterparty risk (*)	**198,220,032**	**197,772,204**	**62,229,315**	**62,520,495**
1. Standardized Approach	81,527,049	79,985,932	34,028,996	33,216,331
2. Internal rating-based (IRB) approach	116,689,527	117,732,184	28,157,116	29,140,499
2.1 Foundation	-	-	-	-
2.2 Advanced	116,689,527	117,732,184	28,157,116	29,140,499
3. Securitisations	3,456	54,088	43,203	163,665
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**4,978,345**	**5,001,640**
B.2 Credit valuation adjustment risk			**79,423**	**98,579**
B.3 Settlement risk			**-**	**-**
B.4 Market risk			**344,828**	**289,142**
1. Standardized Approach			337,527	286,106
2. Internal models			**-**	**-**
3. Concentration risk			7,301	**3,036**
B.5 Operational risk			**706,245**	**708,267**
1. Foundation			18,585	20,212
2.Standardized approach			-	-
3. Advanced			687,660	688,055
B.6 Other prudential requirements			**-**	**-**
B.7 Other calculation elements			**-**	**-**
B.8 Total prudential requirements			**6,108,841**	**6,097,628**
C. RISK ASSETS AND CAPITAL RATIOS			**-**	**-**
C.1 Risk-weighted assets			76,360,513	76,220,350
C.2 CET1 capital/Risk-weighted assets (CET1 capital ratio)			8.14%	8.67%
C.3 Tier 1 capital/Risk-weighted assets (Tier1 capital ratio)			8.76%	8.67%
C.4 Total capital/Risk-weighted assets (Total capital ratio)			12.60%	12.99%

As at 31 March 2015, both CET1 and T1 capital ratios were respectively 8.14% and 8.76%, while the Total Capital ratio was 12,60%. As at 31 December 2014 the data showed coefficients of 8.67% for CET 1 capital ratio and 12.99% for Total capital ratio.

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"

There are no transactions to report.

1.1.2 Business combinations between entities under common control

There are no transactions to report.

Section 2 - Business combinations completed after the period

There are no transactions to report.

Section 3 – Retrospective adjustments

No retrospective adjustments are reported.

Part H – Related-party transactions

1 Compensation of key management personnel

Items/Amounts	Total 31 03 2015	Total 31 03 2014
Short-term benefits	1,852	1,203
Post-retirement benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
Other compensation	-	-
Total	**1,852**	**1,203**

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 Ownership Structure – Remuneration Report" which contains data reported in the past financial statements, including:

- a detailed breakdown of compensation paid to the Governing and Control bodies, General Management and, in aggregate form, to Key Management Personnel, as well as stock option plans reserved for members of the Governing and Control bodies, the General Management and Key Management Personnel;
- details and developments regarding stock option plans for Key Management Personnel;
- the shares of the Parent Company and its subsidiaries held by members of the Governing and Control bodies, General Management, Key Management Personnel and other related parties.

2 Related-party transactions

"Regulations containing provisions relating to transactions with related parties" was adopted by Consob with Resolution no. 17221 of 12 March 2010 and later amended by Resolution no. 17389 of 23 June 2010.

In its meeting of 10 November 2010, the Board of Directors established the Parent Company's Committee of Independent Directors which, as of 18 July 2013, has been renamed "Committee on Related-Party Transactions"; as at today, the Committee is composed solely of independent directors pursuant to the principles and criteria of the Corporate Governance Code of listed companies, which BMPS adhered to, and the Consolidated Law on Finance.

On 25 November 2010, the Board of Directors of the Parent Company resolved to approve "Group Directive on related-party transactions", which sets out the model for related-party transactions establishing roles and responsibilities of internal relevant functions and related implementing processes. The Directive was subsequently updated and renamed "Group Directive on BMPS Related Parties and Group Associated Parties", with reference to "Associated Parties" as governed by the Bank of Italy in its 9th update of Circular no. 263/2006. The update was in implementation of art. 53 of the Consolidated Law on Banking and in compliance with resolution no. 277 of the Interministerial Committee for Credit and Savings (ICRC) of 29 July 2008, to govern regulations concerning risk assets and conflicts of interest in relation to the Associated Parties of the Group.

Through a resolution dated 12 November 2014, the Parent Company's Board of Directors approved – in accordance with regulatory provisions and having obtained the prior favourable opinions of the Committee on Related Party Transactions and of the Board of Statutory Auditors, the "Global Policy on transactions with related parties and associated parties, obligations of the Banking entities" (hereinafter the "Global Policy"), which includes in a single document the Group's provisions on conflicts of interest in transactions with related parties in accordance with the above referenced Consob Regulation no. 17221/10 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 entities, 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 Parent Company's website and is therefore available in full-text version at the following links:

https://www.mps.it/Investor+Relations/Corporate+Governance/Global+Policy.htm

Information is provided below regarding related-party transactions carried out by the MPS Group during the first quarter of 2015, which deserve specific mention and were conducted based on reciprocal assessments of economic advantages.

January 2015

- On 12.01.2015, the Credit Committee authorised the issuing of a Comfort Letter to LE ROBINIE SPA, 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 said company, which makes provision, 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 EUR 19.968 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 20% stake.

March 2015

- On 3.03.2015, the Credit Committee approved the classification in the non-performing category of the all receivables due from NEW COLLE SRL amounting to EUR 22.610 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, no267 (Bankruptcy Law). This relates to a transaction of minor importance, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that the Company is subject to a significant influence by BMPS which holds a direct stake of 49% in the Company, as a result of the recognition of the shareholding held previously by MPS Capital Services S.p.A..
- On 5.03.2015, the Credit Committee authorised, in favour of SIENA BIOTECH SPA SOCIETA' IN LIQUIDAZIONE – for which the Court of Sienna declared the bankruptcy proceedings on 27 March 2015 - the granting of an extension: (i) until 31.07.2015 of a transitional credit line for the issuing of a surety of EUR 1.925 mln – in respect of a community grant for the Farmaci Innovativi contro le Malattie Neurodegenerative (Innovative Drugs for treating Neurodegenerative Diseases) project – issued in 2011 in favour of Azienda Regionale Artea, in order to allow the latter to perform the administrative controls envisaged and (ii) until 31.12.2015 of a credit line relating to a surety already issued to the Revenue Agency for EUR 4.197 mln, in order to technically adjust the expiry of the surety to 31.12.2015 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 12.03.2015, 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 mln, which can be utilised until revoked, for the issuing of sureties related to the participation in calls for tender for the selection of the Asset Management Company and/or for other purposes also related to company operations. This is an ordinary transaction of minor relevance conducted at arm's length or standard conditions, subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that the Company is subject to a significant influence by BMPS which holds a direct stake of 49.99% in the Company.
- On 12.03.2015, the Area Grandi Gruppi (Major Groups Area) authorised, in favour of A. MENARINI INDUSTRIE FARMACEUTICHE RIUNITE SRL, the extension, with a reduction from EUR 25 mln to EUR 15 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 EUR 13.950 mln, as not necessary. This is an ordinary transaction of minor importance conducted at arm's length or standard conditions, which falls within the field of application of Consob Regulation no. 17221/2010, given that the company is, as of today, indirectly related to the Director Alberto Giovanni Aleotti, in office until the expiry of the mandate on 16 April 2015.

- On 27.03.2015, 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 mln in relation to SORGENIA SPA, roughly EUR 318 mln in relation to SORGENIA POWER SPA and approximately EUR 36 in relation to SORGENIA PUGLIA SPA.; (ii) the transfer to NUOVA SORGENIA HOLDING S.P.A. of part of the credit exposures of the lending banks to SORGENIA SPA in order release a share capital increase of said SORGENIA SPA for offsetting (the receivable of BMPS transferred totals around EUR 88.4 mln with the "ex nunc" commitment to convert said receivable to equity instruments (SFP) when certain conditions are met); (iii) the confirmation of cash and unsecured loans of SORGENIA SPA; (iv) the granting of new financing to SORGENIA SPA 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 SPA) of a bond loan with mandatory conversion to SORGENIA SPA shares for a portion of around EUR 44.2 mln. BMPS' total exposure to the SORGENIA GROUP amounts to around EUR 665.00 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 SpA (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 25.10.2014, holds a stake of 16.67% in Nuova Sorgenia Holding S.p.A. as of 20.03.2015.
- On 27.03.2015, the Board of Directors authorised the granting of a credit line of EUR 54 mln targeted at the disbursement of a loan granted to the vehicle company SIENA CONSUMER 2015 Srl, as part of a programme for the securitisation of loans originated by CONSUM.IT SPA. This is a transaction subject to the regulation of related parties pursuant to Consob Regulation no. 17221/2010, given that SIENA CONSUMER 2015 Srl is a related party of BMPS, which holds a stake of 10% in the latter and exercises de facto control over it.

Pursuant to art.14, paragraph 2 of CONSOB Regulation no. 17221/2010 and to Chapter 6, Section II of the Global Policy adopted by the Parent Company on transactions with related parties, associated parties and obligations of banking entities, it should be noted that in the first quarter of 2015 the Board of Directors of Banca MPS approved the following transactions with subsidiaries:

- On 06.02.2015, it authorised a recapitalisation initiative in favour of MPS CAPITAL SERVICES BANCA PER LE IMPRESE SPA, 99.92% owned, and MPS LEASING & FACTORING SPA and MONTEPASCHI LUXEMBOURG S.A., both wholly-owned by Banca MPS, for EUR 900 mln, EUR 500 mln and EUR 3 mln respectively (all approximate figures).
- On 19.03.2015, the merger by incorporation in BMPS of CONSUM.IT S.p.A., already wholly-owned by BMPS, was resolved.

§ * § * § * §

The following tables summarise the Group’s relationships with its Associates and other related parties as at 31 March 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;
- financial liabilities had the total of items 10 to 60 on the Liabilities side of the Balance Sheet (balance-sheet financial liabilities) as their denominator;
- for other assets and liabilities, the denominator reflected the items "Other assets" and "Other liabilities" in the Balance Sheet;
- for revenues and costs, the denominator is represented by the Group’s “Pre-tax profit (loss) from current operations”.

2.a Transactions with associates

31 03 2015

Items	Amounts	% on Consolidated
Total financial assets	858,033	0.49%
Total other assets	6,975	0.29%
Total financial liabilities	633,158	0.36%
Total other liabilities	12,571	0.27%
Guaranties issued	133,151	
Guaranties received	870,304	

2.b Transactions involving Key Management Personnel and other related parties

31 03 2015

Items/Amounts	Executives with strategic responsibility	Other related parties	% on consolidated
Total financial assets	1,404	10,860	0.01%
Total financial liabilities	2,040	288,105	0.17%
Total functioning costs	1,852	-	
Guarantees issued	-	3,029	
Guarantees received	2,068	36,675	

Part I – Share Based Payments

Qualitative Information

Description of share-based payment agreements

The remuneration and incentive policies adopted by the Group – as approved by the Parent Company's Shareholders meeting in April 2011 – provide that the variable component of compensation for all employees whose professional activity has or may have considerable impact on the company's risk profiles (a.k.a. "key employees") should meet the prescribed requirements in terms of maximum potential value as a percentage of fixed compensation (Gross Annual Salary), disbursement timing (at least 50% of the bonus should be paid after three years), disbursement methods (at least 50% of both the up-front and the deferred portions should be awarded in Bank shares). The remuneration policies also establish a bonus threshold of EUR 40,000, below which every payment is made entirely in cash/up front; this threshold is applied only where the amount of the bonus to be disbursed does not exceed 50% of the Gross Annual Salary received by the "identified staff member".

In March, the Parent Company approved the Group incentive system for all Group resources with the exception of Top Management, first-level management reporting directly to the CEO and second-level management (Area Managers of the Parent Company, Regional Area Managers, General Manager and Deputy General Manager). Recipients therefore include a number of "key employees", to whom part of any bonus that may be accrued by them must be paid in financial instruments (shares of the Bank or related instruments).

Part L – Segment reporting

This section of the Notes to the Consolidated Financial Statements is prepared in accordance with the IAS/IFRS international accounting principles, with particular reference to IFRS8 "Operating Segments".

The aforementioned accounting standard, applied as of 1 January 2009 to replace IAS14 "Segment reporting" and the adoption of which has no effect on the valuation of balance sheet items, requires reports to be drafted in relation to operating segments on the basis of the internal reporting actually used by management to take decisions on the allocation of resources to various segments and to conduct performance analyses.

Montepaschi Group operations by business segment

The Montepaschi Group operates in the following areas of business:

- *Retail and commercial banking*: includes lending activities, traditional banking services, the offering of banking and insurance products through the strategic partnership with AXA, financial advisory services, wealth management and investment products;
- *Leasing and Factoring*: includes the offering of leasing and factoring packages for businesses, artisans and professionals;
- Consumer credit: special purpose loans, personal loans, option and revolving credit cards;
- Corporate finance: mid- and long-term lending, corporate finance, capital markets and structured finance;
- *Investment banking*: trading and global markets;
- *Foreign banking*: products and services in support of market expansion and investments of Italian companies abroad.

Operations in the business areas are conducted by the following operating units of the Group:

- sales & distribution network, comprising the branches and specialised centres of Banca Monte dei Paschi di Siena;
- product factories, i.e. Group banks and companies expressly dedicated to developing specialised financial instruments to offer on the market, particularly including: Consum.it (a consumer credit company), MPS Capital Services (specialised in corporate finance, capital market and structured finance), MPS Leasing & Factoring (specialising in the provision of leasing and factoring services to businesses);
- foreign network, geographically present in all major financial and economic markets as well as in emerging countries with the highest rates of growth and/or key relations with Italy. It includes the foreign units of Banca Monte dei Paschi di Siena (4 operational branches, 10 representative offices) and 2 banks under foreign law (MP Belgium: 8 branches; MPS Banque: 18 branches).

The Group also includes service operations dedicated to the management of IT and telecommunications (Consorzio Operativo di Gruppo).

For the purpose of identifying the Operating Segments provided for by IFRS 8, the Montepaschi Group has adopted the business approach. Income statement/balance sheet data are then aggregated based on criteria including business area and operating unit of reference, relevance and strategic importance of operations involved, and cluster of clients served. These aggregation criteria, into which reporting for the highest decision-making levels is organised, enabled the identification of the following operating segments as at 31 December 2014:

- *Retail Banking*: includes income statement and balance sheet results pertaining to clusters of Small Business, Value, Premium and Private customers of Banca Monte dei Paschi di Siena, the results of fiduciary management and of consumer credit activities performed by the companies MPS Fiduciaria and Consum.it respectively;

- *Financial Advisory and Digital Banking*: consists of the results of the Financial Advisory Network as well as the subsidiary WIDIBA, the Group's newco in the digital banking sector, who has been authorized to carry out banking in May and started its operations in the last quarter of 2014;

- *Corporate Banking*: includes income statement and balance sheet results pertaining to clusters of Business, Entities and Public Administration customers of Banca Monte dei Paschi di Siena, the results of corporate finance activities of MPS Capital Services and those provided by MPS Leasing & Factoring. The results of Banca Monte dei Paschi di Siena's foreign branches are also included in this Operating Segment.

- *Corporate Center:* in addition to cancellations of intragroup entries, this Operating Segment incorporates the results of the following business centres:
    - banks under foreign law (MP Banque and MPS Belgio);
    - service operations supporting the Group's business, dedicated in particular to the management and development of IT systems (MPS Consorzio Operativo di Gruppo);
    - companies consolidated at equity and held for sale;
    - operating units, such as proprietary finance, ALM, Treasury and Capital Management which, individually, fall below the disclosure requirements for primary reporting.

In 2001 the Montepaschi Group introduced and gradually implemented Value Based operational management instruments, with the objective of monitoring profitability by business areas and units. The Value Based Management system adopted by the Group proved appropriate to manage the criteria for the identification of business segments and the review of segment reporting principles set out by existing regulations, as well as to meet regulatory requirements for the reconciliation of internal management reporting with data used for external reporting.

Income statement criteria by operating segment

Starting from the 1st quarter of 2015, the income statement results of the Group's Operating Segments are represented with a new reclassified layout which includes, in the revenues aggregate, also the balance of the item "Other Operating Income/Expenses", previously reported under Net Operating Income. The new representation also highlights the Gross Operating Income of each Operating Segment, obtained by excluding the impact of the net adjustments/recoveries due to impairment of receivables and financial assets.

The net operating income by operating segments was constructed based on the following criteria:

- **Net interest income**: in relation to the business centres of Banca Monte dei Paschi di Siena, it is calculated by way of contribution on the basis of internal transfer rates broken down by products and maturities. With reference to non-divisionalised entities, net interest income is the difference between "interest income and similar revenues" and "interest expense and similar charges".
- **Net fee and commission income**: net fee and commission income is determined by direct allocation of commissions to the operating segments.
- **Operating expenses** the aggregate includes Administrative Expenses (after recovery of expenses) and net value adjustments to tangible and intangible assets. The operating expenses of non-divisionalised entities (mono-segments) are directly allocated to their corresponding Operating Segments while, for Banca Monte dei Paschi di Siena, they are allocated to their respective Segments of reference by using a "cost allocation" model. With regard to Other administrative expenses and Net value adjustments to tangible and intangible assets, the model allocates external and intragroup cost components to the business centres either directly or by means of specific drivers, starting from a set of previously identified and priced services. With reference, however, to "Personnel costs", the model allocates costs to Business Centres on the basis of the unique

functional position of the resources, or, if this is not possible, according to specific criteria relating to the operations performed.

- **Net impairment losses/reversals on loans:** are allocated to the operating segments which generated them.

Balance-sheet criteria by operating segment

Balance-sheet aggregates were defined by using the internal reporting system as a starting point in order to identify the accounts directly attributable to the segments. Such accounts are related to the income/expenses allocated to each segment. In particular:

- **Interest-bearing loans to customers** are the assets used for the operations of a business segment, which are directly attributable to the segment itself;
- **Deposits from customers and debt securities issued** are the liabilities arising from the operations of an operating segment, which are directly attributable to the segment itself.

Transactions between operating segments

Each segment's income and results include transfers between operating segments. These transfers are reported in accordance with the best practices accepted by the market (i.e. the fair value method or cost method increased by a proper margin) both with respect to commercial and financial transactions. The income of each operating segment is determined before intragroup balances and intragroup transactions are eliminated during the process of consolidation. If intragroup transactions are made between entities belonging to the same operating segment, the respective balances are eliminated within such segment. In line with the internal reporting system used by the Montepaschi Group, balances of intragroup transactions are not shown separately.

Basis of preparation

In accordance with the recommendations of IFRS 8, the table below presents the Group's income statement and balance sheet results as at 31 December 2014, developed according to the Operating Segments defined above:

SEGMENT REPORTING	Business segments				
Primary segment	Retail banking	Corporate banking	Financial advisory and digital banking	Corporate Center	Total MPS Group
(million of Euro)	31/03/2015	31/03/2015	31/03/2015	31/03/2015	31/03/2015
PROFIT AND LOSS AGGREGATES					
INCOME FROM BANKING AND INSURANCE	884.1	481.9	8.0	(106.7)	1,267.2
Operating expenses	(487.2)	(141.7)	(15.2)	(9.2)	(653.3)
PRE PROVISION PROFIT	396.9	340.2	(7.2)	(116.0)	613.8
Net impairment losses (reversals) on loans and financial assets	(217.3)	(220.6)	0.1	(16.4)	(454.2)
NET OPERATING INCOME	179.5	119.6	(7.1)	(132.4)	159.6
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	50,340	51,248	58	12,775	114,421
Deposits from customers and debt securities issued	62,782	25,655	911	42,163	131,511

The table below shows the data of the 1st quarter of 2014 (see Interim Report on Operations of the Group as at 31 March 2014), restated according to the new layout of the reclassified Group Income Statement, which includes, in the revenues aggregate, also the balance of the item "Other Operating Income/Expenses" and introduces "Net Operating Income", as the difference between the Gross Operating Income and net adjustments/recoveries due to impairment of receivables and financial assets:

SEGMENT REPORTING	Retail & Corporate Banking division			Corporate Center	Total MPS Group
Primary segment	Retail banking	Corporate banking	Promozione Finanziaria e Digital banking		
(million of Euro)	31/03/2014	31/03/2014	31/03/2014	31/03/2014	31/03/2014
PROFIT AND LOSS AGGREGATES					
INCOME FROM BANKING AND INSURANCE	953.4	449.7	8.5	(453.0)	958.6
Operating expenses	(508.3)	(145.8)	(3.2)	(3.2)	(660.5)
PRE PROVISION PROFIT	445.0	303.9	5.2	(456.2)	298.0
Net impairment losses (reversals) on loans and financial assets	(202.2)	(286.9)	0.0	(2.6)	(491.7)
NET OPERATING INCOME	242.8	17.0	5.3	(458.7)	(193.7)
BALANCE SHEET AGGREGATES					
Interest-bearing loans to customers	54,228	56,646	131	12,340	123,345
Deposits from customers and debt securities issued	66,288	26,379	677	35,515	128,859

Declaration of the Financial Reporting Officer

Declaration of the Financial Reporting Officer

Pursuant to para. 2, article 154-bis of the Consolidated Law on Financial Intermediation, the Financial Reporting Officer, Mr. Arturo Betunio, declares that the accounting information contained in this Interim Report as at 31 March 2015 corresponds to the underlying documentary evidence and accounting records.

Signed by: **Arturo Betunio**

The Financial Reporting Officer

Auditors' review report on the interim consolidated financial statements

Building a better
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Auditors' review report on the interim consolidated financial statements
(Translation from the original Italian text)

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

Introduction

We have reviewed the interim consolidated financial statements, comprising the balance sheet, the income statement, the statement of comprehensive income, the changes in shareholders' equity, the statement of cash flows and the related explanatory notes of Banca Monte dei Paschi di Siena S.p.A. and its subsidiaries (the "Montepaschi Group") as of March 31, 2015, prepared for the purposes set out in Part A - Accounting Policies of the explanatory notes. The Directors are responsible for the preparation of the interim consolidated financial statements in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statements of the Montepaschi Group as of March 31, 2015 are not prepared, in all material respects, in compliance with the International Financial Reporting Standards applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis Paragraph

Without changing our conclusions, we draw attention to the disclosures included in the interim report on operations and in the explanatory notes with respect to the resolutions taken on April 16, 2015 at the Extraordinary Shareholders' Meeting on the share capital

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reduction due to losses pursuant to Article 2446 of the Italian Civil Code, as well as on the capital increase through payment in cash for a total maximum amount of EUR 3 billion including any share premium. The capital increase is aimed to fulfill the capital requirements communicated by the European Central Bank on February 10, 2015 as a result of the Supervisory Review and Evaluation Process. Moreover, the Directors disclose that, based on the updated Business Plan approved on May 8, 2015 and on the assumption of a successful finalization of the planned capital strengthening actions, they do not foresee any element which could cast doubt on the ability of the entity to continue as a going concern.

Milan, May 8, 2015

Reconta Ernst & Young S.p.A.
Signed by: Massimiliano Bonfiglio, Partner

This report has been translated into the English language solely for the convenience of international readers

Annexes

Pro-forma statements for the accounting treatment of major long-term structured repos as synthetic derivatives

Foreword

Below are the pro-forma balance sheet, income statement and statement of comprehensive income (the "Pro-forma statements") as at 31 March 2015 and 31 December 2014, which report the estimated accounting effects had the Parent Company classified the "long-term structured repos" (the "Transactions") as synthetic derivatives.

The pro-forma statements have been prepared on the basis of the consolidated annual report for the year ending 31 December 2014 and the interim consolidated financial statements as at 31 March 2014 and 31 March 2013, by applying estimated pro-forma adjustments to the representation of transactions, should they qualify as synthetic derivatives, as required by the Bank of Italy/Consob/Ivass document no. 6 of 8 March 2013 - Bank of Italy/Consob/Ivass Coordination forum on the application of IAS/IFRS - Accounting treatment of "long-term structured repos" (the "Document").

The Document provides that, in the case of Transactions for significant amounts, preparers of financial statements should carefully consider the need for an adequate description, including the preparation of pro-forma statements, of the effects on financial statements that would arise from a re-classification of Transactions as synthetic derivatives, after tax, as compared with previous year accounts.

The following statements summarise the balance sheet and profit and loss impacts that would result from a potential recognition of the long-term repo "Alexandria" as credit default swaps.

The pro-forma statements are presented using the balance-sheet sheet at 31 December 2014 and at 31 March 2015 and income statement and statement of comprehensive income at 31 March 2015 and 31 March 2014.

Pro-forma figures were determined by making appropriate pro-forma adjustments to the historical values in the 2014 and to the interim consolidated financial statements as at 31 March 2015 and 31 March 2014, in order to retroactively reflect the effects of recognising the Transactions as synthetic derivatives, as well as the estimated balance-sheet and profit and loss impacts arising therefrom.

Reported in the pro-forma statements below are:

- in the first column ("31 12 2014*" and "31 03 2015"): balance sheet at 31 December 2014 and at 31 March 2015, income statement and statement of comprehensive income as at 31 March 2014 and 31 March 2015;
- in the second column ("pro-forma adjustments of LTR classified as CDS"): pro-forma adjustments estimated to be made to the accounts, had the Parent Company classified the Transactions as synthetic derivatives;
- in the third and final column ("31 12 2014* pro-forma" and "31 03 2015 pro-forma"): estimated pro-forma balance sheet at 31 December 2014 and at 31 March 2015 pro-forma income statement and statement of comprehensive income as at 31 March 2015 and 31 March 2014.

In the light of the above, for an accurate interpretation of the information underlying the pro-forma figures, the following aspects should be considered:

- the accounting representations are based on assumptions; therefore, pro-forma figures do not necessarily coincide with those that would have ensued, had the Transactions (and related income statement and balance sheet effects) in fact been entered into as at the dates considered for preparation of the pro-forma accounts;
- pro-forma data was prepared in such a way as to only represent an estimate of the identifiable and objectively measurable effects of the Transactions.

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

In the event of issuer default, the Parent Company would incur a loss equal to the difference between the amounts to be returned to the repo counterparty and the value of the defaulted securities to be delivered to the Parent Company by the counterparty. Against this risk, the Parent Company earns a variable premium consisting in the difference between the coupons of bonds held and the interest rate paid on the repo entered into to finance the transaction.

For the purpose of pro-forma accounting, the Transactions were thus assessed in a similar way to Credit Default Swaps, using the same market parameters.

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

- balance sheet:
    - recognition of the CDS at Fair Value under “Financial assets held for trading” and “Financial liabilities held for trading” instead of:
        - securities classified as “Financial assets available for sale” and corresponding valuation reserves, gross of the hedge accounting component;
        - “Deposits from banks” and “Deposits from customers” which represent the liabilities associated with the long term repos;
    - reclassification of interest rate swaps from “Hedging derivatives” to “Financial liabilities held for trading”;
  - ensuing tax effects.

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

In brief, an estimate of transactions treated as synthetic derivatives produces significantly different impacts on the income statement by reason of changes in the fair value of Credit Default Swaps and reclassification of Interest Rate Swaps to trading.

It is noted that, by reason of the different accounting classification of individual items, the Transactions' accounting treatment as CDSs entails a modification to the scope of the two regulatory portfolios (trading book and banking book), with resulting differences, essentially of an offsetting nature, in the VAR of the individual portfolios. As a result, this different representation does not generate any differential impacts on the Group's overall VaR.

Pro-forma consolidated balance sheet

	Assets	31 12 2014	Pro-forma adjustments of LTR classified as CDS	31 12 2014 pro-forma	31 03 2015	Pro-forma adjustments of LTR classified as CDS	31 03 2015 pro-forma
10	Cash and cash equivalents	1,006,586	-	1,006,586	682,251	-	682,251
20	Financial assets held for trading	16,928,788	634,300	17,563,088	19,810,631	1,023,500	20,834,131
40	Financial assets available for sale	22,847,582	(4,071,545)	18,776,037	21,425,496	(4,626,136)	16,799,360
60	Loans to banks	7,722,753	-	7,722,753	7,855,669	-	7,855,669
70	Loans to customers	119,676,132	-	119,676,132	123,139,049	-	123,139,049
80	Hedging deviratives	612,957	-	612,957	644,530	-	644,530
90	Change in value of macro-hedged financial assets (+/-)	178,613	-	178,613	170,960	-	170,960
100	Equity investments	1,013,899	-	1,013,899	947,017	-	947,017
120	Property, plant and equipment	2,787,083	-	2,787,083	2,708,586	-	2,708,586
130	Intangible assets	441,693	-	441,693	430,368	-	430,368
	of wich: goodwill	7,900	-	7,900	7,900	-	7,900
140	Tax assets	7,562,419	(13,333)	7,549,086	7,126,179	40,998	7,167,177
150	Non-current assets and groups of assets held for sale and discontinued operations	21,805	-	21,805	182,756	-	182,756
160	Other assets	2,643,513	-	2,643,513	2,401,955	-	2,401,955
	Total Assets	183,443,823	(3,450,578)	179,993,245	187,525,447	(3,561,638)	183,963,809

	Liabilities and Shareholders' Equity	31 12 2014	Pro-forma adjustment of LTR classified as CDS	31 12 2014 pro-forma	31 03 2015	Pro-forma adjustment of LTR classified as CDS	31 03 2015 pro-forma
10	Deposits from banks	27,647,671	-	27,647,671	22,519,282	-	22,519,282
20	Deposits from customers	93,144,981	(3,353,599)	89,791,382	97,138,716	(3,350,374)	93,788,342
30	Debt securities issued	30,455,439	-	30,455,439	31,967,051	-	31,967,051
40	Financial liabilities held for trading	13,701,789	1,604,999	15,306,788	16,381,296	1,887,189	18,268,485
50	Financial liabilities designated at fair value	2,623,620	-	2,623,620	2,405,530	-	2,405,530
60	Hedging derivatives	4,112,108	(1,604,999)	2,507,109	4,519,441	(1,887,189)	2,632,252
80	Tax liabilities	163,510	(15,138)	148,372	79,959	(16,197)	63,762
90	Liabilities associated with non-current assets held for sale and discontinued operations	-	-	-	-	-	-
100	Other liabilities	4,183,569	-	4,183,569	4,595,103	-	4,595,103
110	Provision for employee severance pay	271,434	-	271,434	268,165	-	268,165
120	Provisions for risks and charges	1,151,049	-	1,151,049	1,155,763	-	1,155,763
140	Valuation reserves	(685,460)	423,122	(262,338)	(252,745)	238,801	(13,944)
160	Equity instruments carried at equity	3,002	-	3,002	3,002	-	3,002
170	Reserves	(496,120)	(450,358)	(946,478)	(5,838,353)	(504,963)	(6,343,316)
180	Share premium	2,291	-	2,291	2,291	-	2,291
190	Share Capital	12,484,207	-	12,484,207	12,484,207	-	12,484,207
200	Treasury shares (-)	-	-	-	-	-	-
210	Non-controlling interests (+/-)	23,625	-	23,625	24,109	-	24,109
220	Profit (loss) (+/-)	(5,342,892)	(54,605)	(5,397,497)	72,630	71,095	143,725
	Total liabilities and Shareholders' Equity	183,443,823	(3,450,578)	179,993,245	187,525,447	(3,561,638)	183,963,809

Pro-forma consolidated income statement

	Items	3103 2014	Pro-forma adjustment of LTR classified as CDS	3103 2014 pro-forma	3103 2015	Pro-forma adjustment of LTR classified as CDS	3103 2015 pro-forma
10	Interest income and similar revenues	1,399,970	(36,960)	1,363,010	1,122,571	(36,931)	1,085,640
20	Interest expense and similar charges	(961,302)	31,778	(929,524)	(522,893)	31,799	(491,094)
30	Net interest income	438,668	(5,182)	433,486	599,678	(5,132)	594,546
40	Fee and commission income	530,684	-	530,684	533,459	-	533,459
50	Fee and commission expense	(85,488)	-	(85,488)	(90,485)	-	(90,485)
60	Net fee and commission income	445,196	-	445,196	442,974	-	442,974
70	Dividends and similar income	2,214	-	2,214	3,410	-	3,410
80	Net profit (loss) from trading	41,617	131,978	173,595	63,428	109,941	173,369
90	Net profit (loss) from hedging	(4,590)	473	(4,117)	14,849	1,066	15,915
100	Gains/losses on disposal/repurchase	47,008	-	47,008	122,236	-	122,236
110	Net profit (loss) from financial assets and liabilities designated at fair value	(45,733)	-	(45,733)	(17,280)	-	(17,280)
120	Net interest and other banking income	924,380	127,269	1,051,649	1,229,295	105,875	1,335,170
130	Net impairment losses (reversals)	(491,714)	-	(491,714)	(454,242)	-	(454,242)
140	Net income from banking activities	432,666	127,269	559,935	775,053	105,875	880,928
180	Adiministrative expenses	(690,291)	-	(690,291)	(695,618)	-	(695,618)
190	Net provisions for risks and charges	(54,503)	-	(54,503)	(29,803)	-	(29,803)
200	Net adjustments to (recoveries on) property, plant and equipment	(28,846)	-	(28,846)	(29,884)	-	(29,884)
210	Net adjustments to (recoveries on) intangible assets	(26,628)	-	(26,628)	(25,387)	-	(25,387)
220	Other operating expenses/income	78,575	-	78,575	91,860	-	91,860
230	Operating expenses	(721,693)	-	(721,693)	(688,832)	-	(688,832)
240	Gains (losses) on investments	67,658	-	67,658	24,513	-	24,513
260	Impairment on goodwill	-	-	-	-	-	-
270	Gains (losses) on disposal of investments	4,675	-	4,675	384	-	384
280	Profit (loss) before tax from continuing operations	(216,694)	127,269	(89,425)	111,118	105,875	216,993
290	Tax expense (recovery) on income from continuing operations	43,059	(41,807)	1,252	(38,013)	(34,780)	(72,793)
300	Profit (loss) after tax from continuing operations	(173,635)	85,462	(88,173)	73,105	71,095	144,200
310	Profit (loss) after tax from groups of assets held for sale and discontinued operations	-	-	-	-	-	-
320	Profit (loss)	(173,635)	85,462	(88,173)	73,105	71,095	144,200
330	Profit (loss) for the period attributable to non-controlling interests	472	-	472	475	-	475
340	Parent company's net profit (loss)	(174,107)	85,462	(88,645)	72,630	71,095	143,725

Pro-forma consolidated statement of comprehensive income

	Items	3103 2014	Pro-forma adjustment of LTR classified as CDS	3103 2014 pro-forma	3103 2015	Pro-forma adjustment of LTR classified as CDS	3103 2015 pro-forma
10	Profi (loss)	(173,635)	85,462	(88,173)	73,105	71,095	144,200
	Other comprehensive income after tax not recycled to profit and loss	(7,758)	-	(7,758)	(15)	-	(15)
40	Actuarial gains (losses) on defined benefit plans	(7,759)	-	(7,759)	(8)	-	(8)
60	Share of valuation reserves of equity-accounted investments	1	-	1	(7)	-	(7)
	Other comprehensive income after tax recycled to profit and loss	276,031	(77,301)	198,730	432,521	(184,321)	248,200
80	Exchange differences	36	-	36	7,727	-	7,727
90	Cash flow hedges	(23,127)	-	(23,127)	2,383	-	2,383
100	Financial assetes available for sale	271,140	(77,301)	193,839	395,998	(184,321)	211,677
110	Non-current assets held for sale	-	-	-	154	-	154
120	Share of valuation reserves of equity-accounted investments	27,982	-	27,982	26,259	-	26,259
130	Total other comprehensive icome after tax	268,273	(77,301)	190,972	432,506	(184,321)	248,185
140	Total comprehensive income (Item 10+130)	94,638	8,161	102,799	505,611	(113,226)	392,385
150	Consolidated comprehensive income attributable to non-controlling interests	491	-	491	475	-	475
160	Consolidated comprehensive income attributable to Parent Company	94,147	8,161	102,308	505,136	(113,226)	391,910